

CITIZENS PROPERTY INSURANCE CORPORATION

DRAFT

**MINUTES OF THE
BOARD OF GOVERNORS MEETING
Tuesday, May 16, 2023**

The Board of Governors (Board) of Citizens Property Insurance Corporation (Citizens) Via Zoom Webinar on Tuesday, May 16, 2023, at 1:30 p.m. (EDT).

The following members of the Board were present:

Carlos Beruff, Chair
Scott Thomas, Vice Chair
Joshua Becksmith
Jason Butts
Jill Hasner
Erin Knight
JoAnne Leznoff
Charles Lydecker
Nelson Telemaco

The following Citizens staff members were present:

Tim Cerio
Jennifer Montero
Barbara Walker
Kelly Booten
Jay Adams
Joe Martins
Ricky Polston
Ken Tinkham
Mark Kagy
Candace Bunker
Bethany Kocher
Bonnie Gilliland

The following people were present:

Kapil Bhatia	Raymond James
Dave Newell	FAIA
Sasha Stipanovich	Raymond James

Call Meeting to Order

Barbara Walker: Good morning and welcome to Citizens May 16, 2023, Board of Governors meeting that is publicly noticed in the Florida Administrative Register to convene at 1:30 p.m. This meeting is recorded with transcribed minutes available on our website. For those attending today's session through the public webinar, you are automatically in listen only mode with presentations only being broadcast. Chair, may I begin this meeting with the official roll call?

Chair Beruff: Please do. Thank you.

Barbara Walker: Chair Beruff.

Chair Beruff: Here.

Barbara Walker: Vice Chair, Thomas.

Vice Chair Thomas: Here.

Barbara Walker: Governor Becksmith.

Joshua Becksmith: Here.

Barbara Walker: Governor Butts.

Jason Butts: Here.

Barbara Walker: Governor Hasner.

Jillian Hasner: Here.

Barbara Walker: Governor Leznoff.

JoAnne Leznoff: Here.

Barbara Walker: Governor Lydecker.

Governor Lydecker: Here

Barbara Walker: Governor Knight.

Erin Knight: Here.

Barbara Walker: Governor Telemaco.

Nelson Telemaco: Here.

Barbara Walker: Chairman, you have a quorum.

Chair Beruff: Thank you. Who wants to start?

Tim Cerio: Well, I am going to let Ms. Montero, Chairman. I am going to turn it over to her. I just wanted to welcome everybody. This is Tim Cerio for the record, and just in this room here in Tallahassee you have COO Kelly Booten, CFO Jennifer Montero, General Counsel Ricky Polston, Kapil Bhatia, Sasha Stipanovich with Raymond James, Barbara Walker, Bonnie Gilliland, Bethany Kocher, Candace Bunker with Citizens and IG Mark Kagy here in Tallahassee and we are here for the Board, and it's good to see all of you this afternoon.

Chair Beruff: Well, I would like to add by welcoming the CEO since he is official now since the Senate finally passed. He had to clean up some of his background stuff to be able to get the job, but I don't think we will hold that against him.

Tim Cerio: Jennifer, take it away.

Jennifer Montero: Okay, thank you.

Tim Cerio: Oh actually, does Carlos –

Jennifer Montero: You know, I believe (inaudible).

Tim Cerio: Okay.

Jennifer Montero: So, I am going to start with under tab two the Chief Financial Officer report, the 2023 Risk Transfer program. As expected, risk transfer pricing is up for the year with Florida carriers experiencing rate increases of approximately 30 to 50% of pricing indications for non-Florida risk is up 10 to 20%. The risk transfer market has experienced some positive momentum with capital inflows, especially in the capital markets due to the attractive nature of risk transfer pricing relative to other asset classes in the current market environment. While there is a significant amount of demand for risk transfer capacity for Florida cedence, investor demand has been stable, but at slightly higher spread levels than in prior years. Capital market transactions have been able to upsize in price at levels slightly below the initial price guidance, but overall spread levels are above what we have seen in the prior years. This is primarily due to the increased scrutiny on credit and risk, increased cost of capital, micro level stress in the financial markets in the alternative investment opportunities. This year Citizens has taken a two-phased approach to placing the 2023 Risk Transfer Program with the intent of gaining better market participation in pricing. At the March 17, 2023, Board of Governors' meeting, Citizens received approval for the purchase of \$500 million in coverage across Citizens' accounts, three accounts through a special purchase vehicle Lighting Re. These class, class A notes provide multi-year collateralized excess of loss protection on an annual aggregate basis. The transaction closed on March 24th, 2023, and coverage was effective as of April 1st, 2023. In the second phase Citizens will work with the remaining portion of the placement with the goal of reducing the amount and likelihood of potential assessments to citizens of Florida in a 1-in-100-year event. So, turning to the coastal account on the layer charts. The coastal account coverage would be approximately \$2.7 billion. This coverage would be comprised of \$825 million of existing private risk transfer and \$1.9 billion of new private risk transfer with budgeted premiums of approximately \$300 million. Under this scenario the coastal account would expose all its surplus in a 1-in-100-year event and would have a potential assessment burden of \$653 million for a 1-in-100-year event. The proposed 2023 risk transfer layers for the coastal account are as follows. The sliver layer will sit alongside the Cat Fund. It provides approximately \$225 million in excess of \$1.5 billion of annual per occurrence coverage which

covers personal residential and commercial residential losses. This layer will be placed in the traditional market. Layer one will sit above the sliver layer in the Cat Fund and will provide approximately \$610 million of coverage for personal residential commercial residential losses from the capital and traditional reinsurance markets as follows.

Approximately \$335 million per occurrence coverage will be placed in the traditional market and attach after \$1.38 billion of losses. Renewal of \$275 million capital markets risk transfer coverage placed in 2021 through Everglades Re. This multi-year annual aggregate coverage attaches after \$3.4 billion losses. This is the final year for these notes. Layer two of the program will sit above layer one. This layer will provide \$1.89 billion of annual aggregate coverage for personal residential and commercial residential losses from the capital markets and the traditional reinsurance as follows. Approximately \$1.54 billion of annual aggregate coverage from the traditional capital markets, an estimated \$200 million for the 2023 multi-year annual aggregate capital market's placement through Lightning Re is included in the total. Renewal of \$350 million capital market's risk transfer coverage placed in 2021 covered from Everglades Re. This market year annual aggregate coverage attaches after 4.01 billion in losses. This is the final year for these notes. Turning to the personal lines account. The proposed risk transfer program for the personal lines account incorporated elements from prior risk transfer programs with an estimated coverage of \$2.92 billion. This coverage will be comprised of \$825 million of existing private risk transfer and \$2.09 million of new private risk transfer with budgeted premiums of approximately \$375 million. Under this scenario the PLA would expose all the surplus for a 1-in-100-year event and would have its potential assessment burden of \$2.6 billion in a 1-in-100-year event. The proposed risk transfer layers for the PLA account are as follows. The sliver layer of the program will sit alongside the Cat Fund. It provides approximately \$394 million in excess of \$2.02 billion of annual per occurrence coverage which covers personal residential losses. This layer will be placed in the traditional market. Layer two will sit above the sliver layer in the Cat Fund. It is comprised of capital market renewal risk transfer placements of \$525 million of coverage placed in 2021 and 2022 through Everglades Re II. This multiyear annual aggregate layer provides coverage for personal residential losses and attached after \$5.96 billion in losses. This is the –

Governor Lydecker: Everglades Re is a bonds program though, right?

