Finance and Investment Committee Minutes

☒ **ACTION ITEM**	☐ **CONSENT ITEM**
☐ **New Contract**	☐ **Contract Amendment**
☐ **Contract Amendment**	☐ **Existing Contract Extension**
☒ **Other - Committee Charter**	☐ **Existing Contract Additional Spend**
	☐ **Previous Board Approval______________**
	☐ **Other______________________________**

Action Items: Items requiring detailed explanation to the Board. When a requested action item is a day-to-day operational item or unanimously passed through committee it may be moved forward to the board on the Consent Index.

☐ **Move forward as Consent**: This Action item is a day-to-day operational item, unanimously passed through committee or qualifies to be moved forward on the Consent Index.

Consent Items: Items not requiring detailed explanation to the Board of Governors. Consent items are contract extensions, amendments or additional spending authorities for items previously approved by the Board.

Item Description	The Finance and Investment Committee meeting Minutes December 6, 2022
Purpose/Scope	Review of the December 6, 2022 Finance and Investment Committee to provide opportunity for corrections and historical accuracy.
Contract ID	N/A
Budgeted Item	☐Yes ☒No
Procurement Method	N/A
Contract Amount	N/A
Contract Terms	N/A
Committee Recommendation	Staff recommends the review and approval of the December 6, 2022 Finance and Investment Committee minutes.
Contacts	Jennifer Montero, Chief Financial Officer

CITIZENS PROPERTY INSURANCE CORPORATION

MINUTES OF THE FINANCE AND INVESTMENT COMMITTEE MEETING
Tuesday, December 6, 2022

The Finance and Investment Committee (FIC) of Citizens Property Insurance Corporation (Citizens) convened at the Alfond Inn, Winter Park Tuesday, December 6, 2022.

The following members of the FIC were present:

Chair Erin Knight
Carlos Beruff (Board Chair)
Charlie Lydecker

The following Citizens staff members were present:

Jennifer Montero
Barbara Walker
Barry Gilway
Tim Cerio
Kelly Booten
Michael Peltier
Jeremy Pope
Jay Adams
Christine Ashburn

The following people were present:

Kapil Bhatia	Raymond James
Mathew Sansbury	RBC Capital Markets
Duane Draper	Bryant Miller Olive
John Generalli	Wells Fargo
Adam Schwebach	Gallagher Re
Nathaniel Johnson	Bank of America

Call Meeting to Order

Barbara Walker: Good afternoon, and welcome to Citizens' December 6th, 2022, Finance and Investment Committee Meeting that is publicly noticed in the Florida Administrative Register to convene immediately following the Audit Committee Meeting and will be recorded with transcribed Minutes available on our website. For those attending today's session through the public link, you are automatically in listen-only mode. Panelists, thank you for identifying yourself prior to addressing the Committee. May I proceed with the official roll call?

Chair Knight: Yes.

Roll was called and quorum established with Chair Knight, Board Chair Beruff and Governor Lydecker.

Barbara Walker: Chair, you have a quorum.

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

Chair Knight: Okay, thank you. Welcome, everyone, to the December 6th FIC Committee Meeting. We'll start with approval of Minutes from the September 20, 2022 meeting. Do I have motion?

Governor Lydecker: Oh, I'm sorry, I'm sitting here, I'm trying to get myself situated. I apologize. So, behind tab one was (inaudible). Was that a question of a motion to approve the Minutes?

Chair Knight: Yes.

Governor Lydecker: I'd like to make a motion to approve.

Chair Knight: Thank you.

Chair Board Chair Beruff: Second.

Chair Knight: Okay. Motion carries. The next item is the market update from Mr. Bhatia. Welcome.

