CITIZENS PROPERTY INSURANCE CORPORATION

MINUTES OF THE
FINANCE AND INVESTMENT COMMITTEE MEETING
Wednesday, December 10, 2025

The Finance and Investment Committee (FIC) of Citizens Property Insurance Corporation (Citizens) convened at The Westin Lake Mary, Lake Mary Wednesday, December 10, 2025.

The following members of the FIC were present:

Presiding Carlos Beruff (Board Chair)
Charlie Lydecker
LeAnna Cumber

The following members of the Borad were present:

Robert Spottswood

The following Citizens' staff members were present:

Jennifer Montero	Micheal Peltier
Tim Cerio	Michael Wickersheim
Joe Martins	Andrew Woodward
Mark Kagy	Paul Kutter
Bonnie Gilliland	Brian Donovan
Jay Adams	
Jeremy Pope	
Aditya Gavvala	
Brian Newman	

The following people were present:

Kapil Bhatia	Raymond James
Sasha Stipanovich	Raymond James
Nathanial Johnson	Bank of America
John Generalli	Wells Fargo

Call Meeting to Order

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Bonnie Gilliland: Okay, good morning. And welcome to Citizens' December 10th, 2025 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 transcribe minutes available on our website. For those attending today's meeting through the public link, you are automatically in listen-only mode. Panelists, thank you for identifying yourself prior to addressing the committee. Presiding Chair Beruff, we have no speakers for today's meeting. I'll proceed with roll call.

Chair Beruff: Please do.

Bonnie Gilliland: And Chairman Knight is out.

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

Bonnie Gillland: Chair Beruff, you have a quorum.

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

Chair Beruff: Great. Thank you. The board will entertain a motion to approve the minutes?

Governor Cumber: Move the minutes.

Governor Lydecker: Second.

Chair Beruff: Okay, that's done. Then Kapil, you're on.

2. **Raymond James Financial Adviser**

Market Update:

Kapil Bhatia: Good morning, Mr. Chairman, Board of Governors. For the record, Kapil Bhatia from Raymond James and Associates. We are your financial advisor and investment consultant. I'll briefly go through the market update, but please stop me at any time for any questions or additional thoughts. So, consumer prices increased by 0.3% in September, pushing annual inflation rate to 3%, the highest since January of 2025. Non-farm payroll employment edged up by 119,000 in September but has shown slight change since April of this year. The current unemployment rate is 4.4% and has also changed little since April. There are currently 7.6 million people unemployed, and we expect unemployment rate to increase to 4.6% by the end of first quarter of 2026. The labor force participation rate has kind of remained relatively unchanged or flat at approximately 62.4%. Due to the shutdown of federal government, we really don't have the

updated data, and we will not get any updated data until January. So, we don't really have the October numbers and November numbers will be late. So, it's hard to know exactly where unemployment stands right now or where inflation is, but it is expected to remain where we are at around 3%, 2.8 to 3%. The weakness in labor market is a combination of lower supply of labor, as well as weakening demand for workers. Both of these factors are keeping labor force participation rates near full employment level, but in a weakening economy.

