Mr. Cerio: I mean I would say that this is, Chair, you summed it up. It is a question of price and obviously I appreciate the kind comments about staff. They have worked hard. We rely on our financial advisers who do a great job for us, and the onus is on us to answer your questions. And I think there should, this Board exist to make the tough policy decisions and the questions. Obviously, industry index, perimetric, whatever you want to call it, it is new for us, and it is not new to the industry, but it is new for us. So we should have a discussion and flush this out and if there is a belief that the price is right, so be it, and if, if you don't believe so, it is whether, whether correctly or because we did not get you there, then we will -- there are other options, other risk transfer strategies that we still have left to pursue, but we will, we are here to answer your questions.

Chair Beruff: Mr. Lydecker.

Governor Lydecker: Thank you, Mr. Chairman. And thank you for your comments because this is not, you know, one of these conversations that just jumps off the page about what you ought to do. There is definitely a real question mark here. I was going to ask, and I might be catching Jennifer off guard. If you could put up an illustration of, for the 2023 plan for reinsurance. Can we see a visual presentation of, of where this, this index bond sits and the reinsurance plan, and maybe also I think Kapil might speak to a little bit, you know, where it sits. Why it sits there and then what should we expect in the next several months in terms of how you are trying to fill out the rest of the Reinsurance Program which is sitting above the Catastrophic Fund. So, while you are doing that just for a second before I turn it to Kapil or Jennifer, those are two people I have talked to in the last week that have been trying to provide me with some additional information. But part of your presentation, and your thought process, and I think it is going a little bit for the Chair's underlying thought process, is for the 55 million dollars on the excess, you know, you have a very clear hole that exists at the moment between the CPS line which is the Citizens policyholder line which is the purple and the EA or emergency assessment which is the red. So, what I see when I see that, I am in the insurance business, but I am not in the reinsurance business. So, this is something I have had to learn a lot about in the last week is, you know, like a one in four-year, one in nine-year, one in 10-year storm. Our policyholders in Citizens will get an assessment. It may not be a material of an assessment, but they will get an assessment. And so, for me at least what I am trying to get comfortable with is does that 55 million in premium make more sense to be sitting in the red and purple layers or is it better to spend the 55 million and reduce the risk, and in this case, of, because I understand that this is an aggregated policy for any one year. So, we pay 55 million dollars, but if you have four, you know, named storms, small, medium and large, then up to 500 million or the exhausted point of 66 billion, then, you know, we would have that -- so that would be a major assessment for Floridians whether it is policyholders or it is a homeowner in Florida. So, I just want to, I am trying to think through that and maybe everybody would benefit from both of your analyses.

Kapil Bhatia: Jennifer, may I, may I start?

Jennifer Montero: Sure.

Kapil Bhatia: Thank you. Barbara, can you put the other layer chart which shows the rectangle, please? Good afternoon, Mr. Chairman, Governor Lydecker and Governors. Can you hear me okay? Thank you. Yes. Not this one, Barbara. There are layer charts with the rectangles. If you don't --these are all the layer charts you have, Barbara.

Jennifer Montero: I don't believe they do. I can send them to her.

Kapil Bhatia: Okay, thank you. If Jennifer can, but certainly I can start with this. So, Mr. Chairman, to address your point. You are absolutely right, where these index bonds are going to set have not triggered or would have not triggered in the last six years or I would even go further even the last ten years. If it would have a theoretical posture it would be a one in 10-year index bonds, because by definition the law of averages that is what the one in ten years or one in six years would represent. By statute, as you know and everybody else on this call, we are required, at least give our best effort to get one in 100-year cover and minimize the probability of assessment. So, we understand it would not have triggered, we agree with you and we were never expecting that to be triggered. These bonds are structured as an overall comprehensive risk transfer strategy to reduce the probability of assessment even if there is a large enough event. So, where these bonds would trigger really is one-in-46 years and it is allocated between PLA and Coastal and Commercial Residential. So, when Barbara will share it. So, the overall spend of 55 million will be split among the three accounts because it is providing cover for all three, and the reason we approached this account as Jennifer said, this year or section. As you said, based on our conversation four weeks ago, we have done the market intelligence. This year as our policy count has grown to 1.5 million projected to grow, our exposure is significantly higher, our surplus is lower. We know we have a CAT Fund cover, and I can wait for Barbara to show it. Maybe Barbara while you are waiting for it, can you put the PLA or Coastal chart if it is possible. Thank you. Okay, thank you. This is the chart that I was looking for. So maybe the PLA would be better, Barbara, if you have it, because that is where we have grown more.

Jennifer Montero: Slide three. Okay, we are working on it.