2. **Raymond James - Financial Advisor**

   a. Market Update

Kapil Bhatia: Thank you. Good afternoon, Madam Chair, Board members. For the record, Kapil Bhatia from Raymond James & Associate. We are your financial adviser. Can you hear me okay? Thank you. So, I'll briefly start with the market update, as always, but please stop me at any point of time for any questions, clarification, additional comments, or thoughts. I'll start with inflation because it's in everybody's mind right now. Inflation rose in October about in line with estimates, signaling that price increases might be stabilizing. The consumer price index rose .3% in October on a seasonally adjusted basis, and 6% on an annual basis. The monthly increase was the same as in September, while the annual increase is marginally less than where we were in September, which was 6.3%. The core inflation, which excludes food and energy, rose only .2% in October, and was up 5% from a year ago, after rising 0.6% in September. Another positive sign is that the manufacturing activity posted its lowest reading in two and a half years in November. The ISM manufacturing index registered a reading of 49, which was 1.2% below October, and its lowest level since May of 2020.However, inflation is expected to continue to remain elevated until the early to middle of 2023. The unemployment rate remains very low at 3.7%, but the labor force participation rate has not yet returned to pre-pandemic levels. The labor force participation rate is at 62.1% and has shown little change since the earlier part of this year. And it's still 1.3% below where we were prior to the COVID on March of 2020, when the level was 63.4%. This translates into approximately 2 million jobs out there, which is not in the labor force, or 2 million labor employees or people who are not in the labor force now who were there in March of 2020.

The student loan forgiveness plan battle is still going on in D.C., as it plans to forgive up to $20,000 in student loans for individuals making less than $125,000, which is expected to translate into a 5% of additional spending or $1,000 per individual, which will certainly add further to the inflation, but not to the same magnitude as prior fiscal stimuluses, which added approximately 1.5% to the current core inflation, which we are seeing in the current numbers. To manage inflation so far, the Fed has increased its Fed fund target rate at a historical fast pace for a total of 3.75% to the current target rate of 3.75% to 4%. The market expectation is for another 50 basis points next week on December 13th and 14th when the Fed meets, and that 25 basis points when Fed meets again in January of 31st and February 1st. We think the terminal rate will approach 4.7% to 5% before Fed stops increasing the rates. Global markets are in similar position as Global Central Banks followed what the Fed was doing, and the U.S. fiscal policy during the COVID lockdown, and the world is trying to play catch up to manage inflation. However, as we all know, part of this inflation is due to unanticipated Russian invasion of Ukraine, which has worsened the inflation and economic outlook, including the food and energy crisis. Market interest rates have responded to the Fed's rate increases and has significantly increased over the year. Since the beginning of this year, and this is a shocking number, one-year U.S. Treasury rates have increased from 40 basis points to 4.72%. That's an increase of 11 times in a one-year treasury rate. That's what Fed has done, basically, to destruct the demand, and that is going to destruct the demand. The two-year UST, U.S. Treasury rate, has increased from 78 basis points to 4.33%, and ten-year treasury has increased from 1.63% to 3.57%. So, if you look at the difference between two and ten-year, we can see the inversion in the yield curve, which is at 40 years high. The current inversion between the two and ten years, as well as three month and a ten-year is 80 basis points. The last time we saw that inversion was in 1981, and we knew where the inflation was in 1980, if we go back and look at the history, when the mortgage rate was 13.5%. So, we know where we were, and this is where the current inversion is. Usually, these kinds of large inversion results in economic slowdown, or some kind of recession. Most of the economists are predicting at least a 50/50 chance of recession.

However, at the same time, we believe the pendulum, or the interest rate have swung too far, and as always, the markets have overreacted and overcorrected. The markets now reflect all of the expected rate increases, and we expect treasury rates for three plus years to start to come down as the Fed gets to the terminal rate and the economy slows down, which is exactly what the Fed wants to do. Some of the reasons we believe for the interest rates are going to come down is that all of the fiscal stimulus of $5.7 trillion is gone. There is still $1 trillion remains in consumer savings account, and that is going very quickly away. We expect by the second quarter of 2023, all of the savings will be gone, and at the same time the new savings rate is at low level of 2.3%, and the credit card debt is at historical high level of $1 trillion. The economy is going to slow down because of all these factors, increase in interest rates, equity market decline, interest rate increases, as well as savings coming down. Housing sector, we all know mortgage rates have increased with the levels not seen since over the last 15 years, and that is putting pressure on the housing, and construction, and all of the ancillary sectors. Global macro conditions will improve as the world adjusts to a geopolitical crisis, and we bring back offshoring back to reshoring, and we have seen some of those reflected in the inflation numbers now, as manufacturing comes back to the U.S., as well as to Europe from China and other Asian countries to manage that geopolitical crisis. Savings rates are down, and that should reduce consumer demand, and, of course, the increase in prices due to inflation.

And lastly, base effect of higher prices become standard as the rate of change will slow down because the base prices have gone up. The increase in interest rates has also impacted our investment portfolio, as interest rates have significantly increased, and that has resulted in negative mark to market value in our portfolio of approximately $790 million. But mark to market negative values are non-economic and non-cash, as these negative values pull to par, as the securities mature. Each six months, we expect our mark to market to come down by almost $125 million as the bonds mature. However, our income return is stable, and actually is increasing, as rising interest rates are economically beneficial. They lead to higher interest income and will get the benefit of increasing rates by investing the remaining portion of our corpus after paying for Ian's claim, as well as additional premiums which we generate.

