



Texas FAIR Plan Association
2024 Budget Presentation to
Governing Committee
November 2, 2023



TFPA Budget – New or Notable Items for 2024

- **Budget Process** - First budget developed completely within Workday Financial Software
 - Eliminated risk, improved efficiency, cost avoidance
- **Cloud Migration** - Includes amounts to migrate Guidewire Policy Center, Billing Center and Claims Center to the cloud environment.
- **House Bill 998** – No estimates have been budgeted for commercial property and liability coverage for Property Owners Associations beginning September 1, 2024
- **Private Market Contraction** - Strong growth in policy counts, exposures and premiums (\$150 million)
- **Reinsurance** – Hard market remains as reinsurers stay committed to improved terms and pricing. Hints of capital returning to market. Higher exposures means higher anticipated costs.

TFPA 2024 Budget – Key Assumptions

The 2024 Budget includes the following assumptions:

- Rate level: Includes August 2023 rate increase. Does not project future rate increases.
- The number of policies in force is projected to increase from a projected **71,749** policies at December 31, 2023 to **81,448** at year end 2024, an increase of **9,699** policies (**13.5%** increase).
- Employee merit increase is set at **3.5%**
- Operating expenses: Developed using zero-based detailed departmental budgets
- Commissions: Budgeted at \$16.5 million using average rate of **10.7%** for new and renewal policies.
- Premium taxes, licenses and other fees: **1.83%**
- The FAIR Plan **\$30 million** line of credit that was effective July 1, 2023 is in effect for a two-year duration. The line of credit was renewed at the same commitment fee rate of 30 basis points.
- Loss and loss adjustment expense ratios are based on actuarial rate indications

2024 Proposed Budget - Comparative Income Statement (In 000s)

	For the twelve months ended December 31,				E	F
	A	B	C	D		
	Forecast FY2023	Budget FY2023	Variance 2023	Budget FY2024		
Premiums Written:					B2024 vs B2023	B2024 vs F2023
1 Direct	\$111,890	\$70,829	\$41,061	\$154,099	\$83,270	\$42,209
Premiums Earned:						
2 Direct	\$92,576	\$73,852	\$18,724	\$135,162	\$61,310	\$42,585
3 Ceded	(38,710)	(32,108)	(6,602)	(55,085)	(22,976)	(16,375)
4 Net	53,867	41,744	12,123	80,077	38,333	26,210
Deductions:						
6 Losses and LAE Incurred	46,631	24,498	22,132	38,279	13,781	(8,351)
7 Operating Expenses	13,058	13,836	(778)	17,122	3,286	4,064
8 Commission Expense	12,105	7,416	4,689	16,489	9,073	4,384
9 Ceding commissions / brokerage	(3,534)	(2,300)	(1,233)	(5,744)	(3,444)	(2,210)
10 Premium / Maintenance Tax	2,047	1,334	712	2,820	1,486	773
11 Total Deductions	70,306	44,784	25,522	68,966	24,182	(1,340)
12 Net Underwriting Gain or (Loss)	(16,440)	(3,041)	(13,399)	11,111	14,151	27,550
Other Income or (Expense):						
14 Gross Investment Income	1,306	174	1,132	1,793	1,619	487
15 Line of Credit Fees	(91)	(91)	(0)	(92)	(0)	(0)
16 Interest Expense on Line of Credit Advance	0	0	0	0	0	0
17 Premium Charge Offs/Write Offs	(329)	(319)	(10)	(462)	(143)	(134)
18 Billing Fees	504	354	150	655	301	151
19 Other Income (Expense)	1	0	1	0	0	(1)
20 Total Other Income or (Expense)	1,391	117	1,273	1,894	1,777	503
21 Net Income (Loss)	(\$15,049)	(\$2,923)	(\$12,126)	\$13,005	\$15,928	\$28,054

Discussion Highlights

Budgeted written premiums are projected to increase as policy counts and exposures continue to rise.

Ceded Written Premiums are estimated to increase by 43.9%.

Losses and Loss Adjustment Expense are anticipated to decline from 2023 level but are higher than prior year budget.

Operating expenses increase is primarily caused by increase in Personnel, and IT Consulting services for the Guidewire Migration project.