Kapil Bhatia: Okay, thank you, thank you. So, the way we were structuring this transaction is to manage as we should, it is a multi-variable analysis, so we have to look at all the variables in the equation. What the price is, how do we reduce the assessment, where are the capacities. The total Risk transfer budget which the Board approved preliminary for us to bring back you the program is 725,000,000 to buy 5.8 billion dollars' worth of reinsurance. We know market is hard…Markets are marginally getting better, but I will not go that far that the margin between now and May will suddenly be cheaper. So, this pricing reflects where the market is. So, this really attaches. So, where you would like, when we talk about one in six years, that will set really and we will pay around 80 to 90 percent rate online for that, because that is what the market demands for one in six-year event. So, if you are looking to buy something below the blue rectangle where the CAT Fund cover is, where our red bar is and the purple bar is, the reason we don't buy because we don't want to corner the market and the pricing is 80 to 90 percent and the primary insurance market, primary insurance market needs that. So that is the point. So, we know we have a CAT Fund cover. That is where the CAT Fund provides. The only thing successful in the Florida insurance market that has worked for the last 30-years, which is the CAT Fund, always there to pay their dues and they paid for Irma, they have paid for Michael, they are paying for Ian. So, we know we have a CAT Fund cover. This market, the sliver which we see right next to the CAT Fund, we know it is a smaller silver which is the 10 cents to the cover, we know we are going to buy in the Traditional Market and that rate is going to be somewhere in the range of, I don't know want to say what that is, because the market is going to adjust to that, but last year we paid either 15 or 22 percent rate on line for this rectangle. So, what my point is if you see where this sits in here it is a very small silver, trying to get some capacity, trying to optimize the program so we have as much capacity as possible while covering it. So, if you see our assessment, we cannot afford to buy what is below the CAT Fund cover. There is no way. We don't have enough resources. We call the market, and the rate online is 60 to 80 percent and we cannot participate even in the new program that is under the special session that was created by the -- with the special session –

Governor Lydecker: I was not saying buy below the CAT Fund cover. I was saying was it material to have the 55 million in premium we would have otherwise paid fee below the CAT Fund. It doesn't appear that the answer is yes just looking at the numbers you put up.

Kapil Bhatia: You are absolutely right, Governor Lydecker. So, 770 will come down to 715 million but it will not change the perspective or what is, or 786 will come down to 721 or 731 million. So, it doesn't really change it because our exposure is over 10 billion in PLA and almost 8 billion in Coastal in addition to CLA. So, this program represents approximately 8.4 percent of what we are going to buy, and this reflects a similar amount of budget. Our commitment to the Chairman and the Board was we were going to try to make our program as efficient as possible and trying to basically turn all the stones what of market offers to place this. So yes, if we just look at the absolute numbers, the 55 million dollars it will attach at one in 45 years, but if see we have three insurances below if we are trying to reduce the probability of assessment while trying to make sure and optimize our Risk Transfer Program at the most effective pricing and try to capture every part of the market as thinking proactively. Once we merge the account where we want this reinsurance to stay, because if we merge the accounts on January 1 and we are fortunate enough, we will still have this cover for next two years and this rate in purple below the CAT Fund will go away because we will be able to merge the account and some of the surplus we will be able to use it collectively. So, I am not sure if I answered the question. I know I went in multiple directions, but I'm happy to go through.

Chair Beruff: Kapil?

Kapil Bhatia: Yes, sir.

Chair Beruff: Or Ms. Montero, let's walk through some more things. The thing has to, if we go, it is a three-year program, but we have to pay every year, is that correct? I didn't hear you.

Jennifer Montero: Sorry. That is correct. As long as --

Chair Beruff: So, I want the Board, I want the Board and the Governors to understand that we have to pay every year. The first year is 11 points, the 55 million if we don't take -- if we make no claim or we don't hit the 51 billion. To keep it in place another year we have to pay another 55 million, right.

Kapil Bhatia: Correct.

Chair Beruff: And then the third year. So, this is not like we are buying a three-year program and we are paying once. We are paying every year. So, in addition to that, correct me if I am wrong, Ms. Montero, but essentially, they give us the money and we have the $500 million and they get to divide off that money?

Jennifer Montero: That is correct. It goes into a trust.

Chair Beruff: So, it goes into a trust, and we allowed to invest it in certain type of instruments, right?

Jennifer Montero: Correct.

Chair Beruff: But the income off those instruments inure to the bond, the people that floated the $500 million to us so that we have the liquidity.

Jennifer Montero: Right.

Chair Beruff: So, the return is actually significantly more because even today in U.S. treasury bills at one year treasury maturities are, Kapil will have a much better up to date number, but I think they're about 4.7. So, you are talking about returns to these investors of 15.7 percent, okay. In addition –

Unknown: inaudible

Chair Beruff: I am sorry, did I misstate the return on the U.S. treasury bill of one year maturity?

Kapil Bhatia: No, Mr. Chairman, you are right, and I will address your points after, after you answered it, I will certainly go through it. You are absolutely right so far.

Chair Beruff: Okay. So, so the return to the investors. So basically, in my opinion the decision is made very simply. What is the chance, and one more question, from 51 billion to 66 billion, Ms. Montero, we get, you take the 500 million and divide it by 15 billion dollars and we get a pro rata share of each of that every billion above the 51 billion?

Jennifer Montero: 500 divided by the 14 5 is about 3.44 percent. So, we get a piece as it goes up to you hit 500.