And lastly, to the reinsurance market, weather disasters have caused an estimated economic loss of $260 billion in 2022, surpassing the ten-year average of $200 billion. Insured losses in 2022 are estimated to be $115 billion, again, higher than the ten-year average of $81 billion. Hurricane Ian cost approximately $40 to $60 billion of insured damages, second only to Hurricane Katrina in 2005. The result of that with the global macro factors, the reinsurance rates are increasing. The global macro factors are continuing to stress the risk transfer markets on top of the insured losses, including mark to market losses in fixed income portfolios from rising interest rates, which is expected to increase the reinsurance rates by 20% nationally. As well as in Florida, we expect reinsurance rates to increase 40% to 60%. A couple of macro factors which are not helping us either, as well as the reinsurance market are the strong dollar and the unrealized losses in the investment portfolio above and beyond the Ian losses. I will stop here and happy to answer any questions.

Board Chair Beruff: Chair?

Chair Knight: Yes.

Board Chair Beruff: I think you said that to mark the market losses, we would have to incur our $790 million in our portfolio. Is that correct?

Kapil Bhatia: That is correct. It's going down by $125 million every six months.

Board Chair Beruff: And that's being reduced, like you said, by $125 million every 12 months?

Kapil Bhatia: Every six months.

Board Chair Beruff: Every six months. So, that's a quarter billion dollars this year.

Kapil Bhatia: The assumption here is if the interest rate remains where they are. However, we expect interest rates to come down or stabilizes, which we have seen in the month of November. So, they may rate fast.

Board Chair Beruff: If we hold the investments to maturity, we don't lose anything.

Kapil Bhatia: We have approximately $3 billion maturing over the next 12 months, and another $3 billion maturing year after that. So, as a function of time, everything gets shorter and shorter, so the mark to market comes down.

Governor Lydecker: Have we had to sell because of the wind events?

Kapil Bhatia: No, we have not because looking at the wind events, some of this is what we need, and Jennifer will go through those numbers. Our attachment point to reinsurance is approximately $2.4 billion in both PLA and Coastal Account, and we have enough securities maturing and therefore we will not have to sell any securities, however, we are not investing maturing securities. We have $800 million already matured, sitting in a money market fund to pay Ian claims. So, for Ian, based on our lost numbers and cashflow, we would not need to sell any security.

Governor Lydecker: And we're not planning on selling any security. So, mark to market, it's just really more of an accounting discussion.

Kapil Bhatia: Correct.

Governor Lydecker: Okay, thank you.

Chair Knight: No other questions?

Board Chair Beruff: I have a question. What's your best guess to when one year-treasury bills peak yield?

Kapil Bhatia: As I said, the markets have already reflected all of the rate increases. The market expectations of terminal rate is somewhere between five and a quarter to even five and a half. Looking at the one-year treasury, it already includes the expected interest rates of 50 basis points in December, which is more or less already telegraphed by Fed, and other 50 basis points next year, whether it happens on the first meeting, or 25 basis points in the first meeting, or the second meeting. So, as with all of those interest rates comes into it, as you can see, the inversion between one and two-year, we should start seeing the one-year treasury rates to come down by 25 basis points sometime next January through March. Depends on what Fed's message is on December 14th.

Board Chair Beruff: So, you think that one-year treasury bill has peaked?

Kapil Bhatia: Correct. As have the two-years. We have seen that in November, when the two-year and one-year have both come down. Not as much as one-year as the two-years because it's still a year away. So, market is adjusting quickly.

Board Chair Beruff: Okay, thank you.

Chair Knight: Thank you, Mr. Bhatia.

Governor Lydecker: Can I ask one last question, if you don't mind? Mr. Bhatia, you mentioned that a range of economists are suggesting that there's a 50/50 chance of recession. Last meeting, we were at, I thought I recalled you predicting when the recession would occur, and how deep it is. Would you like to change your forecast at this time?

Kapil Bhatia: No, not really. The reason the economists...

Governor Lydecker: I smiled at the last second, so you knew I was messing with you, but I do recall teasing you last time on something you said with respect to the recession.