Real GDP increased at an annual rate of 3.8% in the second quarter after decreasing by 0.6% in the first quarter. There is a lot of volatility. Again, we don't have the numbers for the third quarter, but we expect third quarter GDP increase is closer to 2.8 to 3%. We believe the overall annual growth rate in 2025 would be closer to 1.8% and will increase to 2.2% in 2026 because of the recent tax cuts. And most of that impact, we will see that in the first half of 2026. In September of 2025, the Fed cuts benchmark rate by 25 basis points for the first time in nine months and again in October by 25 basis points to the current range of 3.75% to 4%. We expect 25 basis point rate cut by Federal Reserve later this afternoon, which will bring the Fed funds rate to 3.5 to 3.75%. The path for 2026 is less uncertain, but the general market as well as the overall conditions reflected the Fed will cut rate at least two times, which will bring the Fed funds rate to a neutral rate of around three to three and a quarter percent by year in 2026. There is no clear consensus on the timing of the cuts. We believe there will be one in the first half and one in the second half. And after that, the path is less uncertain, depending on the economic conditions. There are lots of contributing factors which are leading to uncertainty. That includes the tax cuts, which we just talked about, the spending bill, what's going to happen, tariff uncertainty, and again, federal government shutdown, which may happen again and concerns about central banks' independence. With all of these rate changes, the yield curve is changed from inverted to upward sloping as a result of changes in the Fed policy. The spread between two and ten years currently is at 58 basis points as compared to negative 83 basis points three years ago. That's a swing of approximately 140 basis points over the last three years. And now it's closer to normal curve. We expect with the Fed fund rates to two years to come down to closer to 3% from 350 and 10 years to remain range bound to closer to four. That will make the spread between the two and 10 years to be 100 basis points, which is above normal, looking at the historical data, but 75 to 100 basis points is where the normal is. But this will be the upper end of the normal range. Rates for the zero to five years have been down where we were a year ago. However, the 10 year is stubborn just because of such a large fiscal deficit and the financing attached to the fiscal deficit. Moving on to the reinsurance market, 2025 has been a good year for reinsurers, even for insurers, even with the first half insured losses of $80 billion, which were primarily driven by California wildfire losses of approximately 40 billion.

While the level of losses was significant in the first quarter, they did not cause any issue with capacity and pricing to the risk transfer market. The reinsurance industry continues to benefit from increased investment income, suddenly much less losses than the average losses every year, from continued above average interest rate, as well as reduction in unrealized losses as the interest rates are stable at a higher rate for a longer period of time. As well as there is additional capital coming to the reinsurance market because of its diversification. There is a shift from equity markets and a real estate market into the fixed income markets to lock in the current higher interest rate. And that is bringing more capital to the risk transfer market. 2025, for example, is a record year of issuance for the CAT models market of approximately $20 billion of issuance. The record issuance is driven by increased global demand. Exposure is increasing lower

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interest rates as the interest rates came down in 2025, and the investor demand, which are looking for higher fixed rates. For 2026, risk transfer markets are expected to be in excellent condition. They are. And we expect pricing pressure to continue and rate to decrease by approximately 5% to 15% with an average of approximately 10%. It's still not sure how the markets will behave because we haven't seen the 1-1 renewal, but we should at least expect a rate reduction of 10%. Again, it depends on the layer. It could be higher or lower, but we will have a better color by February and March when the January one placement is done. With that, I'll stop and happy to answer any questions.

Chair Beruff: I have my standard question. With interest rates falling, how has it affected our portfolio and where are we if we had to liquidate it losses?

Kapil Bhatia: Our portfolio is in a much more stable position right now. We have around $325 billion to $400 billion maturing in zero to 12 months. So, we are losing some investment income with the interest rate falling. The negative mark to market is 320 and evaporating at the rate of only $25 million?

Chair Beruff: $325 million.

Kapil Bhatia: On a total portfolio of $10 billion, approximately. And it is evaporating at the rate of $50 million, even if interest rates remain where we are.

Chair Beruff: Very good. Thank you.

Kapil Bhatia: Thank you.

Governor Lydecker: I have a question.

Chair Beruff: Yes, please.

Governor Lydecker: I actually have a comment and then a question. My comment is that last year, maybe even the year before, this board took the view that, and for sure I took the view. Maybe I should speak about myself more, but I think there was some consensus view on this, that the state of Florida's program, reinsurance program, notwithstanding the fact that we were still two years ago dealing with price increases, was poised in such a manner that barring a real big disaster, and it'd have to be big, that the reinsurance industry was going to make a lot of money because they were, they had high rates from the last 10 years of rates going up. They had high rates, but tort reform, changing the nature of Citizens, but they had high rates. And Citizens was on a rapid path to recovery. And we didn't have storms of significant note. And so that really is what's occurred up until this point. Rates will start to come down. I at least expect reinsurance rates to come down by a lot. Because I think they've made some real nice money. My question is twofold. One, am I and/or us thinking about that the right way? What's your view? And two, you mentioned the lowering of interest rates. What impact will that have on reinsurers in terms of how they underwrite us as a risk?

