



Texas FAIR Plan Association
2023 Budget Presentation to
Governing Committee
November 9, 2022



TFPA 2023 Budget – Key Assumptions

The 2023 Budget includes the following assumptions:

- Rate level: Includes August 2022 rate increase. Does not project future rate increases.
- The number of policies in force is projected to decrease from a projected **60,352** policies at December 31, 2022 to **54,278** at year end 2023, a decrease of 6,074 policies (**10.1%** decrease).
- Employee merit increase is set at **4%**
- Operating expenses: Developed using zero-based detailed departmental budgets
- Commissions: Budgeted at \$7.4 million using average rate of **10.47%** for new and renewal policies.
- Premium taxes, licenses and other fees: **1.88%**
- **\$30 million** line of credit that was implemented in late August 2021 is in effect for two-year duration. The line of credit will be renewed at the same commitment fee rate of 30 basis points.
- Loss and loss adjustment expense ratios used are based on actuarial review

TFPA 2023 Budget - Comparative Income Statement

	A	B	C	D	E	F
	For the twelve months ended December 31,					
	Forecast - 2022	Budget - 2022	Variance - 2022	Budget - 2023	B2023 vs B2022	B2023 vs F2022
Premiums Written:						
1 Direct	\$ 75,553	\$ 72,770	\$ 2,783	\$ 70,829	\$ (1,941)	\$ (4,724)
2 Ceded	(31,370)	(27,464)	(3,907)	(32,846)	(5,383)	(1,476)
3 Net	44,183	45,306	(1,123)	37,983	(7,323)	(6,200)
Premiums Earned:						
4 Direct	\$ 75,214	\$ 75,005	\$ 209	\$ 73,852	\$ (1,153)	\$ (1,362)
5 Ceded	(29,372)	(27,964)	(1,408)	(32,108)	(4,144)	(2,736)
6 Net	45,842	47,041	(1,199)	41,744	(5,297)	(4,098)
Deductions:						
7 Losses and LAE Incurred	26,082	26,663	(581)	24,498	(2,164)	(1,584)
8 Operating Expenses	12,506	12,111	395	13,398	1,287	892
9 Commission Expense	7,913	7,604	308	7,416	(189)	(497)
10 Ceding Commissions / Brokerage	(2,138)	(623)	(1,515)	(2,300)	(1,677)	(162)
11 Premium / Maintenance Tax	1,423	1,354	70	1,334	(19)	(89)
12 Total Deductions	45,785	47,108	(1,323)	44,346	(2,762)	(1,440)
13						
14						
15						
16 Net Underwriting Gain or (Loss)	56	(67)	123	(2,602)	(2,535)	(2,658)
Other Income or (Expense):						
17 Gross Investment Income	155	3	152	174	170	18
18 Line of Credit Fees and Other Investment Expenses	(91)	(91)	0	(91)	0	0
19 Charge Offs & Write Offs	(308)	(330)	22	(319)	11	(11)
20 Billing Fees	437	363	74	354	(9)	(83)
21 Total Other Income or (Expense)	193	(55)	248	117	172	(76)
22						
23 Net Income (Loss)	\$ 249	\$ (122)	\$ 371	\$ (2,485)	\$ (2,363)	\$ (2,734)

Discussion Highlights

Budgeted written premiums are projected to decrease as policy counts and exposures continue to decline.

Ceded Written Premiums are estimated to increase by 4.7%.

Losses and LAE are anticipated to decline along with the corresponding declines in policy counts and exposures.

Operating expenses increase as allocations to FAIR Plan return to more normal levels after completion of TWIA project Elevate.

Investment income is estimated at slightly over 2% on invested assets.

Line of credit fees are consistent with existing contract.

TFPA 2023 Surplus and Key Ratios

(000's)

	A	B	C	D	E	F
	For the twelve months ended December 31,				B2023 vs	B2023 vs
	Forecast - 2022	Budget - 2022	Variance - 2022	Budget - 2023	B2022	F2022
1 Surplus (Deficit) Account:						
2 Beginning Surplus (Deficit)	1,955	(927)	2,882	3,002	3,928	1,047
3 Net Income (Loss)	249	(122)	371	(2,485)	(2,363)	(2,734)
4 Change in Provision for Reinsurance	465	0	465	0	0	(465)
5 Change in Non-admitted Assets	332	55	278	332	278	0
6 Ending Surplus (Deficit)	\$ 3,002	\$ (994)	\$ 3,996	\$ 849	\$ 1,843	\$ (2,153)
7 Key Operating Ratios:						
8 Direct:						
9 Loss & LAE Ratio	34.7%	35.5%	(1%)	33.2%	(2%)	(2%)
10 UW Expense Ratio:						
11 Acquisition	12.4%	12.3%	0.0%	12.4%	0.0%	(0%)
12 Non Acquisition	16.6%	16.1%	0.5%	18.1%	2.0%	1.5%
13 UW Expense Ratio	29.0%	28.5%	0.5%	30.5%	2.0%	1.5%
14 Direct Combined Ratio	63.7%	64.0%	(0%)	63.7%	(0%)	0.0%
15						
16 Net Combined Ratio	108.6%	107.7%	0.9%	119.0%	11.3%	10.4%

TFPA 2023 Budget Expense Summary (Gross and Net)