Jennifer Montero: Yes, it is. It is the Cat bonds, Governor Lydecker, that is correct. This is the final year for the 2021 notes. Layer three will sit above layer two. This layer will provide \$2 billion of coverage for personal residential losses from the capital traditional reinsurance markets as follows. Approximately \$1.7 billion of per occurrence in annual aggregate coverage from traditional capital markets, an estimated \$300 million for the 2023 multi-year annual aggregate capital markets placements through Lightning Re is included in the total.

Governor Lydecker: Let me just make sure I understand, we understand.

Jennifer Montero: Okay

Governor Lydecker: If it is \$300 million of that layer is capital markets, that is \$1.7 billion versus \$300 million, that is correct?

Jennifer Montero: So, the \$300 million of that, of the \$2 billion, the \$2 billion is between the capital markets and the traditional markets, and then of that –

Governor Lydecker: Right, but the capital market is \$300 million you said. So, the rest of it is traditional.

Jennifer Montero: No, the \$300 million is the Lighting Re that we have already placed, and the \$1.7 billion remaining is split between the traditional and the new capital markets Everglades Re II program for 2023.

Governor Lydecker: Okay, so for that upper layer we don't know what that ratio is yet. Would that be correct?

Jennifer Montero: No, we do not. That is correct, we are still in the market and the 2023 capital markets Cat bond Everglades Re is in the same layer as the traditional. So that allows us to leverage the two against, you know, leverage, to see which one we can get the most coverage for at the best pricing. So, we are still in the market with both, in both of –

Governor Lydecker: Okay, thank you.

Jennifer Montero: Sure, no problem. And I was just going to close and say that we are currently in both the capital and traditional markets. We are still, we are still collecting quotes in modeling different scenarios to achieve the most effective pricing and capacity. So, Governor Lydecker is correct, we are still evaluating all of the, all of the quotes that coming in in all of the –

Governor Lydecker: And just in your presentation, in your presentation, are you making a difference to the Board regarding aggregate coverage on the traditional versus the current or is that for a later conversation?

Jennifer Montero: That is a very good question. The reason, usually I do point out when it is aggregate and the difference between the two for those that may not know. Occurrence means that for each individual storm it must meet the attachment point on its own and have that many losses before the reinsurance kicks in. If the program aggregate, then you get to annual aggregate means in that storm season, that one year you can combine all the named storms in that year and use the total in aggregate to reach that attachment point. We typically have had, typically the lower layer is the sliver and usually the layer right above the sliver are per occurrence due to, due to how expensive it is to do aggregate. However, the upper layers are typically aggregate because they're more useful to be of that high to add them up. This year we have not only been looking at the pricing of the aggregate, but we are also looking at the pricing of the per occurrence. We want to make sure that we cover our whole program, as, as planned. Anywhere that you see reinsurance that we are not able to procure then you are going to see assessments there. You are going to see, the PLA is going to be the emergency assessment, and the Coastal it is going to be at least more policyholder surcharge and maybe even emergency assessment. So, we are trying to make sure that we can find the capacity with the pricing to get coverage that matters in all the lines that we want and staying within our, our budgetary restraints. So we are, we are evaluating the occurrence and per price and aggregate at all the upper levels as well.

Governor Lydecker: Thank you.

Jennifer Montero: Sure. We are also looking at capping the loss adjustment expense. That is another way to reduce the cost of the rate online. It is not a cap; it is a factor like the Cat Fund. The Cat Fund pays losses plus a 10% factor. So, if you have \$100 in losses, then you get a check for \$110. And we are looking at the cost benefit of putting those factors in place on our overall programs to drive some of the pricing down and we would still hopefully try to stay within that 10% cost. That completes my report. So, I can go straight to an action item of what we are requesting, or I can take any more questions.

Governor Lydecker: Were you going to do the commercial lines as well, or is that a separate action item?

Jennifer Montero: The commercial lines account is, we do not have any, we do not have any private reinsurance in the commercial lines account because they're only 29% of their surplus in a 1-in-100-year event. It was, we thought it was better to focus on the other two accounts. We do buy the Cat Fund in all three accounts because that is mandatory for us to participate at a 90% rate in the Cat Fund for all, all three accounts.

Governor Leznoff: Jennifer.

Jennifer Montero: Yes.

Governor Leznoff: I know you told me this on the phone call. Can you remind me when the last time we had an exposure before the Cat Fund for the emergency assessment?

Jennifer Montero: To my knowledge if we, it would have been after the '04/'05 storms. In '06 we had no surplus and we had to build that up over time. I know that starting in 2015 we were able to push all assessments above the 1-in-100-year event, but the last time we would have had an assessment that low was after the '04/'05 storms.

Governor Leznoff: Thank you.

Governor Lydecker: I would like to ask another question if I could, and I guess this is appreciating Jennifer's presentation here that there is still movement right now between now and June 1 or thereabouts, and for the placement of whether it is traditional reinsurance or pricing in the capital markets to fill out a slip so to speak. So I really have a desire to hear about how we are thinking about post June 1 and what this should look like and what this placement should look like relative to last year with the idea it should be improved because of the legislative changes, but my hesitation is that anybody, this is a public forum and I don't know that it is thoughtful to be asking the staff in terms of their strategic thought process prior to securing placement. It would be like negotiating, trying to negotiate the best deal for the State of Florida and the citizens of the state of Florida, citizens being taxpayers in the state of Florida and telling the other side before you commit to the reinsurance or, you know, whatever they're trying to place returns of bonds. You know, telegraphing to them how we are thinking about it and maybe therefore losing our negotiating capabilities or our leverage. I will ask Jennifer and maybe Tim Cerio. Am I thinking about that in the right way or am I over, overthinking that?

Jennifer Montero: No, you are correct, Governor Lydecker. We are in the market, we are trying to negotiate, we are receiving quotes still. We have asked for additional scenarios. We are in the capital markets. We just, in fact, we just sent out another update today on the sizing and price of that upsizing. I don't want to share too much because we are in the market, but –

Governor Lydecker: Shouldn't we be allowed to have this conversation in executive session? It just seems weird that we are talking about, you know, millions, hundreds of millions of dollars and we are -- I do have questions about the program and some thoughts on it, but I am very hesitant to say anything because I don't want to undermine your abilities to get the best deal possible.