Kapil Bhatia: We believe the expectations of recession is more than 75%. However, the severity of recession is a question whether it's mild or severe, and the demand destruction is really what the intent of Fed is. The only reason they continue to increase the rates is because there is enough labor supply problem still. However, there is a significant mismatch between what's available in labor force and what's needed in the labor force. You can see also how many employers are actually laying off, or announcing not hiring, etc., etc. We expect there'll be a recession. The severity of recession is really a question. Again, I'll go back to the 81-basis points inversion between two and ten-year signaling a much stronger signal that there will be a recession, but it's never 100% until it happens. Usually, the NBER, National Bureau of Economic Research, won't come out until a year later that there was a recession, but there is a very high likelihood of, that it will be a recession.

Board Chair Beruff: Thank you.

Chair Knight: Sure. Thank you.

Kapil Bhatia: Thank you.

Chair Knight: Ms. Montero, we have an updated presentation of the Layer Charts, three action items, a review of the FIC Charter Annual Review, and the Investment Portfolio Update. Ms. Montero?

3. Chief Financial Officer Report

a. Layer Charts Update

Jennifer Montero: Thank you. So, if you turn to the next slide, or the next tab, you'll see the layer charts, and the first chart is the Coastal Account. So in September, I presented the layer charts that used June actual numbers, and we projected that to September 30th. The difference in those charts and these charts are these charts are the actual September 30th, 2022 PMLs with the 10% LAE. Not a lot changed in the Coastal Account. I would say when you look at the 100-year PML, it's at $5.423 billion. That's up about $13 million from $5.41 billion last quarter. The Cat fund coverage has actually gone down on this chart, $25 million to $1.501 million. As far as Ian goes, Ian was able to pierce, Hurricane Ian, both the Cat fund coverage and the sliver to the left. So, that layer, typically, the 10%, is not only the sliver, but it's also our surplus. That's totals a $169 million layer. The sliver covers about 53% of that, and surplus is about 47%. So, when we have Hurricane Ian claims come in, the cat fund covers about $0.90 on the dollar, Citizens covers about $04.7, and the sliver is about $05.3, just to give you an idea of where that coverage is.

Governor Lydecker: Sorry, Madam Chair, do you mind if I ask a question?

Chair Knight: Yes, go ahead.

Governor Lydecker: Can you just high level, I'm catching you off guard, but just high level -- and I read the press, so I know what we're saying publicly, but I guess my question is, maybe as you walk through these, you can add a little bit of additional editing on your part to tell us where you think it's going as well, given what we've had from weather events. I know that might be asking too much, actually. There might be a little bit too much predictive power of requests, but if you have any other additional comments, I want to just open it up and suggest...

Jennifer Montero: Sure. So, our Chief Actuary, Brian Donovan, did a loss analysis for the September 30th financials, and what he did, because the storm occurred on September 28th, there's not a lot of development there, and just the little bit of time that we had claims operations in handling claims. So, Brian took the average of the RMS and AIR model and then he added in a litigation factor similar to that of Hurricane Irma. Then he added in 10% for inflation.

Governor Lydecker: Which year was Irma?

Jennifer Montero: Irma was 2017, in September of 2017.

Governor Lydecker: So, we're in a more litigious world right now.

Jennifer Montero: Well, he looks at where it lands, and the behavior that happens. Like with Tropical Storm Eta, we're seeing a much higher litigation rate with that than we saw with Irma. Michael was after Irma and it was close to 9%.

Governor Lydecker: Okay, thank you.

Jennifer Montero: That was the LAE rate, but it was much lower. So, it depends on where it is and when. But yeah, he looked at it, and to average across the entire state, he took an Irma similar rate, and then he added inflation, and social inflation, and all that good stuff. He added those factors in to give us these projected ultimate numbers for Hurricane Ian, which is about $3.8 billion in total. He will do the same again in December, but hopefully, by that time more development would have occurred, and he can get away from the models as a starting point, and use actuals, and the idea is you book the entire cost of that storm. All expected cost in the in that calendar year when the storm occurred. So, that's what we tried to do with the September 30th financials.

Governor Lydecker: Thank you. Well, you've done a nice job with that, so thank you.