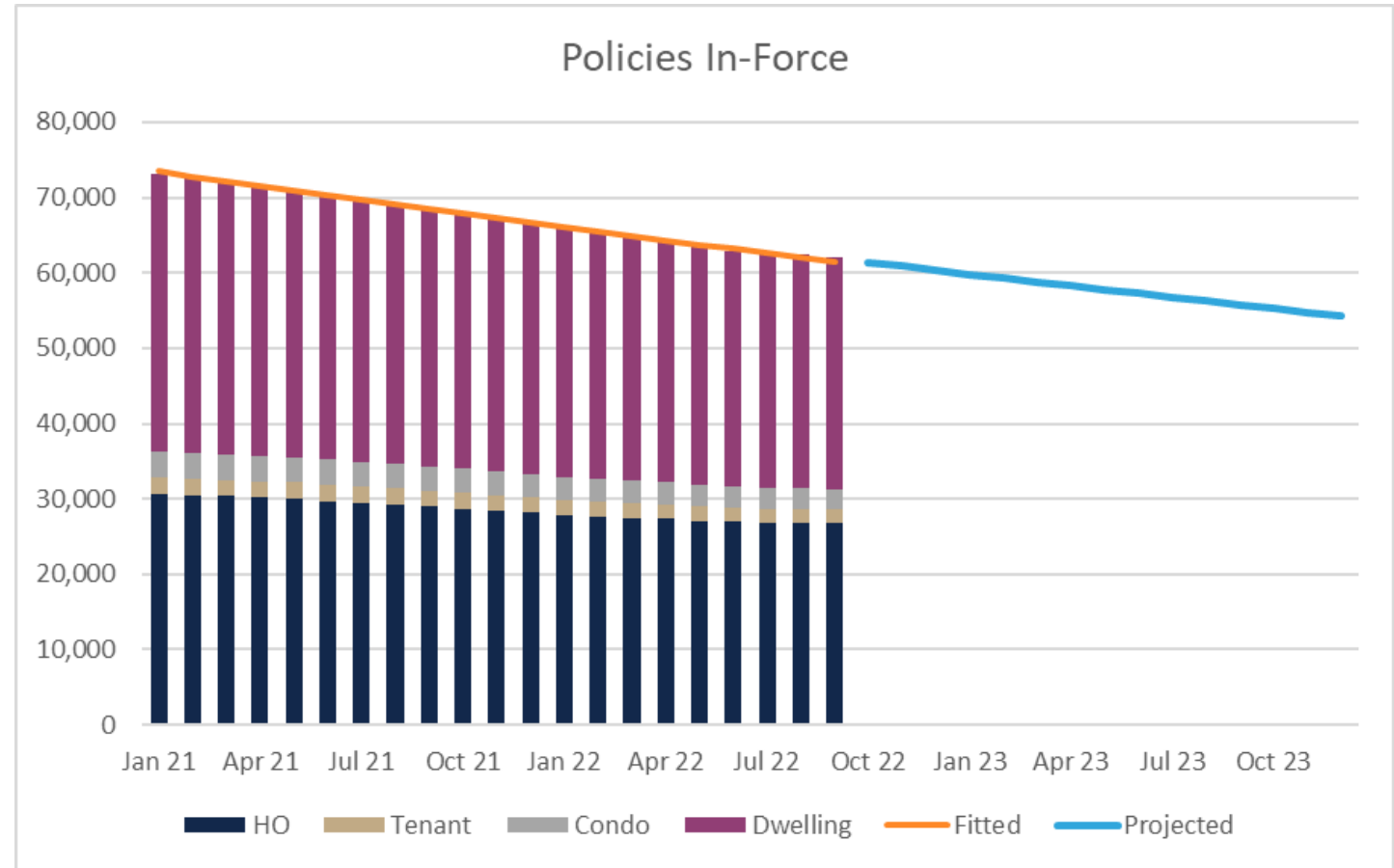
		A	B	C	D	E	F		
		For the twelve months ended December 31,				B2023 vs B2022	B2023 vs F2022		
		Forecast - 2022	Budget - 2022	Variance - 2022	Budget - 2023	\$	\$		
1	Personnel Expenses	10,290	10,649	(359)	11,717	1,068	1,427	1	
2	Professional & Consulting Services	2,594	2,190	404	2,617	427	23	2	
3	Hardware and Software Purchases & Licensing	1,571	1,363	208	1,597	234	26	3	
4	Rental & Maintenance - Office/Equipment	827	862	(35)	560	(301)	(266)	4	
5	Travel Expenses	113	78	35	158	79	45	5	
6	Postage, Telephone and Express	447	489	(42)	589	100	142	6	
7	Capital Management Expenses	91	91	0	91	0	0	7	
8	Other Operating Expenses	468	663	(195)	644	(19)	176	8	
9	Gross Operating Expenses	16,401	16,385	16	17,973	1,588	1,572	9	
10	Less: Adjustments/Allocations							10	
11	Capitalization of Fixed Assets	0	0	0	0	0	0	11	
12	Allocation To ULAE	3,804	4,183	(379)	4,484	302	681	12	
13	Allocation To Investing	91	91	0	91	0	0	13	
14	Total Adjustments/Allocations	3,895	4,274	(379)	4,576	302	681	14	
15								15	
16	Net Operating Expenses	12,506	12,111	395	13,398	1,287	892	16	

Premium Projections

Premium Budget - Policies In Force

Total Policies in Force	
Dec 2020	73,713
Dec 2021	66,512
Dec 2022 (Forecast)	60,352
Dec 2023 (Budget)	54,278

2023 Budget – PIF as of 12/31/2023	
<u>Class of Business</u>	<u>Count</u>
Homeowners	23,925
Dwelling	26,545
Condominium	2,298
Tenant	1,509
TOTAL	54,277
% Annual Growth	-10.1%



Graphical view of month-end policies in force from 2021 through 2023 budget.

