Citizens Property Insurance Corporation

Minutes of the
Finance and Investment Committee Meeting
Tuesday, March 15, 2016

The Finance and Investment Committee (FIC) of Citizens Property Insurance Corporation (Citizens) convened at the Sheraton Orlando North in Maitland, FL on Tuesday, March 15, 2015 at 4:00 pm (EDT).

The following members of the FIC were present:

Chris Gardner, Chairman
Jim Henderson

The following members of the FIC were present telephonically:

Bette Brown

The following Citizens staff members were present:

Barry Gilway
Jennifer Montero
Barbara Walker
Joe Martins
Andrew Woodward
John Rollins
Michael Peltier
Jay Adams
Kelly Booten
Carl Rockman
Dan Sumner
Violet Bloom
Juan Cocuy

The following people were present:

Kapil Bhatia	Raymond James
Doug Draper	RBC Capital Markets
Matt Williams	BOA Merrill Lynch
Coleman Cordell	BOA Merrill Lynch
Ayanna Louis-Charles	Morgan Stanly
Mark Weinberg	Citi Group
Fred Strauss	Holbron Corporation

Rick Patterson	Raymond James
George Smith	Bryant Miller Olive
Steven Alexander	PFM
Henry Reyes	JP Morgan

Call Meeting to Order

Barbara Walker took roll.

1. **Approval of Prior Meeting's Minutes**

Chairman Gardner made the motion to approve the December 8, 2015 Finance and Investment Committee (FIC) Minutes. Jim Henderson seconded the motion. All were in favor. Motion approved.

Chairman Gardner: Second item of business is the market update Kapil Bhatia, you are recognize.

2. **Market Update**

Kapil Bhatia: I will go briefly over where the markets are right now and please stop me at any time with any questions. There are currently 7.9 million people unemployed in the United States, or the unemployment rate is 4.9 percent. Labor force participation is at 62.4 percent which is almost lowest in the last 50 years. The U. S. unemployment rate is 9.7 percent, which really doesn't reflects the true unemployment rate which includes permanent mismatch of labor force or the labor force looking for permanent jobs that are currently working part time. So there is a huge slack in the labor force and we don't expect inflation to increase because of this slack, and therefore, interest rates are expected to remain low. Oil is currently range bound and probably will remain low which is good for the economy currently at $37 a barrel. Oil producing nations have no reason to cut production, and to some extent they don't believe in market economy or markets. So the only thing they know is to produce more, so there is more demand than actual supply, so we expect oil prices to remain where they are. Muni issuance is strong, because of a large amount of refunding with the low interest rate and corporate issuance is strong, but all of this issuance is not going to the capital investments or infrastructure investment but especially on the corporate side it is more of a financial engineering, lots of mergers, as well as buy-back of the stocks. The global economy is weak. There is no way to sugar coat it. Europe is struggling, low growth, high European central bank intervention, low interest rates. China, low growth, struggling, far from being a consumer economy. It is still a developing economy with lots of government intervention. Japan, low growth, aging population, negative rates. Interest rates are negative from one to 15 years depends on which country you are looking in Europe or Japan. U.S. rates are low and again rates are expected to remain low. As a nation we spent less on infrastructure investment today than we did 15 or 20 years ago in the late '90s. Effectively we don't see productivity in the growth, so that is one of the reason of the low growth. Regardless of the interest rates we expect productivity and growth to remain at the low levels where we are and that is one of the reasons labor force participation rated at 62.4 percent. So we have a long term structural problems in our economy which is far from getting solved with the low interest rates unless we find some kind of a fiscal policy. On the positive side with the low interest rates, the reinsurance market is strong. Traditional markets capital is over $500 billion. Alternative capital has currently over $70 billion and expected to get to $100 billion over the next three to four years, and therefore, traditional market rates are much lower than where they were last year, closer to 10 percent lower than where we were seeing it in 2015, and this year the expectation is seven and a half or 10 percent lower, or maybe marginally more, it depends on how the markets behave and how the demand and supply is. And again, the primary reason is low cost of capital, all of this is on the negative side. On the positive side our investment portfolio is doing great. We have $13.2 billion, it is stable being strong and generating above market returns. Investment policies are working with the recent changes and we expect investment income this year to grow significantly far above than where we were in 2015, because of the longer duration. We have been able to capitalize on some peak in interest rate in the last month of 2015 and early January, and even in this lower rate environment. So I will stop here to see if you have any questions.

Chairman Gardner: Members, any questions for Kapil?