Investment income is estimated at approximately 5% on invested cash.

Line of credit fees are consistent with existing contract.

2024 Budgeted Surplus and Key Ratios (In 000s)

	A	B	C	D	E	F
	For the twelve months ended December 31,					
	Forecast FY2023	Budget FY2023	Variance 2023	Budget FY2024	B2024 vs B2023	B2024 vs F2023
Surplus (Deficit) Account:						
Beginning Surplus (Deficit)	1,183	2,985	(1,802)	(12,825)	(15,810)	(14,008)
Net Income (Loss)	(15,049)	(2,923)	(12,126)	13,005	15,928	28,054
Change in Provision for Reinsurance	1,000	0	1,000	0	-	(1,000)
Change in Non-Admitted Assets	41	332	(291)	(9)	(341)	(50)
Statutory Fund Cost	0	0	0	0	-	-
Ending Surplus (Deficit)	(\$12,825)	\$393	(\$13,219)	\$170	(\$223)	\$12,996
Key Operating Ratios:						
Direct:						
Loss & LAE Ratio	50.4%	33.2%	17.2%	28.3%	(4.9%)	(22.0%)
UW Expense Ratio:						
Acquisition	12.6%	12.4%	0.3%	12.5%	0.2%	(0.1%)
Non Acquisition	14.1%	18.7%	(4.6%)	12.7%	(6.1%)	(1.4%)
UW Expense Ratio	26.8%	31.1%	(4.3%)	25.2%	(5.9%)	(1.6%)
Direct Combined Ratio	77.1%	64.3%	12.9%	53.5%	(10.7%)	(23.6%)

Note: Forecast reflects January to June 2023 actuals and July to December 2023 forecast.

Proposed 2024 Budget Expense Summary (Gross and Net) In 000s

	A	B	C	D	E	F	G	
	For the twelve months ended December 31,					B2024 vs B2023	B2024 vs F2023	
	Forecast FY2023	Budget FY2023	Variance 2023		Budget FY2024	Inc (Dec)	Inc (Dec)	
1	Personnel Expenses	11,129	11,534	(405)	12,489	955	1,360	1
2	Professional & Consulting Services	2,621	2,631	(10)	5,272	2,640	2,651	2
3	Hardware/Software Purchases & Licensing	1,495	1,597	(102)	1,676	80	182	3
4	Rental & Maintenance - Office/Equipment	533	560	(28)	570	9	37	4
5	Travel Expenses	155	158	(2)	162	5	7	5
6	Postage, Telephone and Express	469	462	7	556	94	87	6
7	Capital Management Expenses	91	91	0	92	0	0	7
8	Depreciation	0	0	0	0	0	0	8
9	Other Operating Expenses	448	644	(196)	557	(87)	109	9
10	Gross Operating Expenses	16,942	17,678	(736)	21,375	3,697	4,432	10
11	Less: Adjustments/Allocations							11
12	Capitalization of Fixed Assets	0	0	0	0	0	0	12
13	Reimbursement of Depopulation Servicing Expense	0	0	0	0	0	0	13
14	Allocation To ULAE	(3,793)	(3,750)	(42)	(4,161)	(411)	(368)	14
15	Allocation To Investing	(91)	(91)	(0)	(92)	(0)	(0)	15
16	Total Adjustments/Allocations	(3,884)	(3,841)	(43)	(4,252)	(411)	(368)	16
17								17
18	Net Operating Expense - UW Operations	13,058	13,836	(778)	17,122	3,286	4,064	18