Chair Beruff: So, we get 3.4 percent of our 500 million every time we the -- the index goes above $51 billion. So, the decision for me is quite simple. Based on the six-year history that hasn't happened, okay. And in order for us to recuperate 100 cents on the dollar of the 500 million, in the first year we have got to get whacked to the tune of 66 billion across this index which in my perspective puts us in a whole different world. And in that world and then we have other things, other work we have to do in order to do it, but I suspect in that world the assessments and things will be less expensive than the 15.7 percent rate that the bond holders are getting on return. Now admittedly, if we get to that point, we don't owe the 500 million, they lose the 500 million because it is not a debt to us. So, it is a little bit of a hybrid. I just don't see where we would be prudent to spend, because it is not only the 55 million, there is six and a quarter million dollars in placement fees. So that is the true cost of this instrument and I just, it is just a bad business decision from my perspective.

Jennifer Montero: Chairman, may I comment on that?

Chair Beruff: Yes, sure, go ahead.

Jennifer Montero: I just wanted to point out, I know that Kapil said this earlier, this is, usually we come to the Board with our whole program because this was to get the capacity and lock it in, we wanted to do this piece early and I just want to recognize, this is not our entire program. It is just a piece.

Chair Beruff: We fully recognize it. We are still going to go to the reinsurance markets. We recognize it is just a piece of the program, but it is a 61-million-dollar cost piece of the program.

Jennifer Montero: Right. It is about, the cost about 8.4 percent of our total program across, you know, the three accounts.

Chair Beruff: That is -- hold it, hold it. That is if we place 100 percent of our money.

Jennifer Montero: Right.

Chair Beruff: We have not been successful in doing that, okay. So, it could end up being 25 or 30 or 40 percent of our money, because at the end of the day, and as I showed this governing board before with other models that we have shown them, there have been periods in the history of Citizens where we have had significant liability potentials because the markets were not cooperative as to the pricing. So, we are the stewards of making good decisions. And yes, sometimes we take a little bit of risk. In this particular case the risk is do we spend 61 million dollars to buy something that I don't think we are ever going to get to the standards. To me it is throwing money, you know, in the garbage.

Kapil Bhatia: Mr. Chairman, sorry Jennifer, sorry.

Jennifer Montero: Actually, I was going to ask, if Mr. Chairman if it is okay if I could ask Kapil to talk to the pricing of the market.

Chair Beruff: Well, the pricing, the pricing, we also know. You shared the pricing with us. It is not anybody's fault. It is a creative way to solve a problem. We acknowledge that. When we went down this path, I thought it had an interest, but when you see the pricing. It is not the pricing. I guess it is the pricing. It is where the layer is if we start getting money it makes zero sense because there is no, no history that supports we are ever going to get near that money.

Kapil Bhatia: Mr. Chairman, you are absolutely right. If you are looking at the history, it doesn't. It comes down to the policy decision of risk management. If you think, if you believe we should have gotten the money in the last six years, I would say it won't be priced at 11 percent, and then your point about the return to the investor that is 15 percent. Certainly, they are putting their money to work. So, if you are investor in this one, you have to look at what are the alternative options available to you and that is how the pricing is determined. So they're going to invest in treasury or on the corporate side where you have a much less risk and those bonds will trade, give you a return of seven to eight to nine percent, depends on what your ratings are in the current market. So, comparing 15 percent is zero is not an unfair comparison. Plus the whole risk part cost you the additional cost. So, it comes down to really a policy decision. If there is a large enough event whether we would have been better off spending 61 million dollars in year one, 55 million in year two or $55 million in year three, because it is a three-year program, or we may get lucky each year and it may not happen and we will save 165, but that is true for all of the reinsurance programs. Risk transfer is how we manage a capital structure and minimize the assessment, and I will just add one more thing, which is if we think that the other side of the market would be cheaper then it is not. If the policy decision is not to buy reinsurance whether the rate is 11 or 10. That doesn't really change. The only reason traditional pricing may be marginally less is because you take the credit risk off the traditional reinsurance because it is not fully collateralized, but the pricing of the market as it is and either we accept the pricing. We can't control the market, we are one of the smaller buyers, or we transfer the risk at this level or we don't transfer it. So it is a policy decision at that point in time and we take the risk with the assessment, but certainly in one in 60-year event will not be priced at what we are talking about. It is the Board's decision from a policy perspective and it is not going to be any different than the Traditional Market or if we come back to you in May, because pricing is going to be similar. The markets move quickly whether it's capital market or Traditional Market, and with the volatility it is even moving faster.

Governor Lydecker: May I ask a question of Kapil, Mr. Chairman?

Chair Beruff: Of course.