Governor Brown: None from me.

Governor Henderson: Thank you, one comment you said the high yield and leverage debt, Europe, what was your comment on that?

Kapil Bhatia: I most of the corporate debt issuance whether it is in the high yield or even in the regular investment grid rated is not going to the capital investment. It is mostly going into the buy-back of securities. So more of a financial enduring than actually going into the investment or increasing the productivity. So either it is the buy-back of the securities or mergers and acquisitions.

Governor Henderson: Very good, thank you.

Chairman Gardner: Thank you, Kapil. We are to our reinsurance update. Jennifer Montero, you are recognized.

3. **Reinsurance Update**

Jennifer Montero: Thank you. Good afternoon, I will give you a quick overview of our program and then I will give an update. In 2015, Citizens transferred $3.9 billion of risks through reinsurance in the coastal account. $1.85 billion was through the traditional market and $2.5 billion was through the capital markets. Approximately $1.7 billion of that coverage will expire before the start of this wind season, leaving approximately $2.2 billion in carry-over coverage for the 2016 season. The coverage consists of $1.5 billion in the 2014 Everglades Re Cat Bond, $300 million in the 2015 Everglades Re II Cat Bond, $202 million in the 2014 multi-year traditional reinsurance and $241.3 million of the 2015 multi-year traditional reinsurance. All of the carry-over overage is aggregate.

As for an update, earlier this month we met with our reinsurers, specifically our multi-year traditional reinsurers. As you are aware our depopulation program has been extremely successful over the past few years, and with that our PML has decreased from $24.52 billion in 2011, down to a projected $8.19 billion for 2016. If you would turn to the coastal layer charts on page 2 behind tab three, you will see that although we have more than $2.2 billion in reinsurance coverage carrying over from prior years, we have no coverage below the 1-in-41 year event except for the Cat Fund coverage. Due to the budget constraints and considerations of changes in our book of business within the coastal account we are looking to revamp the 2016 risk transfer program with a focus towards 2016 being a transition year. This year we have requested the multi-year reinsurers to consider reallocating their capacity to the wrap layer, which would attach at the Cat Fund attachment point with a Cat Fund enuring with pricing to reflect the change in risks. Simply stated, we would like to move the $443 million of aggregate coverage down to the wrap layer to provide 100 percent coverage in that layer. This would allow Citizens to have coverage in the lower layer with potential of only marginal increase in premium. However, this proposal to shift to the multi-year capacity down to the wrap, while keeping the budgetary constraints in the forefront, also means that there will be considerable constraints on our ability to renew the yearly expiring traditional reinsurance coverage on the remaining portfolio.

If you recall, and in addition to the expiring yearly traditional reinsurance limit of $982 million on the personal residential portfolio in the coastal account we purchased $430.5 million of commercial non-residential coverage in 2015. This was an increase from the $164 million purchased the prior year. This equates to that much more surplus being exposed in the 1-in-100 year event if we forego the coverage for this 2016 wind season. We are currently working with the brokers to provide our exposure data to the reinsurers for modeling this proposal. We will be sending out a condensed submission to the multi-year reinsurers within the next couple of weeks and we will be coming back to both the FIC and the Board for approval before the firm order terms go out. Additionally the $1.5 billion 2014 Everglades Re Cat Bond matures in early 2017 before the start of hurricane season. So we are will be in a position to redesign our program in 2017, to fit the respective risk levels at that time.

Chairman Gardner: Thank you, Jennifer. Members, any questions for Jennifer.

Governor Henderson: No, none here. Thank you.

Chairman Gardner: Great, thank you. So we are on to item five -- excuse me, item four, Citizens legacy securities.