TFPA Historical and Projected Policy Counts

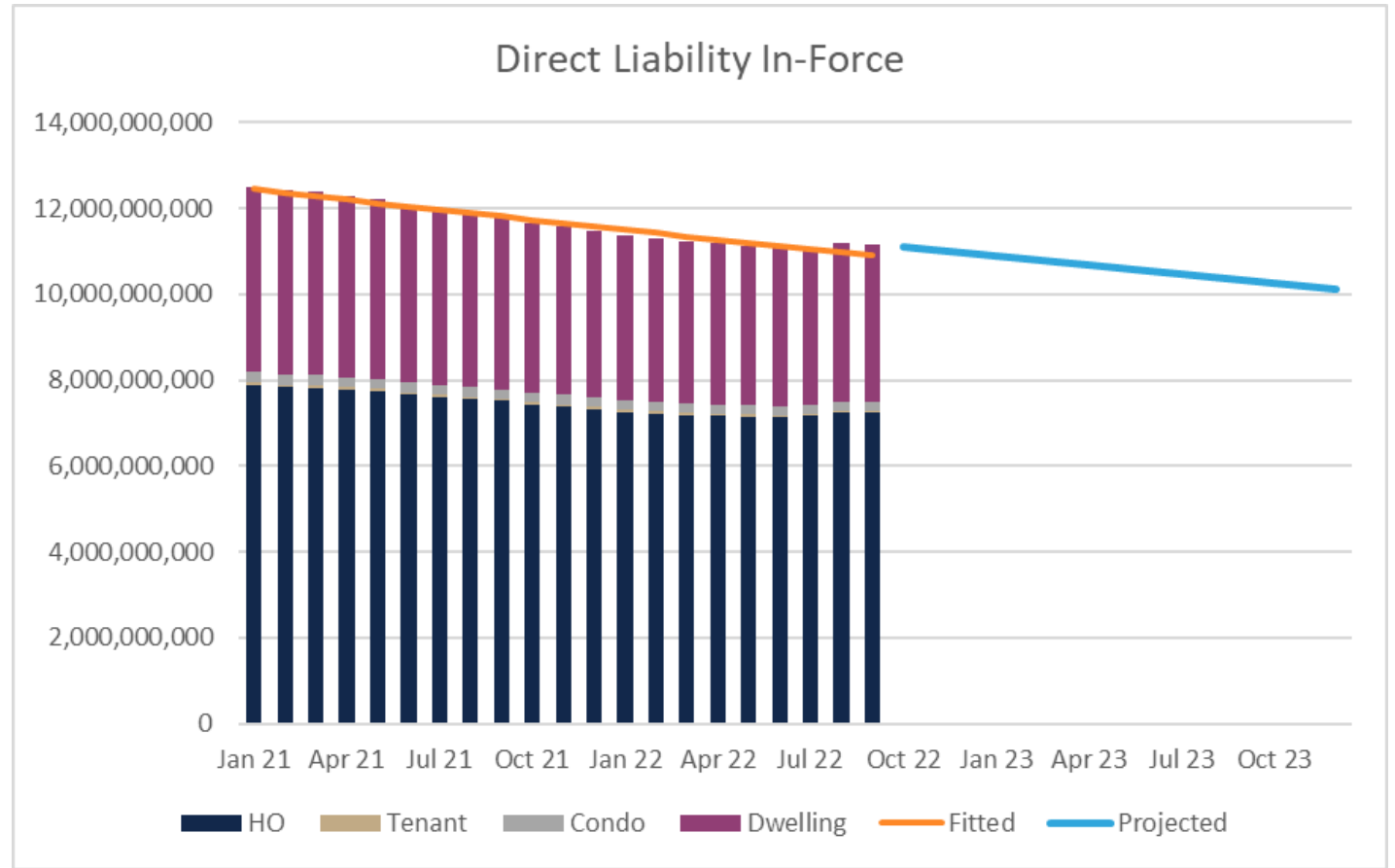
	A	B	C	D	E	F	G	H	I	
Policies in Force at December 31,										
							2022	2023	% Change	
<i>1</i>	Class of Business	2017	2018	2019	2020	2021	Forecast	Budget	2023B vs	<i>1</i>
									2022F	
<i>2</i>	Homeowners - HO3	50,159	41,555	34,253	30,865	28,153	26,178	23,925	(8.6%)	<i>2</i>
<i>3</i>	Dwelling - DP2	52,453	46,475	40,379	37,174	33,205	29,808	26,545	(10.9%)	<i>3</i>
<i>4</i>	Condominium - HO6	4,206	4,059	3,670	3,463	3,130	2,654	2,298	(13.4%)	<i>4</i>
<i>5</i>	Tenant - HO4	4,171	3,549	2,621	2,211	2,024	1,712	1,509	(11.9%)	<i>5</i>
<i>6</i>	Total	110,989	95,638	80,923	73,713	66,512	60,352	54,277	(10.1%)	<i>6</i>
<i>7</i>	YoY % Change		-13.8%	-15.4%	-8.9%	-9.8%	-9.3%	-10.1%		<i>7</i>

This slide depicts the continued and consistent decline in policy counts .

Premium Budget – Direct Liability in Force (Exposures)

Total Direct Liability in Force (In 000s)	
Dec 2020	\$ 12,616,119
Dec 2021	\$ 11,471,201
Dec 2022 (Forecast)	\$ 10,954,532
Dec 2023 (Budget)	\$ 10,125,244

2023 Budget – Exposures as of 12/31/2023 (In 000s)	
<u>Class of Business</u>	<u>Amount</u>
Homeowners	\$ 6,695,979
Dwelling	3,204,158
Condominium	189,646
Tenant	35,461
TOTAL	\$ 10,125,244
% Annual Growth	-10.1%



Graphical view of month-end exposures in force from 2021 through 2023 budget.