Chair Beruff: Excuse me, excuse me, Governor Lydecker, I am 1,000 percent sympathetic to where you are coming from, okay. So, I think we have to be very careful with the comments because we do want the staff to go empowered to negotiate what is best for the taxpayers of Florida in both protection and at the same time value, and we are a well-run company. Thank goodness to the staff that is on this line and others, and at the same time, we, the state legislators with the Governor's Office have done a magnificent job of rectifying what has been causing us the problems for years now. The question is, and I have had this discussion at some length with both Tim Cerio and Ms. Montero how much do they, the reinsurers, captured just the significance of the legislation and the policies that we are asking them, that we are trying to get reinsurance for are post June 1. So, all of those policies will fall under the new legislation. So, they're not liable for the historical losses and issues that we have in our existing policy. So, I am with you. The question is how convincing and how receptive they are to the argument. Whoever wants to speak just raise your hand or just speak up, it doesn't matter.

Governor Lydecker: Well, let me just ask then notwithstanding the point, Chairman Beruff, that you just made, which I think is a really good one. And you know, look, I am in the insurance business and I was active and our team was active lobbying for what we thought was really important thoughtful change during the past general session and the special session regarding the fraud and waste that is occurring that we have been, that Citizens has had to deal with, but if I might, Mr. Chairman, because I don't know. I know that for legal strategy comments you can go into executive session, but I don't know that. It feels like we ought to be allowed to, but I don't know the answer. Do you mind if I ask staff whether or not we can be in executive session?

Chair Beruff: No, I think that is a great point and I am sorry I didn't think of it myself, because I think this is the kind of discussions that merit whatever allowances that we are given under the law. Tim Cerio or Mr. Polston can answer that question or get back to us quickly.

Tim Cerio: Governor Lydecker, let me kick it off and then turn it over to Ricky. I would say first of all we want to give the Board whatever -- I mean, as general counsel I was not a fan of shade meetings and shade meetings generally are to discuss not even threatened litigation, but pending litigation, but clearly, we want to make sure you all have the information available. Ricky and I were talking about it off camera here. As far as the opportunity to have a type of shade meeting and executive session for non-litigation matters I, at least in my time here we have never done that, but in the longer period of time I am looking at, you know, Jennifer and Kelly. I don't think Citizens has done that. We will certainly look into that if there is the authority to do that, but I am not so sure off the top of my head I know. I am going to turn it over to Ricky.

Ricky Polston: Hi. Can you see me okay?

Chair Beruff: Yes.

Ricky Polston: I am not aware as Tim says been the executive session carve out in the public records law. I haven't gone looking for it specifically in my experience, but I would need to take a look at that, but I know there is sessions for consideration of litigation and things of that nature, but for a business decision I am not sure. There should be, I just don't recall finding that experience.

Governor Lydecker: Let me fine tune my question, Ricky, if you don't mind. I get that sunshine requires the conversation that we have had and this presentation, you know, that feels to me like something we should do, and I get that to make a purchasing decision that needs to be in the sunshine as well, but like

legal, my question is, in the middle where we are asking the staff, which I think might be a fairly unique ask actually in state government to place a budget, they have a budget of \$725 million on placing reinsurance here. It is highly complex, highly fluid and strategy and thought process matters, but I sell insurance in my side job and I would love to know what the buyer, the CEO of a buyer and the CFO are talking about and how they are working with the various options in creating, in creating negotiating points in a competitive environment among, you know, various traditional reinsurers or various players in the capital market so that they can close in on the best deal. So, you know, again, I don't mind asking broad questions and just trying to do at least in my case the best job I can not to ask a question that gives up a thought process that adversely impacts Citizens, the taxpayers of the State of Florida. So I have, if that is what you are telling me then we will do it, but if we have to maybe have a second phone call after you have had time to research it and we can talk a little bit in executive session strategically so that we can either help the thought process or make sure we understand it, because it is a big complex purchase.

Jennifer Montero: And may I respond, Mr. Chairman?

Chair Beruff: Yes, please.

Jennifer Montero: I have been doing this particular role for ten years now, this placement, and how it's been handled in the past has always been me and others meeting with the -- I am sorry, with the Board members one-on-one and walking through the program. Typically, we are further along on the traditional side where we know what the firm order terms are going to be. It is almost all nailed down the Cat bond to. This particular season with the amount of catastrophe that we needed; we have been in the market for quite a while. We started, we started the marketing in March and went through all of, all the way through May. So, this has been a bigger process with this hard market. So, there are a lot more unknowns from staff on this program. Things like that should it be per occurrence, should it be aggregate. The LAE is one of the things, one of the big things doing a factor of the LAE. We could save a lot of money that way, and if the legislation truly is going to cut back on one way attorney fees and all the litigation, then we should probably come close to that 10%.

Chair Beruff: Ms. Montero, the point is it is our job to sell the reinsurers on the systemic changes, for lack of a better term, that have been made to the legislation that gives them more comfort in their ability to model their litigation rates which has been to our detriment for years. For us, for us to take on additional liability instead of them makes no sense to me. They are very sophisticated people. You are talking billions of dollars with lots of attorneys who can interpret the legislation that has been passed and they have to settle on the idea that we have for all practical purposes done all the heavy lifting in the state of Florida to fix the insurance industry, and they're either going to have to believe that and price their product accordingly or this Board will have to decide whether or not it makes sense to spend that money in our best interest, and if the answer is we can't make sense of, everybody needs, everybody on this Board, most everybody, I don't know how I became sort of one of the senior guys since I have only been here three years, but apparently I have become, do the, do the math. Jennifer can show you charts that go back to 2010 and show you and even later than that, that this company has gone without reinsurance on many occasions and taken a risk because it did not make sense and the price did not make sense, and that I think to Governor Lydecker's earlier comments is where we as a board have to stand strong and say, if the pricing isn't right we are not going to buy real clear, and I hope that that is where everybody makes, we are a company that is incredibly well run because the people that lead this organization and we have the state of Florida also in our corner. So, we hope that they're understanding of that position.

Jennifer Montero: I totally understand, Mr. Chairman, and that is why with the factor of 10% versus the actual LAE, we think that that is not necessarily giving up much if the reforms truly are going to work, our LAE should come down and we should be getting reimbursed for the 10% which hopefully would be what the new LAE loss adjustment expense side, which is the cost of us adjusting the claim. That is just one thing that we are looking at. I did ask our broker, Adam Schwebach from Gallagher Re to join the call to give some if you are interested, he could give you some market color on what we are seeing. He can talk in general terms.

Chair Beruff: Well, I think to Governor Lydecker's earlier comments. I think that we should, the staff knows what they have got to do, I think. You are asking for authorization to go out there and do your thing, okay. So, I suggest, but again, whatever comments want to be made by the Board members you are more than welcome to make them, please. But you go ahead and somebody make a motion, entertain a motion to go forward and then brief, at the same time as the legal department can get to see if there is some way that we can meet in executive session to Governor Lydecker's very well spoken comments, and if not, then advise as you move forward with the product placement if possible or the commitments that you will get, and advise each Board member as you are allowed to separately to understand it, and then, then we will have to regroup, but right now I think the Board just needs to move forward and say, staff knows the mission, the public and the people, there is a hundred – I don't think I have ever seen this many participants on this call. Maybe I haven't been paying attention, but there is a lot of people listening in to this phone call.