Governor Lydecker: Chairman Beruff raised a point that I think is something that we need to consider, that -- or maybe you raised it, Kapil, I am sorry if I am misquoting that, but that we might not even be able to fill out, we weren't able to fill out our reinsurance slips last year. I know the market has just gotten tighter, and we may not be able to fill out what we filled out last year. Would that be an argument for doing this to your way of thinking, because we might have some enhanced exposure or is that -- how should we think about that? That is my question. I just make an observation. I am a little less concerned about what bond holders make on this, and my concern and what I am trying to come to terms with is the potential for a very large assessment for policyholders and/or citizens in the state of Florida, and I mean, it feels to me like weather patterns are, you know, getting worse and worse, and while we are looking at the last four years or the last ten years, you know, if you go back to Hurricane Andrew or maybe before that. I think I read a statistic that was going back to like 1920 or something like that, but there were several, two, three, four, whatever it was, events that we need to be mindful of. I mean, I would say this, from a re-- from an insurance standpoint, just, you know, the idea is we hope not to use it, it is not, but if we do need it would be good to have. I still think it is a policy decision and I actually think Chairman Beruff is making some really valid points. I don't mean to try to minimize those. I get, you know, which side of the bet do you want to be on conversation, but how should we be thinking about the reinsurance placement after, if the Board chose to go with this, how should they be thinking about the reinsurance placement after this?

Kapil Bhatia: Certainly. So, we came up with the best estimates on the pricing when we developed the budget based on the market, trying to fill in all of it. We don't believe we will be able to fully, fulfill all of the 5.8 billion which is what the program is based on our exposure, and the only assessment if we are able to fill it is what you see in the red and that is being generous because we don't have resources to pay that. Hopefully if we are fortunate and because we don't want insurance to trigger, but we want to be prepared. So, it is a proactive decision as a staff we bring to you to make the right policy decision what you think is appropriate, but we are hoping if we are lucky for this year, next year this rate will go away. However, at this point in time I can see that, and Jennifer and me have done a lot of work with our brokers and everybody else. Most likely we will not be able to place 5.8 at the pricing we are comfortable. Like last year we would have been able to place more if we would have paid a premium to the market which we refused to do it and we are not paying it. Unless our pricing is more efficient than where the market is that is the only time we come to you to place it, because we don't want to pay higher prices than the market. So that is one. Second is, certainly we are trying to use the three-prong approach from a risk management perspective. We want to do the traditional, we do the Capital Markets which is the indemnity based, but we are strictly limited by the indemnity base because we can only do one year structure because next year accounts will be combined, and we may not do much in there simply because the frictional cost will be significantly higher for one year transaction. So as Chairman Beruff said, we are paying $6 million in frictional cost or the cost to service provider. If we really think, if it is a three-year program, it should be amortized or at least think about it from a conceptual perspective, which a three-year program and the cost is up front, but we should divide it by three years. It doesn't change the big picture, but definitely. So most likely if we do this program, we will be in a good position to get to our safe and I am just making up a number because I don't want to have market adjust to it. Certainly, if we get to four billion instead of 5.8 or 4.5 billion, I don't think it will cross the five billion, and the reason I will say we will not cross the five billion because market likes us. We are not a credit risk. We are one of the strongest entities. So, there is no premium compared to the rest of the Florida insurance because there is always a risk, plus we have the backup pledge. So lastly, I will say this. We are in the market. We know exactly what it is. If we think the Traditional Market pricing is cheaper, then markets are the markets. As I said, we cannot control the market. So if we don't place this one at the price, if we don't like it and we are comfortable with assessment, I don't think we will be able to place in the traditional because the pricing is the pricing. So overall it is going to be hard to spend all of the budget, overall, it is going to be hard to place anything over five billion. We have tried really hard. We have done all the infrastructure work and that is where we are, and if we think markets were bad last year, they are worse off because insurance, reinsurance industry is paying year losses. We still have adverse loss development as well as the capital in Florida has gone down almost two and-a-half billion dollars because of all of the surplus. With all of the stuff, the special session is very helpful, but it is not going to help for this year, because as the policy gets renewed that thing gets better and better. So in the next couple of years we should expect reinsurance markets to be better assuming there is no event.

Governor Lydecker: I agree with you, but I know that we plan for a 5.8-billion-dollar risk transfer program which is perfect, you know, in a reasonable world would be and you have already said now that you think it is not to exceed five billion based on capacity and pricing. We budgeted 725 million to try to pull that off. What is that 5.8 billion risk transfer contemplating? Earlier you said or maybe Chairman Beruff said this, that there was, we think we will have 1.5 million policyholders. That 5.8-billion-dollar risk transfer, is that contemplating where we think the rise in Citizens will be in the year 2023 or 5.8 where, you know, based on the 2022 number is my question?

Kapil Bhatia: No, it is based on 2022 numbers, but then as you can see on the top of this chart, we have the growth numbers based in there. So, we assume PLA will grow by 40 percent. That is based on our projections. So just as, so this is based on September 30th of 2023 projections. And just to put in perspective how good Jennifer's actuarial department and all the stuff. We were off by one percent in 2022 in our projections. So, we feel very comfortable that these projections which is as of September 30th, that is how we placed the risk transfer program. And then the coastal is for different one. It is on a previous slide.

Governor Lydecker: And by virtue of your comments and Jennifer's comments and Tim's introduction, I might, I am correct to assume this is officially staff's recommendation?

Jennifer Montero: That is correct.

Governor Lydecker: Okay. Thank you.

Tim Cerio: Mr. Chair, I wanted to make a comment, but I know Governor Knight has had her hand up there.

Chair Beruff: I am sorry, Governor Knight, I was watching Mr. Lydecker. I see your hand up Please speak.