TFPA Historical and Projected Exposures in Force

A B C D E F G H I

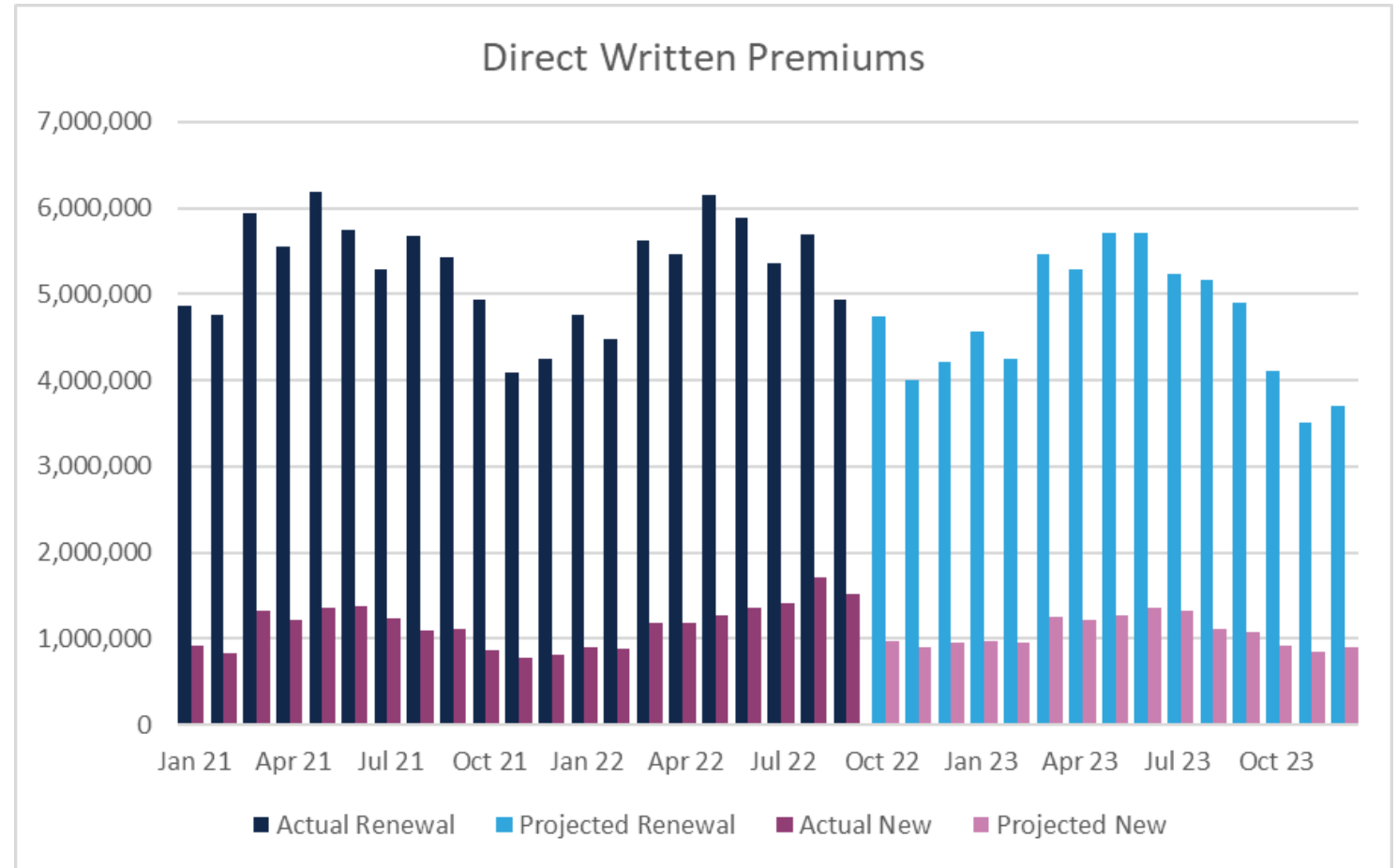
Exposures in Force at December 31, (In 000s)

						Forecast	2023	2023B vs 2022F		
	Class of Business	2017	2018	2019	2020	2021	2022	Budget	Variance %	
1	Homeowners - HO3	11,868,523	9,837,297	8,522,822	7,960,202	7,318,776	7,138,315	6,695,979	(6.2%)	1
2	Dwelling - DP2	5,777,599	5,082,484	4,601,376	4,361,752	3,879,984	3,568,324	3,204,158	(10.2%)	2
3	Condominium - HO6	284,114	280,244	251,509	236,557	221,575	206,071	189,646	(8.0%)	3
4	Tenant - HO4	99,133	85,483	65,816	57,608	50,866	41,822	35,461	(15.2%)	4
5	Total	18,029,369	15,285,508	13,441,524	12,616,119	11,471,201	10,954,532	10,125,244	(7.6%)	5
6	YoY % Change		(15.2%)	(12.1%)	(6.1%)	(9.1%)	(4.5%)	(7.6%)		6

Premium Budget – Written Premium

Total Annual Direct Written Premium	
2020	\$ 79,477,018
2021	\$ 75,648,112
2022 (Forecast)	\$ 75,553,178
2023 (Budget)	\$ 70,829,172

2023 Budget – DWP for year ended 12/31/2023	
Class of Business	Amount
Homeowners	\$ 43,349,346
Dwelling	26,022,126
Condominium	1,226,065
Tenant	231,635
TOTAL	\$ 70,829,172
% Annual Growth	-6.25%



Graphical view of monthly direct written premium from 2021 through 2023 budget.