Governor Lydecker: Yes, you would be listening in, too, if you were a potential –

Chair Beruff: Yes, I get it, I get it, I get it, Mr. Lydecker, that is why I commented on that.

Governor Lydecker: Yes.

Chair Beruff: But at the end of the day that is where I think we should go, but you know, and I would entertain a motion and more discussion as you all feel appropriate.

Governor Lydecker: I will speak up for just a second. I would like to ask a couple more questions, but I am going to be very broad in my questions, and I agree with you, Mr. Chairman, separate from this call I think there should be another call, assuming, assuming we get Ricky and Tim to sign off on the legalities, but if it is legal and the circumstances are consistent with the laws pertaining to Florida sunshine, then I think we should consider that and get a final sign off, but I know I have already commented a good bit and I will defer to my fellow Board members, but I do have questions. I will ask them whenever it is appropriate.

Chair Beruff: I don't see anybody else with a raised hand. So please go ahead.

Governor Lydecker: Okay, thank you. All right. So, we have really talked the strategy piece out. We are a little stymied at this point. I guess, I mean, as one Board member, the way I look at this is, I try to see if I could understand the exposure to the Florida taxpayer. And so, you know, our surplus, as I understood it, we are using 100 percent of our surplus now, and you know, when I look at this, the Citizens policyholder surcharge which is, you know, every policyholder, I don't know how many policyholders we have now, but I think it is north of 1.5 million policies. Everyone is subject to a 15% charge if we have that 1-in-100 or in this case less than that. Then there is an emergency assessment, and that emergency assessment is assigned to everybody in the state of Florida who has a property or a liability related policy that is charged by taxpayers. That be up to 10% of your premiums and it could go on indefinitely. So that is the emergency

assessment as I see it here. Florida, Florida, the Cat Fund, I couldn't think of what FHCS stands for fast enough, but the Cat Fund, you know, that is Florida. And so, there is an assessment that hits that if, if we, if we blow through that that hits Florida citizens. So, you have got FIGA. Then you have a FIGA assessment, Citizens, you have the Cat Fund. And so, what I like, but to your earlier point in my way of thinking there is a tradeoff between spending money premium to offset that risk or going it alone. I think you posed a really, you know, thoughtful question, you know, if it is too expensive, we ought not do it. And you know, at a minimum publicly we should take that position because why would we give leverage to the potential sellers of the instruments that we are looking at placing. So anyway, having said that, I think this is in my career I believe this is the most difficult and complex environment to be placing this, these vehicles in that I have ever seen, and the degree of complexity I think really speaks very highly regarding the staff's competencies and capabilities, but there is also a backdrop that you reference on the legislative sessions that have come up and the reforms that have occurred, but the market is not reacting to that yet. There is just, you know, there is more interested in parties, but until it's been litigated, until they see claims come down and we don't have another weather, set of weather events this year, you know, it is still sort of difficult. So anyway, all that having been said, I am concerned about taxpayers in the state of Florida being surprised by a hit that they didn't see coming because we don't have this either filled out properly. We are asking a lot, even on this call there is several folks that have expertise in insurance. There are several folks that have government, there is private sector folks that have a view and a thought process that, you know, only pay for if it makes sense, if not, let's go it alone. So those are varying views. They should be strategically talked about in private so we can come to a place that we can feel really good about. So, I guess that was a bad question, so I apologize. That was more of statement. But am I right we are exposing 100 percent of surplus? And how often, how often have we exposed 100 percent of our surplus?

Jennifer Montero: We, prior to 2015 we had some kind of assessment in the 1-in-100-year event in one of the accounts. As of 2015, we were able to eliminate that in all three accounts and we kept that until 2021 I believe is the first time it popped, a small assessment popped back up in the personal lines accounts due to the growth that we had that pushed our program up.

Governor Lydecker: You are not even trying to place below the Cat Fund. We are settling for an emergency assessment, and we are settling for a Citizens policyholder surcharge. I know that is the most expensive layer and I know that is the most coveted space, but I know in the past the thought process was we don't want to, you know, essentially move in and take capacity from the private sector players. Is that still the philosophy?

Jennifer Montero: Yes, that is correct. That capacity below the Cat Fund is, is very slim, but there is capacity, but they're very specific on who they want to participate with because of all the credit risks and other issues out there. We have not ever bought below the Cat Fund. We did, we did get a quote for it about five years ago and it was more than 50% of our budget just to cover between the zero up to the Cat Fund, and we have had enough cash in the past, at least for the past eight, nine years to be able to have that deductible kind of what we called it there, and with our reinsurance program everything that we purchased pushes the rest of the surplus up and it pushes it up above the 100, the 1-in-100 to protect that capital, you know, to protect that surplus, so that when a storm comes we will have that surplus when the reinsurance goes through. But that layer is very difficult to get. It is very expensive. We did do a little bit of, we worked with our financial adviser Raymond James little bit to come up with what that pricing would be because our new rates, the way we do our rates now it allows us to put the cost of reinsurance into the rate whether we buy it or not. So, we did get some numbers that were below the Cat Fund, and I believe they were in the 50 to 60% range with the rate online. So that, that, and those are big numbers.

One point, I believe it is almost \$2 billion in coverage in the PLA and \$1.15 billion in the Coastal at a rate online of 60%. That is way more budget than we have. So it is also, it is not affordable and we have, we would be, where we buy we really don't compete with the other markets because we buy so high up, but if we were to buy, get capacity below the Cat Fund we would probably be accused of taking limited capacity that the domestic market has to have for them to get their rating and stay in business, and we don't have to have it. So, we have to be mindful of that when we consider it.

Governor Lydecker: And I assume we are expecting this time next year to be easier because now we have combined PLA, CLA and Coastal and then we also have the benefits of reforms that have existed for more than a year, at least on the liability side if we don't have a weather event.

Jennifer Montero: Yes, not only will it allow us, when we combine all three accounts, we could combine the surplus. So, we won't be in a situation where we have assessments below the Cat Fund. We also will eliminate a lot of the potential assessments for both policyholders and the citizens of Florida by going from three Citizens policyholder surcharges, one per account at 15% down to one and we get rid of the emergency assessment across three accounts and have one emergency assessment for the one account. Our assessment base going into this year is \$72 billion and we can assess 10% per year. That is \$7.2 billion. I don't think we will have a need to ever assess that much in one year, at least hopefully, knock on wood. So, I think we have got the assessment ability there if we need it and we also reduced it so that we don't have assessments where one account has plenty of surplus, but one account has a deficit and our consolidated is a positive and still have to assess per account. And that is what happened in 2004. We assessed for the High-Risk account which is now the Coastal account. And we didn't have an assessment, we didn't have a deficit in the PLA or the Coastal, and we didn't have an overall on a consolidated basis, so we still had to assess. So, this will help get rid of those kinds of things where everything will be combined.

Governor Lydecker: I think there are important questions regarding the cap on the LAE and the aggregate versus the occurrence thought process that, you know, I assume you are touching base with our chairman on it, but unless we are in some type of a shadowed or executive committee format, I think we would be undercutting you.