TFPA 2024 Budget

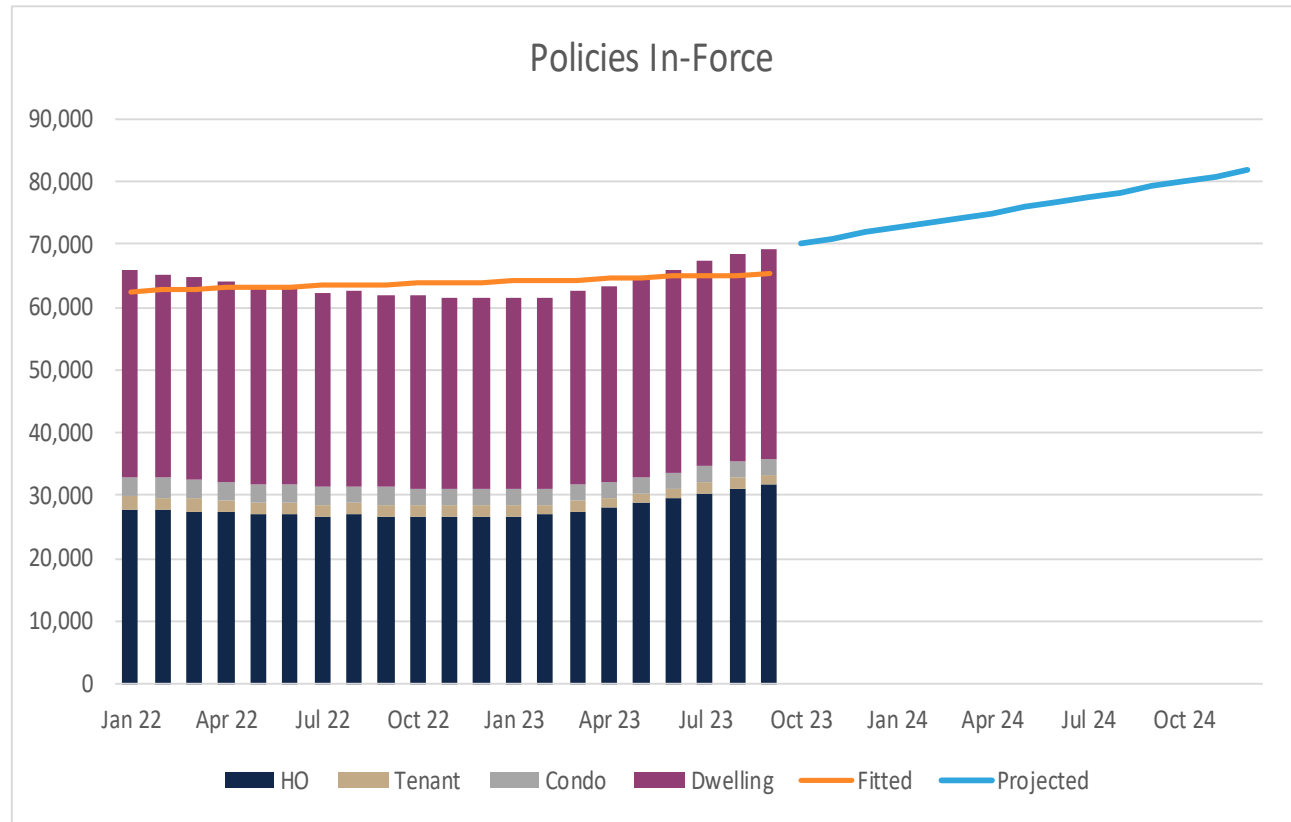
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Premium Projections

Premium Budget - Policies In Force

Total Policies in Force	
Dec 2021 (Actual)	66,512
Dec 2022 (Actual)	61,452
Dec 2023 (Forecast)	71,749
Dec 2024 (Budget)	81,448

2024 Budget – PIF as of 12/31/2024	
Class of Business	Count
Homeowners	38,788
Dwelling	38,364
Condominium	2,687
Tenant	1609
TOTAL	81,448
% Annual Growth	13.5%



Graphical view of month-end policies in force from 2022 through 2024 budget.