Expenses

Expense Categories

TFPA budgets and tracks expenses in five primary categories:

Personnel Expenses

- Salary & Wages
- Contractors/Temp Help
- Payroll Taxes
- Employee Benefits
- Recruiting/Training/Other

EDP Equipment & Software

- Hardware
- Software Purchases and Licensing

Professional Services

- Legal
- Accounting & Auditing
- Information Technology
- Actuarial
- Surveys & Inspections
- Expert Panel
- Other Services

Other Operating Expenses

- Rent
- Maintenance
- Office Equipment
- Postage
- Telephone
- Shipping
- Bureaus and Associations (ISO, PIPSO, etc.)
- Printing and Supplies
- Dues and Subscriptions
- Insurance
- Media and Advertising
- Service Charges (Bank Fees)

Reconciliation of Expenses

		2023 Budget vs. 2022 Forecast Comparisons (000's)			
		A	B	C	D
		Total Operating Expenses			
		Budget 2023	Forecast 2022	B2023 vs F2022	
1	Total Operating Expenses - Both Associations	64,563	64,809	(246)	1
2	Allocation to TWIA ¹	(46,589)	(48,408)	1,819	2
3	TFPA Gross Operating Expenses	17,973	16,401	1,572	3
4	Claims Expenses (ULAE) ²	(4,484)	(3,804)	(681)	4
5	Investment Expenses	(91)	(91)	0	5
6	TFPA Net Underwriting Expenses³	13,398	12,506	892	6

(1) Reflects reimbursement to TWIA for expenses incurred by TWIA on behalf of TFPA or charged directly to TFPA pursuant to a management services agreement.

(2) Claim handling expenses, referred to as Unallocated Loss Adjustment Expenses which are provided for in loss reserves. Consist of Claims Dept. expenses and a portion of IT, Legal, Operations & Corporate.

(3) Underwriting Expense, net of allocations to ULAE, investment expense and net of any capitalized expenses. Reported as Operating Expenses on the income statement.

Reconciliation of Expenses

2023 Budget vs. 2022 Budget Comparisons (000's)

<i>A</i>	<i>B</i>	<i>C</i>	<i>D</i>	
	Total Operating Expenses			
	Budget 2023	Budget 2022	B2023 vs B2022	
<i>1</i> Total Operating Expenses - Both Associations	64,563	69,775	(5,213)	<i>1</i>
<i>2</i> Allocation to TWIA	(46,589)	(53,391)	6,801	<i>2</i>
<i>3</i> TFPA Gross Operating Expenses	17,973	16,385	1,588	<i>3</i>
<i>4</i> Claims Expenses (ULAE)	(4,484)	(4,183)	(302)	<i>4</i>
<i>5</i> Investment Expenses	(91)	(91)	0	<i>5</i>
<i>6</i> TFPA Net Underwriting Expenses	13,398	12,111	1,287	<i>6</i>

TFPA High Level Expenses Variance Summary

Version	UW Expenses	ULAE	Investment Exp	Total Expenses	Period
2023 Budget	13,397,605	4,484,296	91,250	17,973,151	Dec 2023 YTD
2022 Forecast	12,506,021	3,803,565	91,250	16,400,836	Dec 2022 YTD
2022 Budget	12,110,802	4,182,709	91,250	16,384,761	Dec 2022 YTD
2022 YTD Actuals	5,762,974	1,796,054	45,250	7,604,279	Jun 2022 YTD

Variance \$	UW Expenses	ULAE	Investment Exp	Total Expenses
2022 Forecast vs 2022 Budget	395,219	(379,145)	0	16,075
2023 Budget vs 2022 Forecast	891,584	680,731	0	1,572,315
2023 Budget vs 2022 Budget	1,286,803	301,587	0	1,588,390

Variance %	UW Expenses	ULAE	Investment Exp	Total Expenses
2022 Forecast vs 2022 Budget	3.3%	-9.1%	0.0%	0.1%
2023 Budget vs 2022 Forecast	7.1%	17.9%	0.0%	9.6%
2023 Budget vs 2022 Budget	10.6%	7.2%	0.0%	9.7%

TFPA Operating Expense History by Category

	2015	2016	2017	2018	2019	2020	2021	2022 Budget	2022 Forecast	2023 Budget
TOTAL ALL DEPTS										
Personnel Costs	7,253,393	9,107,199	22,943,193	15,105,525	11,350,250	11,065,152	10,076,419	10,649,150	10,290,151	11,717,130
Professional Services	4,551,345	5,239,197	8,347,754	7,519,066	4,938,527	3,975,824	2,293,651	2,189,718	2,594,051	2,617,018
Hardware & Software Licensing	289,591	1,009,546	1,416,681	1,177,267	1,305,467	1,304,142	1,286,390	1,363,409	1,571,248	1,596,955
Rental & Maintenance - Office/Equipmen	565,492	607,107	668,634	748,160	684,883	678,653	670,781	861,682	826,638	560,278
Travel Expenses	75,764	76,062	75,488	73,599	63,988	10,184	12,302	78,059	112,779	157,537
Postage, Telephone and Express	733,729	660,809	556,182	423,073	412,485	348,767	452,930	488,675	447,005	589,130
Capital Management Expenses	202,779	174,999	107,556	84,056	121,667	150,501	164,160	91,250	91,250	91,250
Other Operating Expenses	789,318	838,131	774,596	551,225	509,274	477,148	435,640	662,818	467,714	643,853
GROSS OPERATING EXPENSES	14,461,412	17,713,050	34,890,084	25,681,969	19,386,542	18,010,370	15,392,273	16,384,761	16,400,836	17,973,151
Capitalization of Fixed Assets	-	-	-	-	-	-	-	-	-	-
Reimbursement of Depop Servicing Exp	-	-	-	-	-	-	-	-	-	-
Allocation To ULAE	(4,718,099)	(4,894,695)	(17,774,521)	(6,845,841)	(3,691,030)	(4,616,029)	(4,757,745)	(4,182,709)	(3,803,565)	(4,484,296)
Allocation To Investing & Other Exp	(202,779)	(174,999)	(107,556)	(84,056)	(121,667)	(150,501)	(164,160)	(91,250)	(91,250)	(91,250)
Net Operating Expense	9,540,535	12,643,356	17,008,007	18,752,073	15,573,845	13,243,840	10,470,369	12,110,802	12,506,021	13,397,605