Jennifer Montero: The issue that we are having is trying to get all the coverages that we have, that we planned for rather than what happened last year where we couldn't get the coverage. Specially because you know it will be replaced with an assessment if we don't. So, we want to get all the coverage, but we have to be respectful of the limitations we have on the budget side, and we are asking for so much capacity. \$5.5 to \$5.6 billion is what, you know, the Chairman asked us how much we thought we could get, originally \$5.8 billion and at the time, and this was a while ago. We said probably \$5.5 to \$5.6 billion. And he said, well, if you can get that use the \$675 million and if you can get more for that get more, and if you get less, just proportionally reduce the price. So that was the direction that we agreed on and we have worked really hard to make sure that we stay within that rate online, those parameters but still having coverage because of the unique position we are in of having to expose all of our surplus. So, we are trying to find ways to have useful, you know, layers. We are not trying to take away. We are not trying to take away, you know, something that matters. Like for example, the coastal account, there are aggregate layers in the top and they are useful, and we are evaluating whether we should do an occurrence, but where we come to the decision that we think aggregate is better because those layers are so high, it wouldn't, it wouldn't be worth them being per occurrence. So, we are looking at each individual layer and evaluating it, and we are looking at the occurrence, the aggregate, the capping of the LAE. So capacity is what is really important to us. That is what we really need.

Governor Lydecker: The only thing I would ask is that you and Peter from Arthur J. Gallagher are taking copious notes as to which reinsurance Carrier or which capital market player is gouging the State of Florida in this renewal process, because this is teed up for these folks to make a lot of money over this next year with the reforms that have occurred in the State of Florida, assuming there is not a substantial weather event that counteracts what I am saying. But on that assumption, this is potentially a homerun for sellers of the product that we are looking for, and next year at least on my case, my question is going to be, my thoughts are going to be around making sure that we support the reinsurance carriers or capital market folks that were there this year and didn't gouge us.

Jennifer Montero: Understood, we understand. The one comment, the last comment I would make is really around the capacity. Capacity is the most important and it is minimal risk of the LAE with the statute changes. We do believe that that won't be, it won't make a difference. We are going to see if litigation is occurring and we have another event you are not going to see the same kind of LAE hopefully for the new storm, and hopefully we don't have one, but if we have one, I think you see a much lower LAE and hopefully much lower indemnity because the plaintiff fees when we don't have to pay the one way attorney fees, those are built into the indemnity.

Governor Lydecker: The same comments relative to capacity, capacity and pricing.

Jennifer Montero: Yes, exactly. And so, we really do think that the LAE is a minimal risk with the legislative changes that we have had and that will help us, that will help us, you know, be able to keep all the bells and whistles with everything else.

Kapil Bhatia: Governor Lydecker, this is Kapil Bhatia for the record from Raymond James. We understand your point and we always keep that in mind working internally and with Gallagher Re to make sure the people who are stepping in for the right price, with the right capacity and right terms and condition and not just for year over year. We are doing it every year and we are trying to continue to do that. If there is somebody that is gouging, we are not going to go through that, we have never done that.

Governor Lydecker: Even if it is after the fact and we don't get to have an executive session for a more strategic conversation. As one Board member that is a list I am going to ask for post June 1.

Jennifer Montero: Absolutely. I provide that every year to the Board. I send an e-mail and it goes through each layer of what, what we –

Governor Lydecker: I know all that, but I want to know who is there with capacity and where we are getting gouged and your and Kapil's thought process I think is going to be super important.

Kapil Bhatia: Well, we will sure we put a summary together and we will share it with the Board on at least on an individual basis and follow up, because we do track that, and Jennifer will have all of that stuff and Adam, you can see Adam on the screen. So, we will collectively work with that information and have all of the stats.

Jennifer Montero: And Governor, what happens on the traditional side is we gather all the quotes, et cetera, and we look at all the scenarios and then we decide from each layer what we want. We want a Cat, we don't want a Cat. We want aggregate or not, and then we decide on the pricing based off the quotes that we have had due to internal analysis, Raymond James' analysis and Gallagher Re's analysis for

us and we collectively come up with a firm order terms is what it is called, and we go out and let's say the sliver layer. We say our rates –

Governor Lydecker: Jennifer, I appreciate your view on it. I, I get how, it's just, I think this should be a year that you have better choices. You are only, what you are describing is after everybody has come in and you are working with whatever choices are available. My point is we need to see you have better choices, more capacity, better pricing. But I get it, once you get it then you have an internal process and how you guys think about it.

Jennifer Montero: And we can, we can ask for anything that we can afford. I mean, we can go out and say I want unlimited LAE, I want aggregate, we want this, we want that and here is the price we are willing to pay for it. And then for those that think that that price is the right price, they come on our program, and if people think that that price is too low, they will just go the other way. And that is kind of what happened with the gouging. We went out with our pricing, we were able to place about 50% of our programs with our pricing, and then after the special session ended and companies got desperate, they were willing to pay anything, calling reinsurers saying, name your price their prices just went shy rocketing, all of a sudden, our much lower prices were no longer attractive and we did not chase that price. We decided there was no need for us to be gouged that way. So, we took what we had, and the layer charts you saw last year after the placement, that is what we ended up with. It was about \$2.5 billion in coverage. And so now we are looking for, for \$5.5 to \$5.8 billion. So, we are almost doubling that. We did have a budget last year at \$400 million. We only spent around two \$220 million. This year the budget is, is \$675 million, trying to get \$550 million and we know that pricing is going 30% to 50% for everyone else in Florida, 20% to 30% for Citizens, and that is just because of what is going on in all the litigation, et cetera. Hopefully that starts to come down when, when the reinsurance sees, sees a difference. I think they all believe in it, and they think that it is great legislative change. They want to see a pricing difference. So that is coming down, but the market is just, it is a 30% increase trying to get \$5.5 billion of coverage with \$675 million means that we just have to, you know, be frugal and we need to, you know, be very cognizant of what we can get and is it worth the buck to spend here. We might have to spend less somewhere else, and we stay in all the constraints that we have agreed to. So that is where I think we could just go out and take everything away and give us our program and boom. I think we are trying to work hard to ensure that we can get the best coverage and capacity at the best pricing that we can without having gaps to best become assessment.

Governor Leznoff: Jennifer, you said we are working with \$675 million. Our approved budget for this was seven and a quarter?

Jennifer Montero: That is correct.

Governor Leznoff: Okay. Given the concerns on how much assessment potential there may be, and this is, you know, something for the board to consider is actually using the budget that was approved, \$725 million as opposed to the \$675 million.

Chair Beruff: Governor Leznoff, if you recall we already spent \$61 million in March towards that \$725 million is the way that I personally look at it.