4. Citizens' Legacy Securities

Jennifer Montero: Thank you, in June of 2013, the Finance Investment Committee requested that staff analyst legacy assets held in the portfolio and provide an investment recommendation. At that time staff recommended holding securities after analyzing the market conditions and security pricing. The legacy assets are predominantly structured investment vehicles known as SIVs purchased on Citizens behalf by a former portfolio manager. Citizens currently holds one security, Lehman Brothers holding and four SIVs, AFF Financing, Atlantic East, Pacific West and issue entity that make up the legacy assets. The investments defaulted on their original obligation during the financial crisis in the fall of 2007. Because the assets were determined to be distressed, $290.6 million in write-downs occurred in 2007 and 2008, and were reflected as realized losses. Because the legacy assets were performing and providing above market returns, combined with the lack of liquidity for the securities, Citizens has continued to hold these assets. The original principle amount was $968.5 million of which the principle PAR amount for the four SIVs totaled $607.6 million and the associated write-down totaled $237.5 million. Since 2008, we have recovered $150.5 million of write downs and have also received $376 million in principle payments. The current amortized cost is $89.4 million and the current market value is approximately $128.7 million. Current market conditions for SIVs remain less liquid and current spreads are wide between the bid and the asking price. We expect the sale price of these SIVs to be within the range of 80 to 90 percent which would be $103 to $116 million generating mart to market gains of $14 million to $26 million. At this time there is no market value for the Lehman Brothers holdings as they are currently going through bankruptcy proceedings and we are in receiving our proportionate share through our court settlement process. I would like to turn it over to Kapil Bhatia, our financial adviser, as he would like to make a few comments before we move to a recommendation.

Kapil Bhatia: Thank you, Jennifer. And since 2013, when we said we should hold on to the securities because securities were still generating us cash flow, the rates were low but they were paying the principle pay downs. And since that point of time we have recovered $82 million of write downs, but over time the principle amount has become so minimal that the principle payment or recoveries are now almost approaching zero. So at this point in time we are thinking of, doing a market analysis, looking at the market value, everything else, to liquidate those securities and actually invest those securities to our investment policy in a fixed rate so we can actually generate higher investment returns. So we would recommend to liquidate those securities now and get rid of basically the last chapter from the 2007 financial crisis in our portfolio. And Jennifer has the recommendation unless there are any questions.

Governor Brown: This is Bette Brown. I have a question.

Kapil Bhatia: Yes, Governor Brown.

Governor Brown: Okay. That was my question, why now, why not in 2013, and why not in the future because interest rates are still pretty flat, so it is really not like you can invest it somewhere else. But what you are telling me is that for the majority of the principle has been repaid and recovered and your thoughts are because that and those several years that the majority of the principles were repaid or recovered we could find a better source for this money, is that basically why you are doing it now?

Kapil Bhatia: That is correct, Governor Brown. As Jennifer mentioned, the original PAR amount of these securities was $607 million. Of that $607 million we have already recovered $526.5 million between the principle payment and a write down recoveries, so that a remaining –

Governor Brown: Yes, I saw that.

Kapil Bhatia: So the remaining amount is really the difference between those two, which is closer to $81 million, and the amortized cost is $89.4 million. If we go to the market we can expect to receive somewhere in the range of $104 to $116 million which is far above what the amortized cost is and the pay down is going to be a very, very slow process as most of the good credit has already been recovered. Now it is residual cash flow which may take five to seven years. We think from an economics perspective there may be a more benefits by liquidating the securities and investing into our policy, so if you ever need the cash it is highly liquid, and it is probably going to take us three to six months to work through to liquidate the securities. So from a timing perspective we would think it is the right time to do it.

Chairman Gardner: Yes, and –

Governor Brown: I have one other question.

Chairman Gardner: Go ahead.

Governor Brown: The bankruptcy issue with Lehman Brothers that is separate and not apart of this tranche it is separated so we don't have to deal, but once the bankruptcy is settled we will be deal with it at that point?

Kapil Bhatia: Yes, we are getting cash flow from the Lehman every month, and it will continue to flow. There is no market for the existing Lehman securities as the Judge determines every month how much cash is available and we get our proportionate share. So effectively there is no market available for that security so we are just going to wait until all of the cash flows and that will be the only security left in our portfolio from the 2007 crisis.

Governor Brown: Okay, thank you.

Chairman Gardner: And Governor Brown, from a historical perspective I was here in '13 for those discussions and there was significant momentum to sell those securities and Raymond James was very adamant that it was more prudent to hold them. And so what was the -- what was the improvement from 2013 to today?

Kapil Bhatia: We have recovered $82 million of our write down. In addition to that we have received $120 million in principle payments over the last three years. So we almost got one third of our value in the last -- less than three years, two years and nine months.

Chairman Gardner: It turns out to be pretty good advice. So thank you for that.

Kapil Bhatia: Thank you.

Jennifer Montero: Can I go forward with a recommendation?

Chairman Gardner: Please.

Jennifer Montero: I do want to point out one correction in the recommendation, and it refers to staff recommends that the Board authorize Citizens. After consulting with Dan Sumner, this really is to be, FIC will be approving this and request that the Chairman report it to the full Board in the morning, just as informational.

Chairman Gardner: Will the Chairman have notes to report in the morning?