TFPA All Expenses Summary

	A	B	C	D	F	E
	For the twelve months ended December 31,				B2023 vs B2022	B2023 vs F2022
	Forecast - 2022	Budget - 2022	Variance -	Budget - 2023		
1 Personnel Expenses						
2 Salaries & Wages - Permanent	5,994	6,492	(499)	7,128	636	1,134
3 Contractor & Temporary Help	1,635	1,178	457	1,656	478	21
4 Payroll Taxes	437	494	(56)	543	49	105
5 Employee Benefits	2,108	2,360	(252)	2,170	(190)	62
6 Recruiting, Training & Other	116	125	(9)	220	95	104
7 Subtotal	10,290	10,649	(359)	11,717	1,068	1,427
8						
9 Professional & Consulting Services						
10 Legal	120	126	(6)	127	1	7
11 Accounting & Auditing	133	122	11	106	(16)	(28)
12 Information Technology	651	209	441	737	528	86
13 Actuarial Services	17	24	(7)	24	0	7
14 Surveys & Inspections	375	375	(0)	436	61	62
15 Disaster Recovery Services	147	115	32	5	(110)	(141)
16 Other Services	1,152	1,218	(67)	1,182	(37)	30
17 Subtotal	2,594	2,190	404	2,617	427	23
18						
19 Hardware/Software Purchases & Licensing	1,571	1,363	208	1,597	234	26
20 Rental & Maintenance - Office/Equipment	827	862	(35)	560	(301)	(266)
21 Travel Expenses	113	78	35	158	79	45
22 Postage, Telephone and Express	447	489	(42)	589	100	142
23 Capital Management Expenses	91	91	0	91	0	0
24 Other Operating Expenses	468	663	(195)	644	(19)	176
25 Gross Operating Expenses	16,401	16,385	16	17,973	1,588	1,572
26						
27 Capitalization of Fixed Assets	0	0	0	0	0	0
28 Allocation To ULAE	(3,804)	(4,183)	379	(4,484)	(302)	(681)
29 Allocation To Investing	(91)	(91)	0	(91)	0	0
30 Net Operating Expenses	12,506	12,111	395	13,398	1,287	892

Salaries & Wages/Contractors: \$445K increase in budget over forecast is caused by the conversion of 10 contractors to FTEs in Claims and 2 in IT. Budgeted salaries also include proposed merit increase of 4.0% or \$257K. Remaining increase is due to normal manpower allocations after completion of Project Elevate in TWIA.

Information Technology: Reallocation of expenses to TFPA after completion of Project Elevate in TWIA

Disaster Recovery Services: Reclassified MOD Printing services back to regular Printing expense.

Office Rent: Lower monthly rent in the new location with smaller footage. Rent abatement granted for the 1st 7 months of 2023 to be amortized during the lease term.

Comparative Personnel Costs – 2023 Budget to 2022 Forecast

<i>A</i>		<i>B</i>	<i>C</i>	<i>D</i>	
		Personnel Costs			
		Budget 2023	Forecast 2022	B2023 vs F2022	
<i>1</i>					<i>1</i>
<i>2</i>	Salaries & Wages - Permanent	7,128	5,994	1,134	<i>2</i>
<i>3</i>	Contractor & Temporary Help	1,656	1,635	21	<i>3</i>
<i>4</i>	Sub-total	8,784	7,629	1,156	<i>4</i>
<i>5</i>	Payroll Taxes	543	437	105	<i>5</i>
<i>6</i>	Employee Benefits	2,170	2,108	62	<i>6</i>
<i>7</i>	Recruiting, Training & Other	220	116	104	<i>7</i>
<i>8</i>	Personnel Costs, Gross	11,717	10,290	1,427	<i>8</i>
<i>9</i>	Less:				<i>9</i>
<i>10</i>	ULAE Allocation	(3,459)	(2,920)	(539)	<i>10</i>
<i>11</i>	Investment Expense Allocation	0	0	0	<i>11</i>
<i>12</i>	Personnel Costs, Net	8,258	7,370	888	<i>12</i>

Comparative Personnel Costs – 2023 Budget to 2022 Budget

<i>A</i>		<i>B</i>	<i>C</i>	<i>D</i>	
		Personnel Costs			
		Budget 2023	Budget 2022	B2023 vs B2022	
1					1
2	Salaries & Wages - Permanent	7,128	6,492	636	2
3	Contractor & Temporary Help	1,656	1,178	478	3
4	Sub-total	8,784	7,670	1,114	4
5	Payroll Taxes	543	494	49	5
6	Employee Benefits	2,170	2,360	(190)	6
7	Recruiting, Training & Other	220	125	95	7
8	Personnel Costs, Gross	11,717	10,649	1,068	8
9	Less:				9
10	ULAE Allocation	(3,459)	(3,267)	(192)	10
11	Investment Expense Allocation	0	0	0	11
12	Personnel Costs, Net	8,258	7,382	876	12