Jennifer Montero: Chairman, we have not looked at it that way. So that might be –

Chair Beruff: Well, I understand, Ms. Montero, but at the end of the day that is capital dollars expended for that, in addition to the fact that we just negotiated and are closing a deal on a line of credit for \$1.25 billion which also has costs associated with it. So, we have liquidity for the event if there is an event. So, we have even started spending significant portions of money towards the reinsurance from my perspective because that is what we were told that \$500 million slug was also to take care of us in a catastrophic event which is hardly, you know, I guess what everybody voted for. So, it is still \$61 million is coming out of somebody's pocket.

Jennifer Montero: Mr. Chairman, that \$61 million, we are taking that out of the \$675 million.

Chair Beruff: Correct.

Jennifer Montero: Correct, it is not in addition to the \$675 million. That \$675 million from our discussions and maybe I misunderstood, I thought that the \$675 million was inclusive of our entire program which included Lighting Re. So, we are working \$675 million less.

Chair Beruff: It is \$675 million less than the \$61 million we have already taken.

Jennifer Montero: Correct, that is what we are working with.

Chair Beruff: Correct, I understand. I just wanted to bring it to Governor Leznoff's attention.

Governor Leznoff: Okay, but given what Jennifer just said we still would have \$50 million of flexibility because we have already accounted for that \$61 million, is that correct, or am I wrong?

Chair Beruff: No, it is \$675 million plus \$61 million.

Jennifer Montero: No. That would be great if you would like it to be that.

Chair Beruff: That is where Kapil and I were talking about and I took down notes, but at the end of the day I think that we are going to continue to create more havoc with this discussion with Governor Lydecker's comments earlier at the beginning of this conversation, and I think we should let staff go and do the best they can with the clear understanding that this Board will or will not approve the expenditure in the future meeting, period. But if we continue – If you want to continue, you guys go ahead, but I am very sympathetic to Governor Lydecker and our, you know, the people that are listening in on this phone call understand what they're doing very carefully.

Governor Leznoff: I understand that Mr. Chairman. I just think if there is a lack of clarity of, I know that \$675 million is a specific number that we are voting to. If there is an understanding that that is actually part of our authorized budget. If the item simply could state the budget authorized by the Board that may clear that out without, without a problem.

Chair Beruff: Okay. Well (cross talking).

Governor Leznoff: Because I think the flip side is I think we all understand that we are going to have greater risks for assessment. That may be something we can't buy our way out of nor should we, especially with the prices below the Cat Fund that Jennifer was talking about, but we, to me there seems to be no reason to deviate from the budget that was approved earlier this year.

Chair Beruff: Any further comments? If there are no further comments, the Chair will entertain a motion to approve the staff to go forth and bring home the bacon as cheap as we can buy it.

Jennifer Montero: Mr. Chairman, can I read the formal action item?

Chair Beruff: Please.

Jennifer Montero: Okay. **Staff, Citizens' staff proposes that the Board of Governors approve the recommendation to purchase Traditional and Capital Market Risk Transfer in the Coastal and Personal Lines accounts for the 2023 program not to exceed the amount of \$675 million and authorize staff to take any appropriate necessary action consistent with this action item. I would ask that we clarify whether that, for the recommendation, whether the Lighting Re is separate than the \$675 million or included in the \$675 million.**

Governor Telemaco: I was in the, this is Governor Telemaco, if I may. I was under the impression, Jennifer, that it was inclusive of the \$675 million based on your early comments.

Jennifer Montero: As I was, but I think that the Chairman had a different thought. So, I just wanted to make sure –

Governor Lydecker: I read it differently.

Jennifer Montero: Can you repeat that. I am sorry, I didn't hear.

Chair Beruff: Governor Telemaco and I are in agreement as to how we came about this and so is Mr. Kapil.

Governor Telemaco: We need to clarify that.

Chair Beruff: I remember Mr. Kapil taking notes while we were talking.

Kapil Bhatia: Our understanding, as Jennifer said, \$675 million is the total. The budget initially was \$725 million. \$675 million is the understanding we can use the Lighting Re and we will try to place as efficiently and as often as possible within the market constraints. We understand. And that will transfer into even greater than or %5.5 billion of risk transfer program in both accounts, Coastal and PLA. That is at least that's the understanding.

Chair Beruff: And on a percentage basis that is 20% more than we spent last year.

Kapil Bhatia: On a budgeted basis on the rate line basis, it is a little bit over 20%.

Chair Beruff: Correct.

Kapil Bhatia: That is correct, yes.

Chair Beruff: So, we are paying 20% more on the basis of what we paid last year for the \$220 million that we spent.

Kapil Bhatia: Yes. And that is basically to reflect where the markets are hardening and the micro condition and everything else.

Chair Beruff: Which is completely opposite from what the market should be doing based on the legislative changes that have been made at the state level, but at the end of the day for whatever reason that and inflation and 16 other reasons until Mr. Lydecker, and he is correct, apparently, we can't control the markets, but we can certainly participate or tell them we won't participate as necessary.

Kapil Bhatia: I recommend that we place the program efficiently at the lowest possible price and try to minimize the assessment burden as much as possible within the market constraints, and the 20% not just Florida. It is also all of the reinsurance which have paid for prior losses, certainly the macro conditions also include the losses. Ian, Michael and all of the global losses. So, it is just knowing what the recent legislative reform is suddenly going to help us from a market perspective. In the long run, not as much as this year, but certainly it is also reflecting of the prior losses, and then a global macro factors as was other alternate investment opportunities available. So, the pricing is higher for all of those factors, but that is basically what we are trying to do is optimize the program, trying to place aggregate minimum price, staying within the constraints, reducing the assessment. The two million (inaudible) and Jennifer and we all are trying hard to get that point and hopefully we can get there.

Chair Beruff: And you are comfortable that that is achievable?

Kapil Bhatia: Mr. Chairman, we are with all of the work we have done, I could say that Jennifer (inaudible)

Governor Lydecker: What is, what does the number matter if we are going to assuming that Chairman Beruff agrees. I can't remember, I am presuming you agreed with this, but I might be incorrect. That we potentially have another phone call before or at June 1.

Chair Beruff: I agree.

Governor Lydecker: When we know more. Like I mean whether it is \$675 million or \$725 million, the bottom line is we have got to do what we got to do to make sure that this is handled properly.

Chair Beruff: Correct. I think hopefully that first of all, the legal department won't take until June 1st to figure out whether or not there is a legal way of having an executive meeting or not. That should come back to us pretty quickly. Otherwise, the Board (inaudible – cross talking).

Tim Cerio: I just want to let everybody on the call know I am very skeptical that that avenue will be available for an executive session, and Ricky Polston and his team will jump on it, and we will let you know immediately. Almost immediately if I am wrong.

Chair Beruff: Let me -- go ahead, Governor Thomas, please.

Vice Chair Thomas: Unless there is a separate statutory exemption that somehow applies directly to Citizens, the only exemption I am aware that that allows is for pending litigation matters. So maybe we are unique, in the business here, but it seems like you said, like you said, I am sure you all will get an answer almost immediately on that, because I don't think there is anything out there.