Jennifer Montero: Sure.

Chairman Gardner: Okay, great.

Jennifer Montero: **Citizens, the formal recommendation is Citizens staff work closely with its financial adviser on the economic analysis of the legacy assets. Staff also consulted with the Apollo group who manages the underlying securities for the four structured investment vehicles, the SIVs. Lehman Brothers holding escrow are excluded from staff's recommendation as Lehman Brothers is winding down the liquidation of its assets from the bankruptcy proceedings. Staff recommends that the Finance and Investment Committee authorize Citizens staff to work with its financial adviser to develop a strategy to sell its SIVs legacy securities in the price range of at least $85\% \pm 5\%$ of the current market value of $129 million to generate sale proceeds of $103 to $116 million.**

Chairman Gardner: Thank you, Jennifer. Members, is there a motion?

Governor Henderson: So moved.

Governor Brown: I will second.

Chairman Gardner: Motion and a second. Any objection? Motion carries, thank you.

Jennifer Montero: Thank you.

Chairman Gardner: The next item is the Citizens account history and I am very sad that our former colleague, John Wortman, is not here to participate in this presentation, more on that tomorrow. So fire away, Jennifer.

5. **Citizens' Account History**

Jennifer Montero: This was at the request of the Finance Investment Committee, specifically Governor Wortman. Staff prepared an overview of Citizens' accounts and the respective history. This overview is behind tab five. In 2002, the Florida Wind Storm Underwriting Association, the FWUA, which wrote wind only policy coverage in Florida merged with the Florida Residential Property and Casually Joint Underwriting Association, the FRPC JUA which wrote personal and commercial residential coverage in Florida, thereby creating Citizens property insurance corporation. Citizens is made up of three accounts, the personal lines accounts, the PLA, the commercial lines account, CLA, both from the FRPC JUA, and then the coastal account formerly known as the high risk account, HRA, from the FWUA. In 2011, the high risk account's name was changed to the coastal account. This name change was effected due to confusing from some investors when the high risk account issued debt. The investors thought that the bonds were considered high risk because the name high risk was in the official statement. The next page illustrates the reporting comparisons among the three accounts. The majority of our regulatory filings are filed on a combined basis, financing, claims paying resources, exposure modeling and invested assets are generally reported with the PLA and the CLA combined. The remaining reporting elements including reinsurance and assessments are on an individual account basis. The matrix on the following page displays the predominant attributes for each account. The statutory history, risk transfer, debt issuance, policy forms and assessments. The following page lists advantages and disadvantage identified with the consolidation of the three accounts and the final slide provides statutory history of each of the three accounts.

Chairman Gardner: Let's go slowly through the advantages and disadvantages. I think it is probably important to at least walk through that, okay.

Jennifer Montero: Sure. Sometimes they go back and forth. So one advantage is sharing the surplus among the three accounts. So that one account can subsidies the other. The disadvantage of that would be the erosion of the individual account surplus from one account to the other. An advantage would be to reduce the overall amount of Citizens' assessments faced by Floridians. That would be an advantage to the citizens of the state of Florida. The disadvantage, it would reduce Citizens' assessment ability, which could in turn reduce our overall liquidity in claims paying resources, increase our reliance on pre-event and post-event financing, reduce financial flexibility, increased overall financing cost and there could be a negative potential impact on Citizens' credit rating. Another advantage would be potential streamlining of the financial reporting and the potential operational efficiencies. Another disadvantages would be restrictive financing documentation. Outstanding debt must mature before we can do account consolidation. We could have potential adverse impacts to rates for the same policyholders within each rate territory primarily due to cross subsidy, and then the final disadvantage would be the cost of consolidation.

Chairman Gardner: Members, any questions for Jennifer or Kapil?

Governor Henderson: Jennifer, I guess on this, I think John with his history and I guess pushing for this consideration, and I ask this question a little bit tongue in cheek in terms of being on point, is that whether or not the staff really feels that there is a way to pull some of the advantages of this combination out without destroying the accountability or the respected funds with respect to rating and discipline for the funds, but yet if you look at reinsurance buying and at the end of the day I think for us to provide a mechanism there that one can support the other there is not necessarily a bad thing as long as we understand the rate adequacy within the respective groups. So what am I asking? Can we look at some of the advantages of this program there and incorporate it without losing the credibility of the respective funds?

Jennifer Montero: That's the big question. Go ahead.