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Kapil Bhatia: You're absolutely right. And I would say it may sound like a MasterCard commercial. Tort reform has been priceless. We saw the impact last year. We are seeing that. And with no event this year, certainly it has been incredible. And when I say 10%, that's relatively on the conservative side, depending on the layer. But as we are shrinking, the demand for the private insurers is growing also because they need to buy more reinsurers. So that will have some impact, especially at the lower level. But the overall reinsurance markets are in really good shape with more capital coming in. That's negating the lower interest rate factor. We should see rates coming down significantly. And we have seen that last year. And that trend is going to continue as we move forward. So lower interest rates have a marginal impact, but not significantly because they've been able to lock it. And they have looked at the alternative investment, but not a significant impact on the earnings.

Governor Lydecker: But it impacts their investment income.

Kapil Bhatia: It does, but because they've been able to lock in the future earnings, which will see the impact a year or two years down the road, but they are not at the level. They were used to zero to 2% interest rates for such a long period of time. So now, at least with the Fed cutting rates, we are still looking at three.

Governor Lydecker: It's still attractive.

Kapil Bhatia: So, it's still better than where they were, and the combined ratios are coming down. So, we should see pricing coming down not in Florida nationally. And 2025 has been a really good year for them. Not 2024 was not, but 2025 even has been better.

Governor Lydecker: I want to just restate a position that I've had for the last two years. And I want to say it in a way that is intended to be constructive. And I think we disagree a little bit on this, but I know we're all trying for the same goal, which is that reinsurance rates have to come down a lot more. And I know you have to give a range and you're not there yet. And you know I take your point. But I do think that in the world of reinsurance, not unlike the retail world, by the way, there is supply and demand with capital. And when a reinsurance broker has the relationship, and I think -- I think you're going out for an RFP.

Jennifer Montero: The placement after June 1st.

Governor Lydecker: Okay, after June 1st. Good for you, first of all. But I think that I know from the insurance industry, there's an allocation that occurs behind the scenes that we don't get to see. And they know that a broker could say, well, I know we have, you know, Florida. And if you just give me this amount, I can get you, I'll get you a minus seven overall. But this is a new piece of business that we're going after. And to win that, we're going to have to get minus 20. And there's a process that occurs behind the scenes. My ask is prior to the RFP that you create a threatening environment and what the expectations are from Citizens, that the broker on this account really needs to focus on prioritizing Citizens in that exchange that occurs behind the scenes. So, the way the beneficiaries is because I actually think you can come in minus 20. And so, I don't think it's going to be a minus five, but it will be if they think they're in a good spot and they can, you know, allocate more aggressive pricing for an account that they're trying to beat out another broker on. Now, come, I would imagine that they'd be wanting to be as competitive as possible. So, they come in

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to the beginning, after the season, come into the broker selection process as strong as possible. But I don't know what's going on in their minds. So, I'm asking for like a reiteration that we have an expectation that we're being treated like a piece of new business out there.

Chair Beruff: Governor Lydecker, to add to your comments. I'd like, Jennifer, can you answer the following question? What was our maximum exposure when we had the most policies? The largest exposure Citizens had when we had the largest policy count.

Jennifer Montero: 500.

Kapil Bhatia: It was around $1.65 million.

Jennifer Montero: No, no, $553 billion of exposure.

Chair Beruff: $553 billion. Plus or minus $553 billion. What is our exposure you could at the end of the year based on the policy takeout?

Jennifer Montero: 126.

Chair Beruff: 126. So, the reason I asked that question is pretty obvious. It should be to everybody is I don't have a problem going naked at some point and not buying any reinsurance. None. Our exposures are so, and we still have $10 billion in reserves. Who cares. Okay. Yeah. That's the leverage. This board can make that decision. Our exposure is one fifth of what it was. And our reserves are, what were they at the time that we were at $553 billion exposed?

Jennifer Montero: About $7 billion.

Chair Beruff: So, our reserves are up 40%, right. Simple math. And our exposure is down 80%. That's the leverage. If they don't price it right, we just won't buy it, period.