Chair Beruff: Well, let's govern ourselves according to that, but you know, to that comment what I find interesting is here we are in a business where we have to, the people that provide some of the services to us, we can't divulge any of the information proprietary that they give us, but yet we have to provide all of our information to them. I don't understand the lack of the Ying and yang on that issue, but maybe that is what our next legislative season, we will have to see if we can carve out negotiating reinsurance every year strictly a carve out for that provision, because this is the worst way of negotiating that I have ever seen.

Tim Cerio: Mr. Chairman.

Chair Beruff: I am sorry, I don't see a hand, Charlie. I saw that, but there was someone else, Mr. Lydecker, that wanted to say something. Is that Mr. Cerio?

Tim Cerio: Yes.

Chair Beruff: Please, Tim Cerio, go ahead.

Tim Cerio: So just, one of the things, I mean, obviously we can brief all of you as often as you need. I want to make sure that Jennifer and Kapil speak up because I don't want to hamstring them as they are dealing with these reinsurers and there is a need to move expeditiously and negotiate these things, I want to make sure that I don't commit them to doing something that is going to, that is going to harm the negotiations, but obviously we can keep the full Board informed of what is going on a one-on-one basis.

Chair Beruff: But Mr. Lydecker's comments are well taken earlier that this is the kind of thing that we all have different views and different perspectives, and it is better to share them with each other because everybody has a different set of concerns on what they're trying to cover. So, it is very difficult on a one-by-one basis to get the feel of people's different points and different thought patterns. So, it is what it is. We serve at the pleasure of the laws of the State of Florida, and we are going to abide by them. I understand that.

Governor Lydecker: So my comment is, Tim, subject to your ultimate view on this on behalf of yourself and the staff, and I will defer in a sense, but my thinking from a Board perspective is that we should get to see the final product even if it's coming down to a couple of scenarios, and maybe the staff can find if to your point that there is, there are time constraints prior to June 1 and it makes sense to go ahead and bind this layer and this layer, but that ultimately we get a final sign off on June 1, because I don't think it is all, I don't think this is locked down on June 1 per se. I think there is a little bit of a wriggle room there, but that, and that frankly ought to be something that is helpful to the Citizens' team because, you know, if I were a seller of product, I would be concerned that it may not fly with the Board. And so, you may consider options, whether that is, you know, \$725 million or \$675 million, whatever has been previously approved and, you know, that is obviously what it is, but, you know, I know for one I would like to see that before I bless something, because you know, for the reasons I have already stated.

Jennifer Montero: Mr. Chairman, may I respond, please?

Chair Beruff: Yes, of course.

Jennifer Montero: So, on the Cat bond side we are pricing right after in the next couple of days right after the approval from the Board and supposed to close on the bonds on May 22nd. So that, those two bond

deals would fall apart if we don't get the approval by that time. And as far as the traditional, they, if they don't think that, that the Board is going to -- they won't authorize the lines if they don't have the Board's approval up front. So, we come to the Board first before we go. If they think that it could not be approved, they don't want to take the capacity that they have and bet it on something that is a 50/50 that might not happen. They would rather put their authorizations, you know, with the, you know, somewhere else where they're going to get a return on their money rather than having it fall apart at the last minute. They will just write another Florida program. You know, it is crucial by June 1 you should be done, done your allocations and, you know, you are starting on your contracts. That is why we try to get this part done so we can actually nail everything down and mark it. I have always had one-on-one calls and I have provided some information to each Board member yesterday or last night about what we are seeing. I am happy to send you to send information to the Board on what -- how it is going, you know, how the pricing is coming in, et cetera, but the, what the plan was is for after this meeting, after the approval of this meeting then the bonds would be priced and then closed by the 22nd and we would go out and we would work with Raymond James and Gallagher Re on a final FOT as we run a bunch of scenarios, a final order term saying this is going to be current, this is going to be aggregate. Whether or not we decide to do the LAE factor. I know, I understand, Mr. Chairman's point of view of why, why are we lessen their liability, but with the new reforms taking place and the idea that litigation is supposed to come down, that 10% should really have an effect on us if the litigation is working. So that to us is a low risk with the reward of having a reduced rate online so that we can get the full capacity that we need. And we are looking at, we are probably going to get, we hope to get \$5.5 billion with the \$675 million. If \$725 million we would hope to get the \$5.8 billion, but we do have \$500 million of Lighting Re, and we can operate in a rough budget at \$675 million. We have found ways to make that work. Yes, we do have to look at some bells and whistles and maybe this year we don't have everything we want to have, but we have coverage and I think that is the most important thing is to have a decent amount of coverage so that if we get hit, we are not, you know, exposing everything to an assessment.

Tim Cerio: And I would like to add, Mr. Chairman, if I could and I have been in these meetings with Kapil and Jennifer. It is a little frustrating in the market, but it is not an unexpected and I don't know if it is unreasonable, but the reinsurers are waiting to see some results. They have seen a very creative trial bar in Florida for many, many, years, and our job has been to go in there and convince them and explain to them why these reforms are going to stick. Why they are different. Why they are comprehensive, that the elimination of the one-way attorneys' fees, one way attorneys' fees statute really was the head of the beast, and I think we have had some success. Obviously, DeSantis went to London to do the same thing, but most of them, I would say most of the reinsurers are optimistic, very optimistic, but they want to see the data. So having said that, I also want to ensure this Board, assure this Board that as, as staff has in the past, if we feel we are being gouged we are not going to recommend the purchase of reinsurance, and if we don't, we will, we will, you know, try and close the deal as soon as we can within the authority that we are granted.

Vice Chair Thomas: Mr. Chairman, if I may.

Chair Beruff: Of course.

Vice Chair Thomas: I just want to make sure. My view of this in terms of my responsibilities as a member of the Board. You have come to me, and you are talking about placing \$5.5 billion or \$675 million brought out, which I assume that you think that is something that is achievable in the market. That is a parameter that I am fine with, and I support. I don't mean any limitations, and you are a fellow Governor, however micro detail may want to be, but it seems to me the actual placement here involves market transactions

that have to close that we have to have respect and rely upon Jennifer, Kapil, Tim, those who are actually engaged in the day-to-day operations to make the right calls on this. That is what happened last year, we didn't spend what we had last year, because you looked at the market and said, we can't do it at a price we want to do it. So, I am comfortable with the idea of this Board giving you the parameter of this coverage at this price. With the recognition that you need to actually close deals and you can't come back to me as a Board member every time and say, here is the deal, can I close it this afternoon. I think if you act with your discretion within these parameters, that is what I expect to happen here and I think what has happened in the past, and I think you also know what our view of this is. If you came back somehow and said, well, we actually spent X and we only got Y, then that would be an issue here for us. But I think it is important, I hope today we have delivered the message to the market that we are not simply going to buy whatever is out there, and to the extent that we feel that there are players who aren't responsive that that is probably something we are going to take note of. But I just think the idea here through the Board I am comfortable giving that broad discretion so that you guys can go do your job.

Chair Beruff: I think that is a motion, Governor Thomas. What do you think?