Kapil Bhatia: Thank you, Governor. In the past we have and we have incorporated some of those things. One is we can't share surplus among the three accounts but we have evaluated if we can borrow from one account to the other account when the surplus is available, and there have been some legal issues, some legal work has been done. So that is one advantage which can is incorporated but we would need a little bit more time. And even if we decide to go through the consolidation of accounts, our existing debt does not mature until 2025. So the cost is prohibitive. So we will have to think about it, but we have been able to do some of this stuff from an operational efficiency from a better IT system as well is the lending of one account to another account, but we have not been able to achieve all of the advantages within the constraints but we have been able to achieve some and we continue to plan to work on it. We will just have to spend a little bit more time on it, doing it, but in terms of combining account we are at least nine years away, even if nothing else changes because of our outstanding debt structure. And redemption of that debt is very, very prohibitive.

Governor Henderson: So the different funds can borrow from each other?

Kapil Bhatia: Right now they are not. We started the legal work. We have not reached that point where it can be, but we started that last year and there is still a lot of work to be done but it has -- it can be done at some point in time. We will have to work with the bond counsel as well is the General Counsel to get to that point, but we have done some basic preliminarily work from a financial perspective whether it is feasible, so we can achieve the same advantage.

Governor Henderson: Looking at the glide path of the accounts, there is a scenario where that may have to happen at some point. It could depending upon either the coastal or the personal lines.

Kapil Bhatia: I am not sure if I can answer that question. Looking at John if he is still here in terms of, because it is already done by the ratings territory and their constraints to it, but I am not sure if consolidation of accounts will make any difference when it comes to the glide path, but I am not really sure about that part.

Chairman Gardner: So if we could turn back the clock, which we can't, and unwind everything we have done since 1970, I mean, we would be operating, would we be operating as one account?

Kapil Bhatia: then we would have prepared the credit agencies…

Chairman Gardner: I understand, but would that be -- is that our primary disadvantage right now is that everything we put into the motion especially the debt is what makes this not appealing?

Kapil Bhatia: I would say yes. If we would have started that way probably. If we have to reinvent the wheel or go back in time, one account probably would have been, but we have known the advantages and disadvantages probably, but within the constraints it is really difficult to do it where we are.

Chairman Gardner: Well, I sure hope the members of this committee aren't here in 2025. So we will -- that is something we can look forward to.

Governor Henderson: Good luck to them.

Chairman Gardner: That is exactly right.

Jennifer Montero: As long as we don't issue any other debt until then.

Chairman Gardner: You see a lot of sad faces from my view right now. There is a lot of guys out there not looking happy right now. So okay, well, that is something to keep our eye on, and I appreciate the information. I think that is good to share. Do you have any other comments?

Governor Brown: No, I don't.

Chairman Gardner: Thank you. So item six, commercial banking services renewal.

6. Commercial Banking Services Renewal

Jennifer Montero: Yes, this is a consent item to come to the FIC and then it will be in the group for approval tomorrow at the Board meeting. On January 22nd, 2010, Citizens issued an invitation to negotiate ITN number 10-0005, commercial banking services with responses due by March 30th. Citizens received three responsive proposals to the solicitation. Our evaluation team scored the proposals and recommended awarding the contract to Wachovia Bank which later was acquired by Wells Fargo. The contract was effective on June 9th, 2011, and will expire on June 8th, 2016. The contract has two, two-year renewal terms available. The first of two, two-year renewal terms is being exercised. The renewal period effective date will be June 9th, 2016, expire on June 8th, 2018. **So it is recommended that Citizens' Board approve the renewal for one, two-year renewal period for the commercial banking services contract 11-10-0005-00 above and authorize staff to take any appropriate and necessary action consistent with this consent item.**

Chairman Gardner: Members, any questions for Jennifer? Hearing none, is there a motion?

Governor Henderson: So moved.

Governor Brown: Second.

Chairman Gardner: A motion and a second. No objection. The motion carries, thank you. Item seven, the investment portfolio update.

7. Investment Portfolio Update

Jennifer Montero: Yes, behind tab seven is the January 2016, investment report. The total portfolio is $13.33 billion, taxable portfolio was about 65 percent at $8.7 billion and the tax exempt portfolio is about 35 percent of the total portfolio at $4.63 billion. The total portfolio return for one year was 1.02 percent. The taxable portfolio return was 1.13 percent and the tax exempt return was .81 percent. Turning to slide two, the taxable rates for the 10 and five year treasury have been volatile and are lower than last year. In March of 2015, the 10 year was 2.2

percent and the five was 1.66 percent. On March 9th of 2016 the 10 year was 1.88 percent and the five year was 1.39 percent. Tax exempt rates are also marginally lower than last year.