Governor Knight: No, I was just getting a place in line. I would like to understand from Kapil, Jennifer, Tim, what do you see as the risk of not moving forward with this recommendation?

Mr. Cerio: Well, that is where I am going to turn it over to Kapil and Jennifer, but that is one of the things. I want to make clear that, you know, we are still going to be in the Traditional Market options if we don't pursue this, but Kapil, let me let you take that.

Kapil Bhatia: Thank you. Jennifer, would you like, please, fine.

Jennifer Montero: No, go ahead.

Kapil Bhatia: Okay, so a two-part answer to that. Certainly, if we think the pricing is not right or at the level that we are doing because all of our layer charts as you can see the Capital Markets are above this layer. Mr. Chairman, as Mr. Chairman said and the rest of the Board believe the same way then, for example, the Capital Markets would be closer to us, because if we are not to the pricing, actually if we don't place it because we are not comfortable with the market pricing, then really, we should not be doing it. So, from that perspective. Traditional Market pricing, again, comes back to the same question. Market pricing is the same. The only layer which sits below is along the CAT Fund coverage. So that is a space a small number as you can see that yellow sliver of 411,000,000, but everything else in Coastal chart sits alongside or above it. So, the pricing is going to be that. If we are not comfortable with this where it attaches and exhausts, then I don't want to be presumptuous here, Jennifer can correct me, but that means all of the other layers sits alongside, too, and the pricing would be similar. So I am not sure how comfortable we would be. Please, Jennifer.

Jennifer Montero: Yes, the one comment I would add is in the past when we were unable to place part of our program it was replaced with surplus, and you would see green all over the chart. The issue here is you are going to see red. We have already maxed out the Citizens policyholder surcharge down at the bottom and go back to something Governor Lydecker said earlier about what if you don't buy. So, say for this example, the PLA chart we are spending, We budgeted what you see here is $400 worth of reinsurance. If we were to take that $400 and put it in surplus you will have $820, $820,000,000 in surplus. You are still going to have a 770-million-dollar citizens policy holder surplus, and then you are going to have a 386-emergency assessment. Then you are going to have the CAT Fund and everything else on that screen is going to be red. So, anything that we don't buy this year or we are not able to buy for whatever reason, pricing or capacity, on this chart it will be red. On the prior chart if you go back to the Coastal Account if Barbara or Bonnie doesn't mind flipping it back.

Chair Beruff: Is that because you have not merged accounts, Ms. Montero?

Jennifer Montero: Yes, yes, it is, Chairman.

Chair Beruff: Okay, so that is a temporary, that is a temporary.

Jennifer Montero: It is.

Chair Beruff: Problem.

Jennifer Montero: Right, it is a 2023 problem and as you will see on this chart we are out of green as well, out of surplus, Citizens' policyholder surcharge at the top and you will see nothing before purple and red fill that.

Chair Beruff: Kapil, I am sorry, Kapil. Is there plenty of liquidity in the banking system if we have to borrow money to bridge from here to January 1st of '24? You are muted, Kapil.

Kapil Bhatia: Yes, sorry, yes.

Jennifer Montero: That is not the issue.

Kapil Bhatia: Liquidity, we had this conversation, and we can talk about the pricing, and we plan to bring that to the Board as you said. There is liquidity, but the liquidity crisis are resulting in, it is getting harder and harder as you can see what happened to the financial market with SUD. We will probably have to go -- and even if we have the liquidity, we will have to go to the market post event bonds to pay for the assessment. So, we can get liquidity for the straw cap approach maybe up to billion, billion and-a-half.

Chair Beruff: Last time, okay, last time we spoke about solutions, okay, we spoke about getting lines in place to bridge May 30 to January 1st as something for this Board to consider. I know we went down this rabbit hole on this solution, okay, which is a good solution, accept the pricing makes -- it is not the pricing, it is the engagement where it pays. That is where it makes no sense. The pricing doesn't bother me, but you don't engage any benefit until you go through 51.5 billion dollars and by the charts that you have shown us, we are not even 24 billion in the last six years. It makes zero sense for us to bet that kind of money on something that we are never going to get paid out on. I would rather spend the money in the traditional sense either if we have to bridge, because what part of what is going on is that we are not merging accounts until January 1st of '24 because of the conditions of a bond that we don't want to defease until then. So, part of this is artificially created so you are trying to get liquidity to survive claims that would occur between June 1 and the traditional hurricane season on November 30th. And then the other thing is, excuse me, let me finish my thought. So, the other thing is that all of those claims would not all be payable within obviously the calendar year. So, by that time we could merge accounts and some of this liquidity problem goes away.

Kapil Bhatia: Mr. Chairman, if I may. And Jennifer, please go ahead.

Chairman Beruff: I would like to acknowledge Governor Leznoff who I am not paying attention to what has raised her hand on the little screen. Go ahead, Governor Leznoff.

Governor Leznoff: So, thank you, Mr. Chair. So, Jennifer as you just discussed, what I am hearing from you is if we don't take this opportunity there is a greater likelihood that we will be in a greater likelihood of assessment on our layer chart because we may not be able to adequately cover in other forms of reinsurance.