Jennifer Montero: Sure. On the next slide, there's a little bit more movement around same thing. You were presented the June 30th projected to September 30th last time. This is the actual September 30th. In this case, the 100-year PML of $6.229 billion actually decreased by $298 million or from the $6.527 billion that was presented before. That rolls down into the emergency assessment. This is down $261 million from June 30th. It's about $730 million for the emergency assessment. The Citizens policyholder surcharge remains the same, 15% at $450 million for a total assessment potential of $1.18 billion within the 1-in-100 year. Now, the assessment kicks in at 1-in-67. On the prior chart, it was 1-in-64. So, the assessment has gone up marginally. The cat fund has actually decreased by about $38 million to $2.389 billion in coverage. Again, as far as the sliver and the surplus, the sliver makes up about 30% of that 10%, and the surplus is about 70% of that 10%, which is not covered by the Cat fund. Again, Ian did pierce the Cat fund on here, and that sliver layer. Any questions on the layer charts?

Chair Knight: No.

Jennifer Montero: Would you like me to move right on to the action items?

Chair Knight: Sure. Are you going to skip the CLA?

Jennifer Montero: There's no action item for the layer charts. It was just an update.

Chair Knight: Okay.

b. Bond Rating Services [AI]

Jennifer Montero: So, behind the next tab is the bond rating services. This is a continuation of a current service, and it is a sole source solicitation. Citizens is requesting approval to contract with S&P Global Market Intelligence for its Rating Express License to provide bond rating services. Citizens will use the rating expressed to carry out its fiduciary responsibility to oversee and report on its investment portfolios, both internally and with external investment managers. Citizens has four investment policies that ten external investment managers managing 23 portfolios must adhere to. Within the investment policies are multiple minimum investment rating requirements depending on the type of security or sector. S&P has the largest market share for bond rating focused on securities that Citizens invest in its portfolio. We currently have over 2,500 rated securities representing over $9 billion in market value. Citizens needed to procure this license directly from S&P in order to continue use an industry standards bond rating services for its investment policies. Are there any questions before I read the recommendation?

Governor Lydecker: Madam Chair, subject to my colleagues on the Board, I'm willing to offer a motion to approve this.

Chair Knight: Okay.

Governor Lydecker: I don't know that you have to go through it all. We can read.

Chair Knight: We have an action item and have a motion.

Board Chair Beruff: Second.

Chair Knight: Okay.

c. Digital Bill Payment Solution [AI]

Jennifer Montero: Great, thank you. The second action item I have is Remittance Processing System, or I'm sorry, no, Digital Bill Solution. So, Citizens is seeking approval to contract with JP Morgan Chase for Digital Bill Payments through a cloud software as a service solution. The functionality is a valuable resource to Citizens and its policyholders and allows policyholders and interested parties to make ACH premium payments. The current vendor's contract is expiring in February of 2023. This functionality was not originally available with our commercial banker JP Morgan, but it is available now.

(Recommendation: Staff proposes that the Finance & Investment Committee review, and if approved recommend the Board of Governors: a(Authorize Citizens to contract with JP Morgan Chase for an initial term of one (1) year, with three (3), one (1) year renewal periods, for an amount not to exceed $1,500,000, as set forth in this Action Item; and b(Authorize staff to take any appropriate or necessary action consistent with this Action Item.)

Board Chair Board Chair Beruff: Madam, **I move to approve the action item.**

Governor Lydecker**: I second.**

Jennifer Montero: Okay, thank you.

Chair Knight: Approved. Would we like to continue in this manner for the next action item?

Governor Lydecker: Well, let me just ask one clarifying question. The procurement process, as it reads here, was through the Florida Department of Management Service, and it's clearly necessary.

Board Chair Board Chair Beruff: Actually, it's a money saver.

Governor Lydecker: Yeah, and it came out of here that it was a money saver.

Jennifer Montero: It is a money saver.

Governor Lydecker: So, you had the big Chairman on Board to get go at money saver.

Board Chair Board Chair Beruff: I'm a real simple guy. Save me money, you get anything you want.

d. Remittance Processing [CI]

Jennifer Montero: I also have one consent item, and that is a Remittance Processing System. We're looking for approval to add $50,000 in additional spend authorization through August 31st, 2028, to meet the increased demand for services due to the policy growth for this mission-critical service. The additional $50,000 will bring the total authorized amount to $406,000. It's currently at $356,000. This is our remittance processing. This is where the money comes in, and the processing of that. Meaning, if we need to outsource it to the vendor who happens to also be our disaster recovery and business continuity vendor for this process.

(Recommendation: If approved at its December 6, 2022 meeting, the Finance & Investment Committee recommends that the Board of Governors: a(Authorize an amendment to Contract 18-17-0008, to allow for additional services and spend authority in an amount not to exceed $50,000, as set forth in this Consent Item; and b(Authorize staff to take any appropriate or necessary action consistent with this Consent Item.)