Headcount Summary

	A	B	C	D	E	F	
	Actual 6/30/2022	Forecast 12/31/2022	Authorized Budget 2022	Proposed Budget 2023	B2023 vs F2022	B2023 vs B2022	
1 FTE	226	220	227	235	15	8	1
2 Contractors	49	41	47	20	(21)	(27)	2
3 Combined	275	261	274	255	(6)	(19)	3

Note: Headcount is as of end of the year count

Impact of Salary Allocations 2023 Budget vs 2022 Forecast (\$ In 000's)

	TFPA Allocation		Impact of Change in Allocations ¹	Impact of Change in Salaries ²	Total	Change in % allocation
	2023 Budget	2022 Forecast				
Corporate	32%	30%	10	63	73	2%
Underwriting	35%	35%	(28)	93	65	-1%
Claims	32%	36%	(161)	346	185	-4%
Expert Panel	0%	0%	0	0	NA	0%
Actuary & Enterprise Analytics	35%	35%	0	7	7	0%
Executive	10%	27%	(120)	40	(80)	-18%
Human Resources	35%	35%	(0)	17	17	0%
Accounting	35%	36%	(17)	76	60	-1%
Internal Audit	0%	0%	0	0	NA	0%
Legal & Compliance	24%	23%	12	0	12	1%
Communications & Legislative Affairs	7%	10%	(20)	(14)	(34)	-3%
IT	33%	22%	601	222	823	12%
Operations	38%	36%	19	(13)	6	2%
Total TFPA	32%	30%	297	837	1,134	1%
TWIA Allocation	68%	70%				

Change in Allocations:

This slide displays the 2023 budgeted allocation of salaries to TFPA (32%) versus the forecasted percentage of 30% for 2022. The increase in allocation reflects the impact of the completion of Project Elevate in April 2022. This returns the TFPA allocations back to levels that were in place prior to the project.

(1) 2022 Forecast TFPA salaries X Change in Allocation

(2) Change in salaries X New Allocations

Employee Benefits – TFPA

Description	for the 12 months ended December 31,				Budget 2023 vs Forecast 2022	Budget 2023 vs Budget 2022
	Forecast-22	Budget-22	Variance-22	Budget-23		
Total Salary & Wages	5,993,965	6,492,476	(498,511)	7,128,369	1,134,404	635,893
Pension Plan	817,123	879,225	(62,102)	769,805	(47,318)	(109,420)
401 K Plan	326,441	347,493	(21,052)	375,323	48,882	27,830
Insurance & Related:					0	0
Medical	847,690	1,012,836	(165,146)	895,464	47,774	(117,372)
Dental	52,688	59,830	(7,142)	66,024	13,336	6,194
Life & AD&D	43,698	46,313	(2,615)	33,901	(9,797)	(12,412)
All Other (1)	20,302	14,326	5,976	29,508	9,206	15,182
Total Insurance & Related	964,378	1,133,305	(168,927)	1,024,897	60,519	(108,408)
Total All Benefit Costs	2,107,943	2,360,023	(252,080)	2,170,025	62,082	(189,998)

The increase in 2022 forecast vs 2023 budget is mainly due to the return of normal allocations of manpower to TFPA after Project Elevate was completed in April 2022.

(1) All Other Benefits include Vision, LTD, EAP, HSA fees, FSA fees, Extended Leave Admin fees

Benefits % to Salaries	35.2%	36.4%	30.4%
Company Allocations	29.7%	32.2%	30.9%

Professional & Consulting Services

2023 Budget vs. 2022 Forecast vs. 2022 Budget Comparisons
(000's)

	Forecast 2022	Budget 2022	Variance 2022	Budget 2023	Variance B23 vs F22	Variance B23 vs B22	
1 Professional & Consulting Services							1
2 Legal	120	126	(6)	127	7	1	2
3 Accounting & Auditing	133	122	11	106	(28)	(16)	3
4 Information Technology	651	209	441	737	86	528	4
5 Actuarial Services	17	24	(7)	24	7	0	5
6 Surveys & Inspections	375	375	(0)	436	62	61	6
7 Disaster Recovery Services	147	115	32	5	(141)	(110)	7
8 Other Services	1,152	1,218	(67)	1,182	30	(37)	8
9 Total Gross	2,594	2,190	404	2,617	23	427	9
10 Less:							10
11 ULAE Allocation	(494)	(576)	82	(469)	25	107	11
12 Investment Expense Allocation	0	0	0	0	0	0	12
13 Professional Services, Net	2,100	1,614	486	2,148	48	534	13

Increase in IT Consulting is primarily due to the return to normal allocations after Project Elevate was completed in April 2022.

Underwriting is anticipating an increase in Surveys and Inspection costs of 16%.

Reclassified the MOD printing service from Disaster Recovery to Printing expense in 2023 budget under Other Operating Expenses

Other Services' breakdown by vendor is provided on the next slide.

