

Office of the
Internal Auditor

AUDIT REPORT

May 2024

Depopulation
Engagement



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Executive Summary

Background

The Florida property insurance market has recently strengthened as more carriers have returned due to the December 2022 legislative reform changes intended to enhance Florida's property insurance market. The Citizen's depopulation program transfers personal and commercial line policies from Citizens to the private market. The depopulation program reduces Citizens' exposure by helping licensed private insurers (Takeout Companies/TOCs) to assume policies from Citizens in bulk.

As Florida law requires, the Citizens' depopulation program matches Citizens' policyholders with insurance companies interested in removing policies from Citizens and providing policyholders private-market coverage. The Office of Insurance Regulation (OIR) reviews and approves TOCs before policy assumption. Once a policy is assumed, the TOCs are responsible for any covered loss (claim) up until the expiration date of the assumed Citizens policy. However, Citizens continues to service the assumed policy until it expires.

Benefits of the depopulation program includes:

- Affordable premiums to policyholders
- Reduced financial risk of assessments
- Increased market competition
- Increased stability in the Florida insurance market

The following figures illustrate the depopulation program's recent success:

- YTD April 2024 – 114,709 policies assumed with \$55B exposure removed.
- 2023 - 275,324 policies were assumed with \$113B exposure removed

Objectives and Scope

This engagement aimed to assess and validate the processes and controls for the depopulation program implemented for personal and commercial lines assumptions and requirements of participating TOCs.

- Financial processes and premium reconciliation
- Assumption procedures
- PolicyCenter user access
- Complaint resolution
- Resource availability for consumers



Executive Summary

Audit Results

Results from the audit indicate effective business processes and controls are in place to ensure adequate management, accuracy, and quality of depopulation processes. Specifically, Internal Audit noted the following:

- Financial processes and premium reconciliation practices are adequate to ensure that the correct amount of ceded premium is being paid to TOCs when policies are assumed and for the duration of Citizens' policy administration.
- Even though the depopulation of policies is a very complex process, Citizens has adequate controls in place to ensure the accurate and effective transfer of policies to the TOCs.
- TOCs access to Policyholder information is limited, includes the appropriate level of controls, and does not include personally identifiable information (PII).
- The control process in place for handling depopulation complaints is adequate, as indicated by 90 inquiries and complaints in all of 2023 through March 21, 2024. The focus of complaint resolution is successfully educating the policyholder about the depopulation and assumption process and changes due to Senate Bill 2A requiring Citizens to depopulate policies.
- Depopulation resources for policyholders are available from their agents and on Citizens' external website, including FAQs and phone numbers for contacting Citizens.

We would like to thank management and staff for their cooperation and professional courtesy throughout this engagement.



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