Governor Lydecker: I'll make a motion to approve.

Board Chair Beruff: Second.

e. 2023 FIC Charter – Annual Review

Jennifer Montero: Thank you. The next item on the agenda is the Citizens Finance and Investment Committee Charter. Staff does not have any recommended changes to the charter.

Governor Lydecker: Can I make a recommendation to approve that?

Board Chair Board Chair Beruff: Second.

Chair Knight: Charter approved.

f. Investment Portfolio Update

Jennifer Montero: Okay. The last item is the Investment Portfolio, Citizens Investment Summary. On slide one, and I'll go through this quickly, the total portfolio is $9.3 billion with approximately $8.4 billion, or 90% is externally managed.

Governor Lydecker: Actually, don't feel like you have to go through this quickly, at least for one person. I know I started the energy about making the motion real fast, but actually, this one, don't take your time, but this one is an important one.

Jennifer Montero: Okay. So, 90% is externally managed by 10 investment managers of the $9.3. The remaining $900 million is internally managed, and primarily consists of operating funds, debt service funds, and debt service reserve funds. The taxable portfolio is $9.05 billion, or approximately 97% of the total portfolio, and the tax exempt is about $280 million, or 3% of the portfolio. The portfolio is very conservative and stable, with sufficient liquidity to pay current claims or potential future claims. The total portfolio average duration is just over 3.49 years. The annualized net income return for the last four years from 2018 through 2021, as earned and reported in the financial statements, is just over 2.63% annually. The 2022 October year to date income return was 1.77%. Turning to slide two, treasury rates have exponentially increased over the last 12 months. These increases reflect the Fed's significant rate increases recently, as well as anticipated rate increases over the next six months, as they try to manage inflation. The yield curve is significantly inverted. The current 2 to 10-year spread is negative 76 basis points, and the 3 months to 10-year spread is negative 77 basis points. Both spreads are at historical inverted levels, as the markets are experiencing a significant slowdown, or a recession.

Tax exempt rates have also increased in a similar manner. Turning to slide three. Both the taxable and tax-exempt portfolios have very strong credit quality. Over 76% of the taxable portfolios in money market funds are rated “A” or higher. One hundred percent of the tax-exempt portfolio is in the money market funds and rated “A” or higher. Approximately 40% of the total portfolios in treasury and agency securities or in money markets. Last slide on slide four. The portfolio income return is stable, and we expect income return to be approximately 2.25% in 2022, as the incremental interest income increases from rising interest rates.

Governor Lydecker: That's the 21% that comes circulating back in with new rates.

Jennifer Montero: The portfolio's total return is negative due to significant increases in the interest rates during 2022. However, as the portfolio matures over time, the negative mark to market value will decrease. That completes the report.

Chair Knight: Questions, or anything? Mr. Bhatia? Or things we should be thinking about over the horizon that we haven't already covered?

Kapil Bhatia: No, our portfolio is stable. We are just investing in Money market Funds, as you would have noticed that our duration is coming down because we are keeping all of the cash to pay that Ian claims. So, we expect our duration to come down as the portfolio matures. However, with the premiums coming in, we will certainly try to lock in some of the higher rates, between three to five years and try to take advantage of the high interest rates. But we should expect our interest income to increase.

Governor Lydecker: Am I thinking about this correctly? As long as mark to market remains a theoretical conversation, 1.77% is as good as you're going to get right now, and we're not long on anything. Three and a half years or four years, and I guess as you're reinvesting, we'll be in reinvesting in shorter durations.

Kapil Bhatia: Kapil Bhatia: Yes, we'll be reinvesting between three to five-year space, where the interest rates are close to 3 -4$%. So, all of our incremental income would be invested at 3% to 4% with the treasury, plus the spread. So, new investments will be at between three to five percent. However, it's going to take time for us to get there because we are collecting money, or basically keeping some of that in a corpus to pay for Ian claims.

Governor Lydecker: Yeah, as a non-expert up here, just my initial observation was chasing rate for two years, but that throws the portfolio off.

Kapil Bhatia: Right. Our duration is three years, and we expect it to remain between two to three years for the time being.

Governor Lydecker: Thank you, Madam Chair.

Chair Knight: Is there any new business? Okay. We will adjourn the December 5 meeting. Thank you all.

(Whereupon, the meeting was concluded.)