Jennifer Montero: That is correct. Anywhere that we have a gap whether it is in this bond, or it is the Traditional Market or in the indemnity Capital Markets. Anything that comes ashore will be either purple or red in the Coastal Account or red in the PLA account.

Governor Leznoff: Okay, so --

Chair Beruff: Go ahead, Governor Leznoff, go ahead.

Governor Leznoff: Thank you. Sorry, Mr. Chair. And although we are talking about policy decisions, Kapil you had mentioned early on, we have a fairly straightforward policy directive from the Legislature, and that is to cover a highly unlikely event, those being one in 100 years. So, if the pricing is, I understand completely the Chairman's position regarding the amounts spent given the unlikelihood of reaching the threshold where, where we access those funds, but I am trying to reconcile that with our statutory directive.

Kapil Bhatia: And if I may, Governor Leznoff.

Chair Beruff: I would like to comment, Kapil, before we move on to your comment. I would like for everybody to take a step back and realize the amount of problems the state of Florida would be under if there was indeed a 66 billion dollar recovery, okay. We are losing track of the reality of the scope of that problem. The problems are so much bigger if that were to happen as someone who lives in the construction business and understands that stuff, all right, that the $500 million that we are getting here and we are trying to be careful and prudent and cautious and not have to assess Florida policyholders for will be a drop in the bucket compared to the problems that we have to overcome. So what it falls back to me is do we have, what is the better use of our 61 million dollars that we wouldn't spend because part of -- and Governor Leznoff's comments are right on point as that is our mission, but our mission in there, also, and Kapil, correct me if I am wrong or Ms. Montero also says when it is prudent and priced at numbers that make sense. And again, the point where this thing comes into play is so high and the price is so high for that privilege it just doesn't make good financial sense, but go ahead, Mr. Kapil.

Kapil Bhatia: And Mr. Chairman, and I will go back to you again from a policy decision. However, if there are 66 billion dollars of losses, 17 billion dollars will be provided by CAT Fund coverage to everybody. That is what reinsurance is. There are 20 billion of reinsurance which are provided by the private market. So, it is not like $60 billion of Florida insured losses will be paid by Floridians. That is what risk transfer does. If we don't buy that is okay, because the rest of the market has to buy. They can't be in the business if they don't have reinsurance.

Chair Beruff: Kapil, my commentary is so much about the dollars and cents side that you are talking about. My comments are the repercussions of those magnitude of losses to the whole economy of Florida is such that it doesn't really, doesn't really apply because you don't have the resources and the tips of supply chains to be able to address that in a competent manner. So, you have got moving pieces here that are going to be much larger. So, if you are going to, if we are going to bet that Florida gets 66 billion dollars worth of damages we have got, you know, like I said, our problem is sort of like buying treasury bills and losing faith in the United States government because if they don't get paid who cares. If the U.S. doesn't pay its treasury bills, the global economy has got much bigger problems, okay.

Kapil Bhatia: And Mr. Chairman, I would just add one thing. That is where the policy decision comes in. If you, if you and everyone else on this call is comfortable with this assessment, as the staff we are bringing you the recommendation to manage our risk, not the state of Florida's because every company is trying to do it. We are just thinking about, and Jennifer's job and our job as advisers to Citizens and to the Board is to manage Citizens' risks. We certainly work with CAT Fund, we help them to manage their risk. It is your call, and we are not speculating and we not suggesting it to bet, if you think it is a bet, we are not suggesting it. We are thinking, what is the best way to manage risk with the resources that we have. So, if we don't buy any reinsurance, I am going to put it in a perspective, not even this transaction, we will save $725,000,000 because we won't spend it and you will have the probability of 5.8 billion of assessments in a big picture. So that is, that is really what the tradeoff is. This is just one small piece. However, if we don't like where it attaches, what the price is, that is perfectly fine because the rest of the pricing would be exactly the same rate. So, I guess the policy decision is being made by the Board, but we used to do it years ago when we did have the money whether to buy reinsurance based on the market price or not, and we will defer to you as you see and the rest of the Board see appropriate.

Chair Beruff: I see another hand up, so I want to make sure I am paying attention to the hands because they are so small on my screen. Governor Telemaco, would you like to comment, please?

Governor Telemaco: Thank you, Chairman. I want to go back to the question that Governor Knight asked because I was not clear on what the consequences would be or what or what the alternatives would be if we did not purchase this. Can you just elaborate? I just need to be clear on what options are available to us should we not take this option, which I agree is expensive and it is hard to kind wrap our heads around, you know, is this a good trade, but what are the options if we don't take this one?