Turning to slide four, as Kapil mentioned in his market update, rates are still low and are expected to remain low, at least until the end of 2016, even with the Fed fund rate increase in December of 2015. We expect only one Fed funds rate increase this year, most likely near the end of the year. Unemployment rate is 4.9 percent, with the U. S. economy conditions improving. Bond issuance is at a record level as rates are low. On slide five the portfolio summary, over 88 percent of the portfolio is managed by 15 external managers. Approximately 12 percent is internally managed. The internally managed funds consist of operating funds, emergency assessment funds, debt service funds and debt service reserve funds. Slide six reflects how the portfolio is distributed among the 15 portfolio managers. The portfolio is very diversified, balanced, liquid and stable with strong returns with minimal risk. Slide seven, the taxable portfolio has strong credit quality, 36 percent is in treasury and agency securities and approximately 51 percent are rated AA or higher.

The tax exempt portfolio also has strong credit quality. 81 percent of that portfolio is rated AA or higher. Slide nine, the total portfolio return summary. The total return is 1.02 and the income return is 1.1 percent over the last 12 months and the duration is 2.1 years. The taxable liquidity portfolio provides the first source of funds for liquidity and claims paying after an event. The portfolio is very liquid with strong credit quality, duration is .9 years and has a total return of 60 basis points. On slide 11 the taxable claims portfolio is stable, liquid, high quality. Duration is 2.8 years and the total return is 1.2 percent. The tax exempt claims portfolio is also stable, liquid and high quality. The duration is 2.2 years and the total return is .96 percent. Slide 13 is the portfolio maturity distribution. It is a bar bell approach, approximately 30 percent of the portfolio matures in less than nine months and approximately 55 percent of the portfolio matures between one and four years. The average duration is 1.2 years. And the final slide which is the downgraded securities, these excluding the legacy securities they are less than .5 percent of the total portfolio and they currently trade at cost with stable pricing. The legacy assets as we have discussed earlier, the older securities and represent approximately .75 percent of the portfolio, but they are currently trading significantly above the amortized cost. Overall the portfolio is stable, diversified with strong credit, and before we close out I would like to turn it over to Kapil to give an update on our debt service sinking fund program that you approved last time.

Kapil Bhatia: Thank you, Jennifer. Two point since we made some investment policy changes as the Board approved it in December, since that point of time this report is dated we have increased duration by almost .3 both in taxable and tax exempt and that is generating around 15 to 20 basis point of incremental return. And as we go through it we expect duration to increase further more. And in the second again we want to just say thank you to the Board for going through with us through the process in approving it. Since the Board's special meeting on January 19th, we have been able to execute four bids in our debt service sinking fund, generating 400,000 of incremental investment income. We are going to probably go through another four to five bids this year and we expect additional investment income from that process to be $2 million in 2016. So we just want to thank the Board for allowing us to work through the process and to scheduling a special Board meeting.

Chairman Gardner: Thank you Kapil.

Jennifer Montero: That concludes my report.

Chairman Gardner: Thank you, Jennifer, well done. Okay, members, new business?

Governor Henderson: I don't have any new business, but one thing, Kapil, you mentioned about the duration is a little further out. If you could maybe with this report kind of share with us kind of the history of that movement and as we go forward. I think that is certainly a key factor there on the duration I think of movement of interest rates there, as you have provided guidance on the before, but keep us informed about the movement of the average duration. We do seem to be very, very conservative, which is great. Our liquidity is excellent, but there is a price for that. So certainly that balance of the liquidity and yet yield there is as to how that portfolio changes over the coming years.

Kapil Bhatia: We appreciate the feedback and we will bring it to the next meeting, but at the same time we expect our duration to increase by that and hopefully we come back in June in the half way year. So we are slowly progressing towards as we have a little bit more flexibility with the risk transfer program and our capital structure. So we expect our duration to be closer to 3.7 years by the time we are done in this calendar year, but we will certainly bring the update to the Board and history as well as where we are.

Governor Henderson: Good to hear, thank you.

Kapil Bhatia: Thank you.

Chairman Gardner: Governor Brown, any comments?

Governor Brown: None from me, thank you.

Chairman Gardner: Okay, hearing no new business, this meeting is adjourned, thank you.

(Whereupon, the meeting was concluded.)