



Office of the
Internal Auditor

AUDIT REPORT 2023

Catastrophe
Preparedness Audit



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Background

Citizens, as a property and casualty insurance company in Florida, must be prepared for potential catastrophic storms every year. The storm season officially begins annually on June 1st; however, preparation begins in December of the prior year to ensure the catastrophe response provided is efficient, scalable, and prompt service will be provided to policyholders. Citizens currently has 1.3M policies in force, which continues to grow due to Florida Market conditions. As a result of Citizen's recent growth, it is crucial to ensure the organization is prepared to handle a large catastrophe claim event in addition to normal operations. Hurricane Ian's response initiated the first remote onboarding of independent adjusters and related technological upgrades. Despite a successful Ian and Nicole storm response, it was determined that there were technical challenges to overcome, and improvements needed while working in a high-tech remote environment.

Catastrophe readiness begins with a well-documented Catastrophe (CAT) Master Plan and a CAT Preparation and Assurance Plan. The CAT Master Plan provides a blueprint for an enterprise-wide approach, which includes supporting business units from across the company. This plan serves to document off-season planning and testing, and in-season coordination. The CAT Preparation and Assurance Plan provides an annual preparation forecast broken down into 18 Categories tracking 155 readiness preparation activities across the organization. Each business unit reviews the CAT Plan by revisiting the roles, responsibilities, process changes, and expectations of its unit/department. Bi-monthly meetings begin in January to discuss status updates and expectations of all 155 activities on the CAT Preparation Assurance Dashboard, with the goal for all 155 items to be in a ready-to-go status before or on June 1st.

Objectives and Scope

Evaluate the Catastrophe preparedness processes and controls, including the virtual onboarding process, to enhance the effectiveness and quality of service to our policyholders in the event of a disaster.

- Vendor preparedness and support for CAT Event
- Validate CAT readiness tactical actions are tracked and updated
- CAT Model workflow
- Onboarding focused on IT support and training
- CAT Operations testing
- Phone system capability
- Credentialing Administration Information System (CAIS) provisioning & de-provisioning capabilities and improvements
- Help Desk Support

Results

Results from the audit work indicate there are effective business processes and controls in place to ensure adequate management, accuracy, and quality of CAT Readiness processes and testing. Internal Audit validated the assessment of the CAT Preparation and Assurance testing of 155 items across the organization to determine CAT Readiness and assessed that all of these items are properly designed and ready. Specifically, we highlight the following positive practices:



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- During the planning and preparation phase, CAT Preparation & Assurance Meetings are held bi-monthly beginning in January every year. Testing modules are identified and discussed, and plans are set forth for how and when to test. Testing includes readiness of the FNOL/call center vendors, CRC deployment operations, check processing capacity, IT system load/stress testing, telephony systems, and many others. Business units collaborate to update the progress and testing for 155 items within 18 categories to ensure CAT readiness tactical actions are complete.
- Claims Vendor Management ensures the contracted Independent Adjuster (IA) Firms can provide sufficient resources based on a 1 in 100 storm event. During Hurricane Ian, there were 65,497 reported claims, and 2,084 deployed resources, with 545 adjusters still actively deployed. For the 2023 storm season, 29 contracted IA Firms with committed resources of approximately 2,240 adjusters to perform desk, task, and field adjusting services.

Results from the Internal Audit assessment of CAT Readiness also include lessons learned from the 2022 storm season. The items noted below are some important items addressed during this year's CAT preparedness.

- Vendor preparedness and support for a CAT event include an updated Train the Trainer workshop that included desk and task adjuster training for IA Firms to ensure firm readiness. The CAT business unit and the Learning & Development team worked together to update the training process guides with current expectations for CAT deployment, productivity, ClaimCenter, telephony, and customer service. The Claims Best Practices Guide was also updated as an additional resource for adjusters.
- The CAT Task/Workflow Model is effective and well-documented within the 2023 Catastrophe Response Master Plan. There are five (5) services with multiple contracts with IA Firms that allow flexibility and options to match the response to the size and severity of an event.
- Onboarding focused on IT support and training: Hurricane Ian was the first virtual onboarding of remote IA's identifying the technological challenges with remote work. An onboarding CAT Virtual Desk Adjuster checklist, including IT requirements, was developed, and recent testing during a CAT Mock Onboarding Exercise training held on May 11th was successful.
- CAT Operational system load/stress testing of key systems was completed on May 30th and 31st. In addition to the normal daily workload, the systems were tested with an additional 450K claim event load. The load test simulated a 3,500 concurrent user load against the critical application that gets impacted in the event of a catastrophe. Overall, the systems were able to handle a 450K event with the improvements that were applied to the infrastructure and code.
- The legacy phone system's capability during Ian's storm response was challenging due to many remote adjusters and limited licensing capacity. The opportunity for a new phone solution with a backup plan was established for IA's using MS Teams. A pilot program was developed and tested successfully. The legacy phone systems (Citrix, Client Softphone) were upgraded and tested in the event they had to be used as a backup telephony system.
- The Credentialing Administration Information System (CAIS) houses IA Firm resources confirmed with Citizens. Aligning with the MS Teams telephony solution, they have updated



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the active license type for MS Teams use in CAIS. All independent adjusters will be provisioned with the E1+Phone license, which will give them access to the Microsoft Webmail + Teams phone in a very timely manner once provisioned.

- Help Desk Support for IA's onboarding, offboarding, and minor tech issues was supported by a vendor during Hurricane Ian. The contract for this service is currently in the process of negotiation. Citizens is currently using contingent staffing for these services managed by Citizens staff.

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



Distribution

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