Jennifer Montero: So, I am happy to address that, Governor. So, we have the options to be in the Traditional Market and you can see on the layer charts we have a budgeted amount that we are looking to get as Kapil had mentioned earlier. That does not mean that in this market we will be able to get all that we are looking for, which means those areas will be covered in, in surplus or surcharges. Then there is also the Capital Markets. The problem is we are in the market now and if we, and if we pull out of the market right before pricing, then we are going to have a hard time going back into that same market expecting them to get on board again and go through this again. So, we will probably not have the capital market opportunity this year, but we will have the Traditional Market this year, but there is no guarantee that we will be able to place that capital market coverage with Traditional Market coverage, and there is no guarantee that we are going to get all that we want in the Traditional Market. I do, I do think that the price that it's going at the one in 45, and I just want to remind everybody, this is meant to be the one in 45. Part of our program is from the cat, from the attachment of the cat bond, I am sorry, the CAT Fund up to the one in 100. So, we do our best to fill that. This is right in the mid-point. It is not meant to be the first hit. So, to answer your question, there are opportunities but there may not be. We are going to make every effort we can to try and fill any gaps that we have with coverage so that we don't have either surcharges or assessments, but you know, the market pricing is what it is. And if we come back and it is the same pricing and the Board does not like it, then we take the chance that we save 725 million and we have 5.8 billion dollars of holes. I am sorry, 4.7, because we do have 1.1 billion of CAT Bonds that carry over, we will have that coverage. One more thing I would like to add if it is okay, Mr. Chairman. I wanted to point out part of the logic when we decided to go look at this index, industry loss index bond was we were really looking to get something that was multi year, and the reason was once we merge the accounts we will have nothing but the CAT Fund, that is it, and we will have at least 5.8 billion or more that we will have to go out and try and find capacity for. One of the strategies of this whole industry loss bond was to give us multi-year coverage over the three accounts so that when we merge for the year two and three, we will have coverage. We would have, we are going to have a huge retention, we are going to have a huge layer of the CAT Fund and then we are going to need a huge layer of reinsurance. It is going to be one huge bucket now instead of three separate buckets that we manage. And to try and go out in one year and fill all of that with nothing it might be really hard depending on what happens with the market. So this was also a strategy, not just about price and not just about, you know, filling it at the one in 45, it was really also a strategy to help us get to a multi-year coverage so that we are set up next year to at least have, if we need five billion, we will at least have 500 million and we only need to get four. So, I just wanted to point that out, that that was part of the strategy, and I hope I answered your question, Governor Telemaco.

Chair Beruff: Will somebody call the question, please?

Governor Knight: I call the question.

Chair Beruff: Thank you. All those in favor signify by saying aye.

Governor Lydecker: I fell asleep. We are calling the question. What is the question?

Chair Beruff: The question is those who want to proceed to spend 61 million dollars on this, on this solution signify -- I obviously am going to be a nay, a no vote, okay. Signify by saying yea.

Governor Leznoff: Mr. Chair.

Chair Beruff: I am sorry, go ahead, somebody make the motion, please.

Governor Leznoff: I was hoping we would have an opportunity to debate the motion.

Chair Beruff: Sure, of course. I have, I have a hard stop in about a minute which I can stretch for five minutes, I am sorry.

Governor Leznoff: I will second. I don't know if there was a second, I am happy to second, but before we vote I think we should debate.

Chair Beruff: Happy to do that.

Tim Cerio: Just to clarify, who made the motion? I am sorry.

Chair Beruff: Governor Knight.

Tim Cerio: Governor Knight moved, Leznoff seconded.

Chair Beruff: Okay, thank you. I don't see any hands raised, is that Governor Leznoff I see your hand. Go ahead, please.

Governor Leznoff: Yes, and I completely respect the Chairman's position regarding spending tens of millions of dollars for something that is highly unlikely to occur. Having said that, I feel like our mission is to do everything we can that is reasonable to reduce risk and to ultimately protect the taxpayers by limiting the opportunity, the likelihood of assessment. And given that, you know, from what Jennifer is telling us, the pricing is attractive and that we may not be able to cover some of the holes in the chart in the Traditional Market. I am going to support the motion to, to allow for the purchase.

Chair Beruff: Governor Lydecker, you have your hand raised. Thank you, Governor Leznoff.

Governor Lydecker: I would like to echo Governor Leznoff's comments, and I, too, support the motion, but I support the motion with the understanding that our Chairman has made I think very compelling points, business person points on it, but I think I come down on the point that Governor Leznoff made, which is I think the reinsurance market is going to be pretty rough in the next year and that this may end up being an important piece of our future reinsurance program. Hopefully I am wrong, but if I am, it is good to get a bird in the hand. So anyway, thank you, Mr. Chairman.

Chair Beruff: Yes. I would like to add a closing comment. I did run this by a person whose advice and counsel I trust other than myself, and his opinion was it was also not a good use of our funds. So, I will leave that in a blank form as to who that person might be, but everybody on this phone call knows who that is. So, I did, I did go the extra distance to make sure that my thinking was on point for you folks to consider. I wanted to add that to the conversation. So, is there any further comment?

Governor Telemaco: I have a comment, Chair, if I may.

Chair Beruff: Of course. Mr. Telemaco, I don't see your hand up. I am sorry, I don't have you own my screen, but yes, of course.