Kapil Bhatia: Governor Lydecker, if I may answer, yes, we agree with you. I just want to make sure it's too early because there is no placement done. The rates are significantly down and supply, our demand is much lower because of our exposure and policy count. Rate should be down. That's one. And broker only places not even half of our program because there is a program which is carrying over from last year to this year of a capital market. And we go to the capital markets, which is not really broker-driven, it's investor-driven. So, we have much less demand now. 2023, 2024, when we have a large amount of demand and the supply was constrained, it was a different story. Right now, we are in the driver's seat where the pricing should be.

Chair Beruff: But the key is how we go into the negotiation. The negotiation is, folks, we don't have to buy it. Either get the price right or we just don't buy it. Do I have a consensus from the board that that's the right way to approach this thing?

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Governor Lydecker: I mean, I think going on a self-funded basis is very real. And I think that's leverage that you should have, that there's an appetite for that. I would be careful -- I think it does require some additional analysis. You know, we still want to make sure we don't forget that we do have hurricanes and we just want to be thinking about that. And I think you have to be careful because four years ago, Citizens was pretty vulnerable. You couldn't purchase enough. And so, you know, there was a bit of luck involved in that. But I think there's a fine line somewhere there between the chairman's view on this and how we should be going into the process. And I think as you go into this process that will conclude in June, the broker needs to know that they can either get thrown out or we're not buying. You know, some version of making sure that, because I think this has been a great account for the reinsurance community, the broker and the reinsurance community. They've done fantastic. And, you know, I was always told you can't underwrite fraud. So that was solved for. Turns out you can underwrite for disasters. In California, the fact that that didn't have impact on the overall surplus in the United States and the reinsurance community, you know, I think I read 35 billion or something in here relative to the surplus numbers. I mean, that was catastrophic what was occurring there. Neighborhoods, still not a dent in the scheme of things.

Kapil Bhatia: In 2025, January looked like the world was ending in the reinsurance industry. And from February through December, it has been priceless. So, we expect rates to be down significantly, but we will give you more color as we do it because January one placement is not on. This is where we are before even the January one placement starts. But the markets are in much better shape. And we have done that before, where if the pricing is not right, we'll walk away.

Jennifer Montero: Yeah, that's what I wanted to comment on. Publicly, not only in these meetings, but in conversation with reinsurers and the brokers, we have made it very clear that if the pricing is not right, we will walk away. And the example you just gave, Governor Lydecker about us not having full coverage, well, we could have gotten the coverage, but the pricing was horrible. They were trying, you know, it just, it was the CAT bond market just went straight up and we walked away from it. We got about a billion and we were looking for $2 billion.

Governor Lydecker: Well, this time you should say you have a hostile tort.

Chair Beruff: Excuse me. Four years ago, was a different era.

Jennifer Montero: Right.

Chair Beruff: The tort reform hadn't occurred, okay. We solved, as Governor Lydecker clearly stated, we solved the problem of what you can't model. That's what I learned three months after into this job was you can't model litigation. You can model everything else, but you can't model litigation. So, we solved the problem. So now we had to pay the bill when we had to pay the bill. Now we don't need to pay the bill anymore. Okay, guys. So that's the message. And I think I have the majority of the board in support of that direction.

Governor Lydecker: Yeah, I'll just reiterate the point. Thank you, Mr. Chairman.

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Chair Beruff: There's some details. I understand analysis.

Governor Lydecker: No, no, no. No, but you're making a great point. And thank you for that. I just, I think I sense this consensus that you are going into negotiations, recognizing that you're not the final say and that you have a hostile board relative to the reinsurance world and the brokerage world that we really have very high expectations that there's going to be sharpened pencils. And you know we've survived the last four or five years and we want to see rates come down overall, not just we want it to impact the customer in the state of Florida. And so that's the reason for the push.

Chair Beruff: And this board and the insurance industry in Florida for the last two years waited patiently for the litigation because we promised them the litigation rates would come down, but they didn't do anything significant impacts to our rates because they wanted to see it. Well, now we've seen that it's proven. There's no guesswork anymore. So now we'd like to get the other side of that equation. So, Ms. Montero, can you go ahead and thank you, Mr. Bhatia? I think we're completed.