Professional Services - Other Services' Top Vendors

Department	Vendor	2022 Forecast	2022 Budget	Variance 2022	2023 Budget	Variance B2023 VS F2022	Variance B2023 vs B2022
Underwriting	ClearPoint - Call center	\$ 371,010	\$ 364,000	\$ 7,010	\$ 358,000	\$ (13,010)	\$ (6,000)
Claims	Xactware User Fees & Weather Reports	130,068	145,729	(15,661)	139,509	9,441	(6,220)
Underwriting	ISO - Location & A-Plus reports	123,908	151,328	(27,420)	135,300	11,392	(16,028)
Claims	Eagleview	152,118	155,412	(3,294)	116,858	(35,260)	(38,554)
Legal & Compliance	LogicGate - Governance Risk Compliance System	53,000	49,000	4,000	72,550	19,550	23,550
Underwriting	CoreLogic - MSB Annual Contract	72,960	72,960	-	67,500	(5,460)	(5,460)
Human Resources	Cornerstone OnDemand	63,696	58,700	4,996	66,338	2,642	7,638
Claims	Lynx Services LLC - FNOL	63,354	63,822	(468)	55,423	(7,931)	(8,399)
Claims	ISO	46,696	50,311	(3,615)	42,272	(4,424)	(8,039)
Underwriting	LexisNexis - First Mortgage Notification	23,103	23,000	103	24,200	1,097	1,200
Various departments	Other Vendors (below \$50K)	52,007	84,208	(32,201)	103,994	51,988	19,786
Total Other Professional Services		\$ 1,151,919	\$ 1,218,470	\$ (66,551)	\$ 1,181,944	\$ 30,025	\$ (36,526)

Hardware and Software

	Forecast 2022	Budget 2022	Variance 2022	Budget 2023	Variance B23 vs F22	Variance B23 vs B22			
1	Hardware & Software						1		
2	173	86	87	93	(80)	8	2		
3	1,398	1,278	120	1,504	105	226	3		
4	Total Gross	1,571	1,363	208	1,597	26	234	4	
5	Less:						5		
6	ULAE Allocation	(118)	(5)	(113)	(239)	(121)	(234)	6	
7	Investment Expense Allocation	0	0	0	0	0	0	7	
8	Hardware & Software, Net	1,453	1,358	95	1,358	0	(96)	(1)	8

All Other Expenses Summary

2023 Budget vs. 2022 Forecast vs. 2022 Budget Comparisons (000's)

	Forecast 2022	Budget 2022	Variance 2022	Budget 2023	Variance B23 vs F22	Variance B23 vs B22		
1	All Other Operating Expenses						1	
2	827	862	(35)	560	(266)	(301)	2	
3	113	78	35	158	45	79	3	
4	447	489	(42)	589	142	100	4	
5	91	91	0	91	0	0	5	
6	72	167	(95)	116	44	(51)	6	
7	395	496	(100)	528	132	32	7	
8	1,945	2,182	(237)	2,042	97	(140)	8	
9	Less:						9	
			0					
10	(272)	(335)	63	(317)	(45)	17	10	
11	(91)	(91)	0	(91)	0	0	11	
12	1,582	1,756	(174)	1,633	0	51	(123)	12

All Other Expenses Details

Description	for the 12 months ended December 31,				2023B vs 2022F Variance	2023B vs 2022B Variance
	A Forecast-22	B Budget-22	C Variance-22	D Budget-23		
1 Office Rent	523,706	531,204	(7,498)	499,938	(23,768)	(31,266)
2 Utilities expense	31,499	30,160	1,339	0	(31,499)	(30,160)
3 Equipment/Storage Rental	26,409	46,699	(20,290)	8,353	(18,056)	(38,346)
4 Office Relocation Expense	160,999	161,000	(1)	0	(160,999)	(161,000)
5 Repair & Maintenance	84,025	92,619	(8,594)	51,987	(32,038)	(40,632)
6 Other Office & Equip Expense	0	0	0	0	0	0
7 Total Rental & Maintenance	826,638	861,682	(35,044)	560,278	(266,360)	(301,404)
8 Board meetings	87,642	46,600	41,042	123,400	35,758	76,800
9 Storm Related	0	0	0	0	0	0
10 Workshops	0	1,400	(1,400)	0	0	(1,400)
11 Other Travel	25,137	30,059	(4,922)	34,137	9,000	4,078
12 Total Travel Expenses	112,779	78,059	34,720	157,537	44,758	79,478
13 Postage/Courier	324,458	367,821	(43,363)	451,773	127,315	83,952
14 Telephone	122,547	120,854	1,693	137,357	14,810	16,503
15 Total Postage, Tele & Express	447,005	488,675	(41,670)	589,130	142,125	100,455
16 Line of Credit Fees	91,250	91,250	0	91,250	0	0
17 Bond Issuance	0	0	0	0	0	0
18 Total Capital Mgt Expenses	91,250	91,250	0	91,250	0	0
19 Boards, Bureaus & Assoc	145,746	185,380	(39,634)	156,400	10,654	(28,980)
20 Printing & Supplies	41,762	109,609	(67,847)	202,941	161,179	93,332
21 Dues & Subscriptions	42,153	77,287	(35,134)	64,493	22,340	(12,794)
22 Insurance	88,649	114,902	(26,253)	95,413	6,764	(19,489)
23 Media and Advertising	525	575	(50)	0	(525)	(575)
24 Depreciation	0	0	0	0	0	0
25 Other Expenses	148,878	175,065	(26,187)	124,606	(24,272)	(50,459)
26 Total Other Operating Exp	467,714	662,818	(195,105)	643,853	176,140	(18,965)
27 Total All Other Expenses	1,945,386	2,182,484	(237,098)	2,042,048	96,662	(140,436)

Office Rent: Base monthly rate is lower in the new location primarily due to smaller footage. Rent abatement is granted for the first 7 months of 2023 which will be amortized during the lease term.

Printing & Supplies: Decommissioning of the mailroom and switched to 100% MOD production from 50% which started in June 2022. Disaster Recovery expense moved from Professional Services category to Printing expense under Other Operating expenses.

Questions ?