Governor Telemaco: Yes, I did not raise my hand, I apologize. So just for the record I want to be clear that this pricing and the position of this coverage is not negotiable. In other words, like this is it. This is take it or leave it, this is what we have got between now and May when we explore the entire traditional structure. Is there room for an opportunity to reconsider how we spend or how we allocate a portion of our reinsurance budget for this sort of protection? I do think that a sophisticated company with sophisticated risk needs should have a sophisticated portfolio of risk transfer mechanisms like this. So, I am just curious if there is another way that we can introduce this if this doesn't pass today.

Chair Beruff: Jennifer, I think you are muted.

Jennifer Montero: Yes, sorry. And Governor Telemaco, sorry if I don't understand completely. Are you talking about this same kind of deal, but renegotiate the terms?

Governor Telemaco: Yes. These deals are not, I mean, they are very custom, and they may not be exactly the same deal, but something along these lines, right. Can we, can we still have an opportunity to reconsider or renegotiate or find a different way to introduce this sort of a deal between now and May?

Jennifer Montero: This deal, this deal is kind of solid. It started out at about the size of 200 with the price of 11.5 to 12.5. We were able to, you know, increase the size. We were able to drive the price down. Right now, it is ready to be…, it is done, we have got the investors, they have put in their orders, and it is ready to be approved so that they can go in and price it. If the Board doesn't approve it, that deal is done, it is off the table, and we will not have an opportunity to do another deal like that in that particular -- in the Capital Markets. We will not be able to do any other kind of deal this year. We would have to turn to, we would be turning to just totally 100 percent of Traditional Market.

Governor Telemaco: And let me just clarify. That type of deal, meaning this particular bond structure deal, but there are other alternative reinsurance mechanisms that could still be employed, correct?

Jennifer Montero: Not by us in the Capital Markets. If this falls apart, we won't be able to –

Chair Beruff: With all due respect, I don't think that is the question Governor Telemaco was asking.

Jennifer Montero: I am sorry, I misunderstood then.

Governor Telemaco: Yes, let me clarify. So, so this particular type of deal, I understand cannot be renegotiated, this is it, but there are other alternative mechanisms for reinsurance.

Jennifer Montero: Yes.

Governor Telemaco: That could still be, yes, well, it is not, it is not necessarily traditional, it is still alternative, but it is not Capital Markets, right?

Jennifer Montero: Sure, we would, we would, we are trying to explore everything available to us because the capacity need is so high. We are exploring anything and everything we have been looking at over this year. We looked at stuff last year as well.

Governor Telemaco: Okay.

Jennifer Montero: We considered alternatives different than your typical.

Kapil Bhatia: Jennifer, can I add one thing?

Jennifer Montero: Sure.

Chair Beruff: I have to go, folks, I am sorry. Unless there is a Governor who wants to make any more comments. Please raise your hand or speak because I want to make sure that if I can't see you and I can't see a raised hand, if there is any comment a Governor wants to make, they go ahead and make those. I am not seeing or hearing any further comments. So those in favor of pursuing this vote yea.

(Chorus of yeas.)

Chair Beruff: Is that two yeas, Governor Leznoff and Governor Lydecker.

Governor Knight: Yes.

Governor Butts: And Butts.

Chair Beruff: You all approve, you're approving the expenditure, is that correct?

Governor Knight: Correct.

Governor Leznoff: Yes.

Chair Beruff: Okay, so what are the votes again? Barbara, give me the vote count.

Barbara Walker: Sir, would you like me to call the vote?

Chair Beruff: Yes, sure, that would be great.

Barbara Walker: Okay. Governor Butts.

Governor Butts: Yes.

Barbara Walker: Governor Lydecker.

Governor Lydecker: Yes.

Barbara Walker: Governor Hasner. Governor Hasner may be on mute. I will come back to her. Governor Leznoff.

Governor Leznoff: Yes.

Barbara Walker: Governor Knight.

Governor Knight: Yes.

Barbara Walker: Governor Telemaco.

Governor Telemaco: I am voting against it.

Barbara Walker: Governor, excuse me, Chairman Beruff.

Chair Beruff: That is a no.

Barbara Walker: We still do not have Governor Thomas on the phone or Governor Becksmith.

Chair Beruff: But we did talk about me trying to loop in Governor Hasner via telephone.

Barbara Walker: Okay. Were you able to or do you want me to, sir?

Chair Beruff: I am trying to reach her.

Governor Hasner: Hello.

Chair Beruff: Governor Hasner, we can't hear you. I don't know if there is problems with the sound again.

Governor Hasner: Sorry.

Chair Beruff: That is all right. We, can you hear us because we are voting?

Governor Hasner: Yes.

Tim Cerio: All right. Can everyone, can you all hear Governor Hasner?

Chair Beruff: I could, I don't know if the others could.

Governor Knight: I could.

Tim Cerio: I think you have heard the debate. Just calling for your vote, Governor Hasner.

Governor Hasner: Oh, I said yes.

Tim Cerio: Okay.

Barbara Walker: Chairman that is five yeses and two nos.

Chair Beruff: Okay, there you go. Thank you very much for the meeting today, appreciate your time. Everybody enjoy the St. Patrick's Day weekend.

A VOICE: Happy St. Patrick's Day

A VOICE: You too, bye.

A VOICE: Thank you.

Meeting adjourned.