

Office of the
Internal Auditor

ENGAGEMENT REPORT

October 2024

Citizens Reimagined
Implementation





Advisory Memorandum

Background

Citizens is required, as part of the Clearinghouse Statute 627.3518, to have a process in place to confirm eligibility with the corporation and to enhance access of new applicants for coverage and existing policyholders of the corporation to offers of coverage from authorized insurers. Citizens shall have an established program for personal residential risks to facilitate diverting ineligible applicants and existing policyholders from the corporation into the voluntary insurance market. Citizens' Clearinghouse contract renewal slated for August 2023 presented an opportunity to "re-imagine" how the Clearinghouse process is applied to new business risks. Citizens Reimagined began in 2021 as a concept to provide a comprehensive multi-platform solution to replace the Clearinghouse application. The objective is to enhance customer and agent experience and ensure that only eligible risks are insured by Citizens.

Procurement for a new application concluded in 2023, with the contract awarded to Applied Systems, and the discovery/implementation phase began in December 2023. Implementing this project is a crucial undertaking because Applied's solution replaced the legislatively required Clearinghouse which will be used by approximately 17,000+ users in the marketplace.

During the implementation phase of Applied's solution (EZLynx Comparative Rater), the Clearinghouse Interim Program Solution (CHIPS) program was established as an interim process to facilitate the diversion of ineligible applications and existing policyholders (i.e. renewal policies) from Citizens into the voluntary insurance market. The CHIPS program includes a manual review of comparative quotes from other carriers provided by the agent for a new or renewal policy. This program consistently enforces Citizens premium comparison eligibility rules and allows carriers to represent their offered premiums to agents.

Objectives and Scope

Internal Audit monitored the implementation of Applied's EZLynx Rating Engine by providing consultative support regarding risks and controls to the business area and project management team and ensuring the solution would facilitate the placement of properties in the private market. The engagement also validated the effective execution of project governance processes and the timely escalation and handling of issues.

Internal Audit's participation was focused on evaluating:

- The execution of project governance, including the management framework within which project decisions are made.
- The design and implementation of new or enhanced policies, operational procedures, monitoring, and reporting where required.
- New controls based on risk or as the project team requests.
- Management requested a review of Applied's invoices during development to ensure adequate documentation of invoice support.

Results

The Enterprise Program management team and Agency & Market Services worked closely with Applied to ensure active and productive communication, as well as adherence to agreed-upon contractual timelines for the implementation, were met.



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Agents began receiving written communications in early May 2024 to increase their awareness of implementing EZLynx Rating Engine as the new solution for the Clearinghouse program. These communications were distributed throughout May, June, July, August and September and covered several topics related to the solution requirements and training opportunities.

In late May, an EZLynx pilot user session was facilitated with four participating agencies. Overall, the pilot was successful; errors were identified, and agent feedback and recommendations were evaluated and implemented.

Beginning in mid-June through October, 40+ recorded and live training webinars of EZLynx were available on the Citizens Agent's website and within the Citizens Learning Center for internal users and external users. These webinars included training for newly credentialed users and combined training with existing EZLynx users. The course introduced agents to using Applied Systems' EZLynx Rating system, prepared them to access and quote within EZLynx, and assisted with system navigation and understanding eligibility requirements. By the end of July, over 4,800 agents were using EZLynx, and adoption increased significantly throughout August, with over 17,000 users actively enrolled. Once agents had actively used the system and could ask more detailed questions, additional training sessions were added in September to support users with more advanced system knowledge.

- The EZLynx application is up and running to support the Clearinghouse statute objectives. During the first month of implementation, we averaged 500-600 quotes per week in July, and by October, there were 13K+ per week of comparable homeowner insurance quotes in EZLynx. Additional enhancements are expected through 2025 as technical and functional requirements are applied, such as Automated Eligibility Checks for New Business Q1 2025
- Replacement Cost Estimator, Single Sign-On, SailPoint integration, and MyAgency integration scheduled for completion in Q2 2025.
- Limited Servicing Agreement and Automated Eligibility Check for Renewal Business support scheduled for completion Q3 2025.

Internal Audit also provided project support by reviewing Applied invoices during the development phase and requesting that the vendor provide additional information.

Internal Audit determined that the initial and most critical implementation phase conforms with established Citizens' processes and procedures.

We thank management and staff for their cooperation and professional courtesy throughout this advisory engagement.



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