Governor Spottswood: Before you move on to the next item, I don't sit on this committee, but I fully support the path that the two of you are talking about. We've spent a ton of money on risk transfer over the past couple of years that I think they have gotten the better end of that deal. And I would really like to see us even consider going bare as the chair said and see what the impact would be for us. I believe year before last, we spent close to $500 million or so on risk transfer and reinsurance. I think we spent $400 million this past year. And if we had kept that money, we'd have another billion dollars of surplus sitting there. So, I agree with you fully that we should explore this path. And as a board member, I don't sit on this committee, but as a board member, I would strongly support that kind of analysis being done in bringing that possibility back to us.

Jennifer Montero: Mr. Chair, may I comment really quick.

Chair Beruff: You're on now. So, you can go more in comment. You can go into your agendas.

Jennifer Montero: Governor, I would say, I agree with what you're saying. But one reminder is if the pricing is right, don't forget the reinsurance, it actually protects our surplus for future spend.

Chair Beruff: Well, we understand that nobody on this board doesn't understand that, Ms. Jennifer. Okay.

Jennifer Montero: You can't assume the wind doesn't blow every year.

Kapil Bhatia: And we get (inaudible).

Chair Beruff: We need to be redundant.

Kapil Bhatia: As we preserve our surplus. So, there is an income side to it, which we don't. And three years ago, we had assessment in one in five years. So, there is, we are in much better shape. Everything has

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turned out to be good. We probably want to preserve surplus as much as possible. So, the assessments never happen.

Chair Beruff: Thank you. Ms. Montero, you're on.

3. Chief Financial Report

2025 Risk Transfer Program Update:

Jennifer Montero: Thank you. Behind tab three are the layer charts. So, this is an update from the meeting we had in June. In June, when I came to you, we presented I guess I'm sorry, in September when we came to you, I presented the layer charts that used June 30th in-force data of which we then took the exposure and CAT models, and we projected them to September 30th, 2025. So, I told the board we'd come back with the actual September 30th numbers. So, these are the actual in-force data and CAT exposure model results for September 30th, 2025. The big differences are Citizens' total insured value for the personal residential and commercial residential decreased by $9.48 billion or 3.3% from about $290.39 billion to $280.91 billion. The probable maximum loss decreased from $470 billion to I'm sorry, decreased by $470 million from $11.58 billion to $11.11 billion. The Florida hurricane catastrophe fund coverage decreased by $110 million from $3.22 billion to $3.11 billion. And our surplus exposed in a 1-in-100 year event decreased $360 million from $3.87 billion, which was 76% exposed to $3.5 billion, which exposes 70% of the surplus in a 1-in-100 year event. A single 1-in-123 year event would exhaust all surplus before the Citizens policyholder surcharge kicks in. And a single 1-in-132 year event would exhaust surplus and the Citizens policyholder surcharge before the emergency assessment was triggered. Are there any questions on the layer chart date?

Chair Beruff: No.

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Bond Rating Services [CI]:

Jennifer Montero: Okay, that's all I have for that. The next item, I believe, is the Bond Rating Services. This is a consent item for the board later on this afternoon. This contract provides independent credit ratings and market analysis for investment-grade bond issued by governments and multinational corporations. The services assess the financial strength and credit worthiness and repayment capacity of insurers. Citizens uses this service in overseeing its investment portfolio. It's a replacing of an aspiring contract. The awarded vendors S&P Global Market Intelligence. It is a single source procurement. It's a three-year period with no renewals and its estimated spend is about $297,000 over the three-year period. Any questions on this item?

Governor Lydecker: I'll make a motion to approve staff recommendation as respects to the Bond Rating Services contract.

Governor Cumber: Second.

Chair Beruff: All the favors signal by saying aye.

(Chorus of Aye)

Chair Beruff: Motion moves.

Electronic Payment Gateway [CI] Digital Bill Payment Solution [CI]
Tropical Cyclone Forecasting Services [CI]:

Jennifer Montero: Thank you. The next item I have is Electronic Payment Gateway. And this consent item requests approval to contract with One, Inc Software Corporation for Electronic Payment Gateway Services. It will replace the expiring contract for inbound payments and will introduce new functionality and options that will lower overall costs. There are three main components to this contract, inbound payments, outbound payments, and electronic escrow mortgage payments. We do estimate a 57% decrease in overall cost before inbound payments alone as compared to the expiring contract. This is replacing a contract. It's a five-year based term with optional renewal terms of one three-year and one two-year renewal. The estimated spends approximately $240,000 per year during the initial term. Actual spend will be based on transactional utilization that will fluctuate with market conditions and catastrophe response. And it was a competitive solicitation. Any questions on this item?