Vice Chair Thomas: I will make it as a motion to adopt the staff's recommendation. My understanding by the way is the same, that the \$675 million is inclusive of the \$61 million already. That was my understanding from our, from our initial review of this material.

Chair Beruff: So we have a motion. Do we have a second?

Governor Lydecker: Can I understand that? When you say, \$675 million is inclusive of \$71 million.

Chair Beruff: 61. 61, not 71.

Governor Lydecker: Excuse me, thank you. Thank you, Mr. Chairman. Inclusive of the 61 meaning-

Chair Beruff: Charlie, they can get there, they can get there.

Governor Telemaco: And just to be clear, the 61 is reflected in the layer charts, right, Jennifer?

Chair Beruff: Yes.

Jennifer Montero: Yes, they are.

(cross talking)

Governor Lydecker: I just want to make sure. I would like another crack at the exposure to taxpayers and there is a lot of red in this PLA layer that I hate to find out that we started, you know, coming up with revised budgets and then we have red here that there is nothing we can do about.

Vice Chair Thomas: Well, (INAUDIBLE) spend half the year complaining that our insurers don't pay actuarially sound rates and our rates are too low and they're getting subsidized premium, and then turn around and try too many tears over some prospect of a potential assessment on that. Look, the emergency assessment is a different thing. That goes on throughout the state and all policyholders, but I think one does drive the other. It cannot be that we unfortunately have to raise our rates because they're actuarially

unsound and not be surprised that we don't have the kind of surplus we would like to have to avoid the risk of assessment. I think one drives the other.

Chair Beruff: I agree.

Governor Leznoff: To my understanding we have lowered our budget. If the 61 is –

Chair Beruff: We have given the staff a recommendation on how to go do their job and bring it in for the right amount.

Governor Leznoff: I agree that the staff should do their job, and given what the likely limitations of the sunshine law they're going, that that is going to be what happens and I have full confidence in their abilities, but we approved \$725 million and now it is \$675 million is inclusive of the \$61 million, they have less to work with understanding that, yes, they should never buy a product that is too expensive. I think the law is clear about that, that they purchase that which is appropriately priced, but we are talking about more flexibility for the staff if they are authorized at the original Board approved budget amount. They have greater flexibility.

Chair Beruff: Well, the times are changing. So, we have a motion. Did I get a second or did it die for lack of a second? There is no second. So, will somebody make a motion to move forward or not? Make whatever motion you like.

Governor Hasner: I will second it.

Chair Beruff: Governor Hasner has seconded the motion that Governor Thomas said. All those in favor signify by saying aye.

Governor Leznoff: I would like to make an amendment to the motion.

(cross talking)

Chair Beruff: I would like to call the question.

Governor Lydecker: I would like to hear the motion.

Chair Beruff: Governor Thomas, would you like to try to take a stab at it because you are better at eloquence than I am.

Vice Chair Thomas: It doesn't take much eloquence. I am simply moving to approve consistent with the staff's recommendation what we have been brief on, what has been presented today, which is the \$675 million expenditure set forth, it is in our -- it is in our materials here. It is to approve the recommendation to purchase traditional and capital market risks transfer in the coastal and personal lines accounts for the entire 2023 program, not to exceed the amount of \$675 million, and authorize the staff to take any appropriate for necessary action consistent with this action item. That is the motion.

Chair Beruff: And Governor Hasner I think seconded that. So, there is your motion, and I am calling the question. All those in favor signify by saying aye.

(Chorus of ayes.)

Chair Beruff: How many ayes? I guess Governor, excuse me, Ms. Walker, will you please take, take the vote?

Barbara Walker: Yes, sir. Vice Chair Thomas.

Vice Chair Thomas: Yes.

Barbara Walker: Governor Becksmith.

Governor Becksmith: Yes.

Barbara Walker: Governor Butts.

Governor Butts: Yes.

Barbara Walker: Governor Lydecker.

Governor Lydecker: Yes.

Barbara Walker: Governor Hasner.

Governor Hasner: Yes.

Barbara Walker: Governor Leznoff.

Governor Leznoff: Yes.

Barbara Walker: Governor Knight.

Governor Knight: Yes.

Barbara Walker: Governor Telemaco.

Governor Telemaco: Yes.

Barbara Walker: Chair Beruff.

Chair Beruff: Yes.

Barbara Walker: It is unanimous, Chair.

Chair Beruff: Thank you. Let's move on to, I think we are done. Ms. Montero, do you need anything further from us?

Jennifer Montero: I do. I do need to go over the line of credit which is my second agenda item.

Chair Beruff: Okay.

Jennifer Montero: Okay. So, after the exhaustion of the personal lines accounts \$430 million of it is surplus.

Chair Beruff: Ms. Montero, can I brief and then you can correct me if I leave anything out?

Jennifer Montero: Sure.

Chair Beruff: Governors, this is, this is basically a stopgap for this hurricane season because we are not going to be able to get the accounts all merged together until after January 1st and (inaudible) the bonds. So, the staff has very professionally negotiated what I think is a very good line of credit that gives us liquidity in the case of a storm event. So that we can get through the gap until January of next year. Did I say that correctly, Jennifer?

Jennifer Montero: You did. That is exactly.

Governor Lydecker: Lydecker makes a motion to approve a number not to exceed \$1.25 billion.

Chair Beruff: Thank you, Governor Lydecker. Do we have a second?

Governor Leznoff: I will second the action item.

Chair Beruff: Thank you very much. All those in favor signify by saying aye. Can we get a unanimous?

(Chorus of ayes)

Chair Beruff: I think you have a unanimous Ms. Barbara, so we don't need to poll the Board. We can move on. Thank you, Ms. Montero. Let's move on to Ms. Booten who has a little bit of a quirk she needs to fix with documents.

Ms. Booten: Good afternoon. I have an action item that requests Board approval for document fulfillment services contract with a panel of four print and mail vendors. That was selected during the RFP with an option to add up to up to six additional vendors to the panel if needed. The initial terms of the contract would be for three years. There is an executive or a table on slide, the second page of the executive summary that outlines the cost for the print, mailing, postage and envelopes and that total for the three-year contract is for \$75,200,000. I can read the recommendation if you would like. Governor Beruff.

Governor Leznoff: I will move the action item.

Chair Beruff: Do we have a second?

Governor Hasner: I will second.

Chair Beruff: All those in favor. Governor Butts, did you have a comment you wanted to make?

Governor Butts: I do not. I seconded the motion.

Chair Beruff: All right, thank you. All those in favor signify by saying aye.

(Chorus of ayes.)

Chair Beruff: All right. That passes unanimously, I think. What else have we got on our agenda?

Barbara Walker: That concludes the agenda, Chairman.

Chair Beruff: That is what I thought. So, thank you folks. I guess we will all get briefed one by one unless there is a miracle, and the legal department finds a way that we can have these discussions in executive session. Otherwise, we will regroup when we need to finalize this on June 1st I believe.

Governor Lydecker: Thank you.

Chair Beruff: Thank you. Everybody have a great Memorial Day weekend next weekend. Bye-bye.

(Whereupon the meeting was adjourned.)

FINAL