Governor Lydecker: I'll make a motion to approve the Digital Bill Payment Solutions recommendation, also authorizing staff to revise pricing or add related services, reducing pricing as needed. But that's my motion.

Jennifer Montero: And that's electronic payment gateway. Digital Bill Pay Solutions is the next one.

Governor Lydecker: Oh.

Jennifer Montero: They go together though.

Chair Beruff: You know, Governor, you could make a motion to approve all these.

Governor Lydecker: Yeah. Because they're saving money and, you know, a lot of work has gone into them. So, **I'll make a motion to approve the Electronic Payment Gateway, and I'll make a motion to approve the Digital Bill Payment solutions. And for that matter, Tropical Cyclone Forecasting Services.**

Jennifer Montero: Thank you.

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Chair Beruff: Do I have a second? Did I hear a second?

Governor Cumber: Yes you heard a second.

Chair Beruff: Do you have a second? All those in favor signals saying aye.

(Chorus of Aye)

Chair Beruff: **Motions moved.** Thank you.

FIC Charter 2026 – Annual Review:

Jennifer Montero: Okay, my last item is the investment report as of October 25th. Oh, I skipped the charter, sorry. Actually, the charter is next. We do have an updated charter. There's been one adjustment to the charter. It's a minor change. It's on page two, section three and responsibilities authority, section B. Kapil wanted to add "if any' after taxable and tax exempt. Since we don't have any tax exempt, we added "if any". The investment portfolio managed by Citizens and goes on. That's the only change that staff is recommending.

Chair Beruff: Motion?

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

Governor Cumber: Second.

Chair Beruff: All those in favor signals saying aye.

(Chorus of Aye)

Chair Beruff: Motion is done.

Investment Portfolio Update:

Jennifer Montero: Thank you. And the last item is the investment report. And slide one. So, this is as of October 2025. The total portfolio is $9.4 billion with approximately $7.63 billion or 81% externally managed by nine investment managers. The remaining $1.77 billion is internally managed and primarily consists of liquidity for claims and operating funds. Internally managed funds are invested in short-term U.S. Treasury securities or money market funds. The portfolio is very conservative and stable with sufficient liquidity to pay all operating expenses as well as all current and any potential future claims. The total portfolio average duration is stable and is currently just over 2.17 years. As of October 2025, the

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one-year total income and total income return are 5.63% and 3.4% respectively. As of year to date, October 25, or for the 10 months, the net income and total income return are 2.81% and 5.26%, respectively. On slide two, the current Fed funds rate after the recent rate cut is 3.75% to 4%. The Fed is expected to further cut rates by 25 basis points later today. As Kapil mentioned earlier, one to two rate cuts are expected in 2026 before reaching the terminal rate of 3.0 to 3.25%. The yield curve is now upward sloping, starting with the two-year maturities with one-to-10-year spread of approximately 55 basis points. The yield curve is expected to continue to increase its upward slope as the short-term rates come down and the long-term rates remain unchanged, primarily due to the large fiscal deficit and the increased treasury issuance. Slide three, please. The portfolios have very strong credit quality. Approximately 80% of the portfolio is in the money market fund or rated A or higher. Approximately 46% of the total portfolio is in Treasury and agency securities or money market funds. And finally, slide four, the portfolio income return is stable and the 2025 net income and total income return are expected to be approximately 3.5% and 5.75% respectively. The incremental interest income continues to come in from higher interest rates with increased investment in shorter duration of securities. And lastly, the portfolio still has a negative mark to mark value but has decreased over the last three months and is declining at a faster pace as interest rates decrease and the portfolio matures.

Governor Lydecker: Can I ask the question?

Chair Beruff: Please. The chair.

Governor Lydecker: I think you provide this actually. And so, my apologies, I couldn't find it in my review of the information that was shared with us in advance, or maybe it's more periodic and it's not in here. But should we be asking to see kind of like what are they -- like a heat chart, you know where you have the nine external investment bankers, the nine managers listed out. And I know it's short-term duration. It's under three years, but it's $7.6 billion. And I don't really have a sense if one of those nine managers, notwithstanding the good report that you're sharing with us, one of those nine managers is a non-performing manager relative to the others. And that we ought to be asking a question like, why are they still working with Citizens? The other $1.7 billion that's in-house, the maturity on that is less than a half a year and it's AAA, I think. But I don't know if that's as concerning. You know how are we doing inside with really, really short term. I think that's just kind of keeping up with the administrative element of it. But I wonder, should we be asking to see that, a report in the nine managers?

Jennifer Montero: We could definitely provide that.

Governor Lydecker: It's somewhere. I just can't find it.

Jennifer Montero: Oh, it is.

Kapil Bhatia: Investment report and slide six.

Governor Lydecker: So, let me just ask this and rather than even, is there a manager on that report that's in the yellow zone or the red zone? Are they all green?

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Kapil Bhatia: There are three managers in the red zone and there's a reason for that. And I can go through the reason for one of them. As our portfolio shrunk, we had to move some money from a long duration which was invested in a claims paying fund and moved shorter. We needed more liquidity. So even though their portfolio, yeah. So, their portfolio is invested at the longer end, but as the shorter rate moves up, they were in negative. So, if you look at slide five and six, we actually mark it as red. If anybody's plus, minus 10% above or below the average.

Chair Beruff: Let me interrupt you a second.

Kapil Bhatia: Yes.

Chair Beruff: And Mr. Lydecker, correct me if I'm wrong. Shouldn't we be looking at say a three-year window of performance because the market changes so it may look like they're not performing. But in reality, if they're performing, would they be, if you looked at the window over a three-year period, would their performance still be in the red?

Kapil Bhatia: I don't have that.

Governor Lydecker: And I'm only interested in where they're not performing.

Chair Beruff: Correct.

Governor Lydecker: Because my question is going to be, how come we're not making a change? Yeah, exactly.

Kapil Bhatia: You have a two-year window; you can see it in the appendix. And we actually are very proactive. One of the nine managers is going away as soon as we have already kind of they've been terminated January 1, their portfolio will be shifted to another manager. So, we are on top of it.

Governor Lydecker: So, what is occurring with the money that that portfolio manager was paying?

Kapil Bhatia: Most of the other managers were performing well. And when we went through the RFP, there were two new managers. And one of them, both managers will get a chance to manage it to see how they perform over the one-to-two-year window. So, we are actively managing it.

Governor Lydecker: It sounds like you've been proactive on it. And I just want to make sure that that's the case. And you know I still can't find the chart you're talking about, but that's okay. I don't want to do it now and take up time. But you know it sounds like you are being active on it.

Kapil Bhatia: Which is the fact that we manage our portfolio. That's why we can tell you, because we don't know when we need the liquidity. And the $1.7 billion, what we have is basically day-to-day, all expensive

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cat fund premiums. The money comes in, it goes out, and it's all below the cat fund, which is invested short. And plus, we are paying older claims, still older claims that you –

Jennifer Montero: Typically, don't have that big of an amount, that 19% in internally managed. That's like that because we are still paying claims. So, we've asked them to still monetize or not reinvest in stuff. And so, we're keeping a lot of cash on hand to pay all those bigger invoices.

Governor Lydecker: Thank you.

Kapil Bhatia: And six-month rate is the same as the five-year rate. So, there is no value in going long duration plus maintain the liquidity.

Governor Lydecker: Yeah.

Kapil Bhatia: But it's in there and we can go through it. I'm not sure what slides, but it should be always in every board meeting package. Detailed reports you can see here.

Chair Beruff: Mr. Lydecker is just reminding us that we have a job to do. We have got to make sure that you are doing your job and apparently, you're doing your job. We're just not asking the questions.

Kapil Bhatia: Thank you.

Chair Beruff: Thank you. Are we done? Is it a new business, a new business? No. This meeting is adjourned.

(End of proceedings.)

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