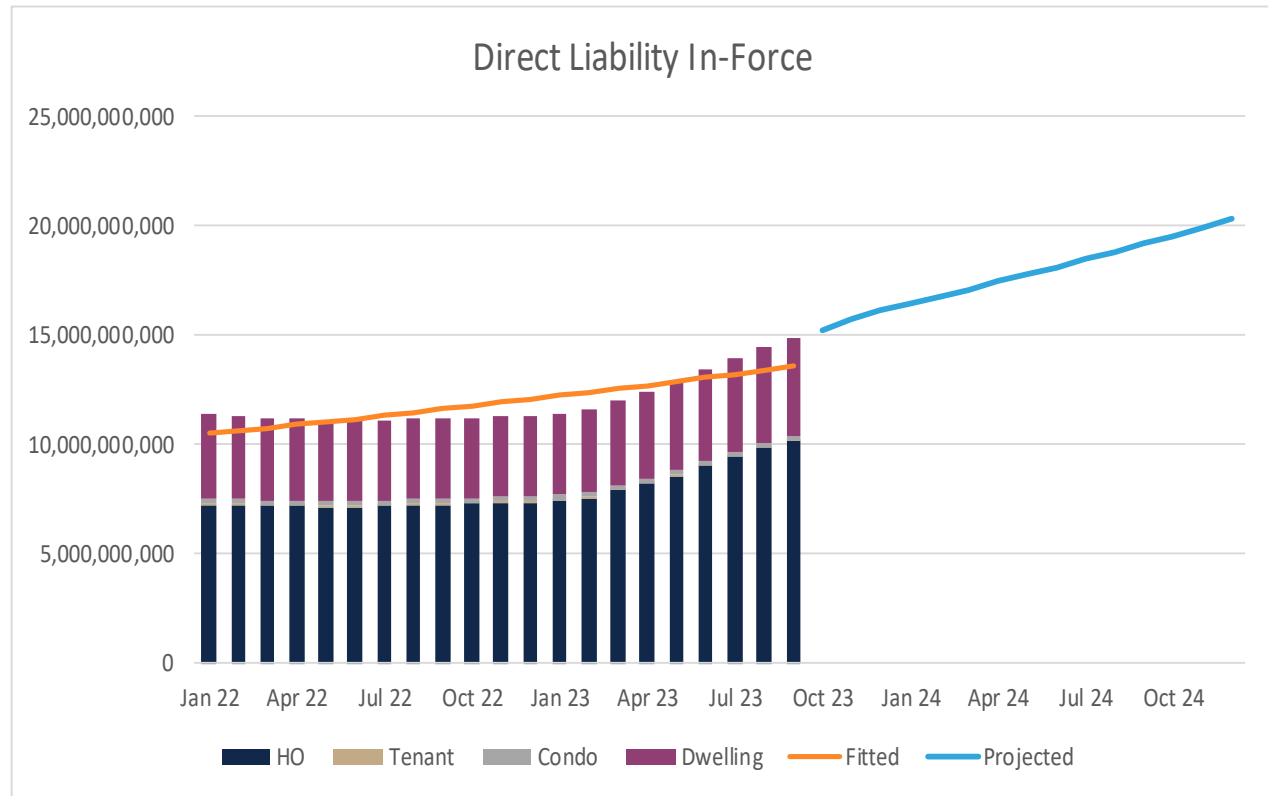
TFPA Historical and Projected Policies In Force

	A	B	C	D	E	F	G	H	I	
Policies in Force at December 31,										
							Forecast		% Change	
1	Class of Business	2018	2019	2020	2021	2022	2023	Budget 2024	B2024 vs	1
									F2023	
2	Homeowners - HO3	41,555	34,253	30,865	28,153	26,611	33,218	38,788	16.8%	2
3	Dwelling - DP2	46,475	40,379	37,174	33,205	30,414	34,353	38,364	11.7%	3
4	Condominium - HO6	4,059	3,670	3,463	3,130	2,713	2,598	2,687	3.4%	4
5	Tenant - HO4	3,549	2,621	2,211	2,024	1,714	1,580	1,609	1.8%	5
6	Total	95,638	80,923	73,713	66,512	61,452	71,749	81,448	13.5%	6
7	% Change	-10.9%	-15.4%	-8.9%	-9.8%	-7.6%	16.8%	13.5%		7

Premium Budget – Direct Liability in Force (Exposures)

Total Direct Liability in Force (In 000s)	
Dec 2021 (Actual)	\$ 11,471,201
Dec 2022 (Actual)	\$ 11,301,744
Dec 2023 (Forecast)	\$ 16,067,869
Dec 2024 (Budget)	\$ 20,070,552

2024 Budget – Exposures as of 12/31/2024 (In 000s)	
Class of Business	Amount
Homeowners	\$ 14,077,857
Dwelling	5,738,857
Condominium	213,242
Tenant	40,596
TOTAL	\$ 20,070,552
% Annual Growth	24.9%



Graphical view of month-end exposures in force from 2022 through 2024 budget.

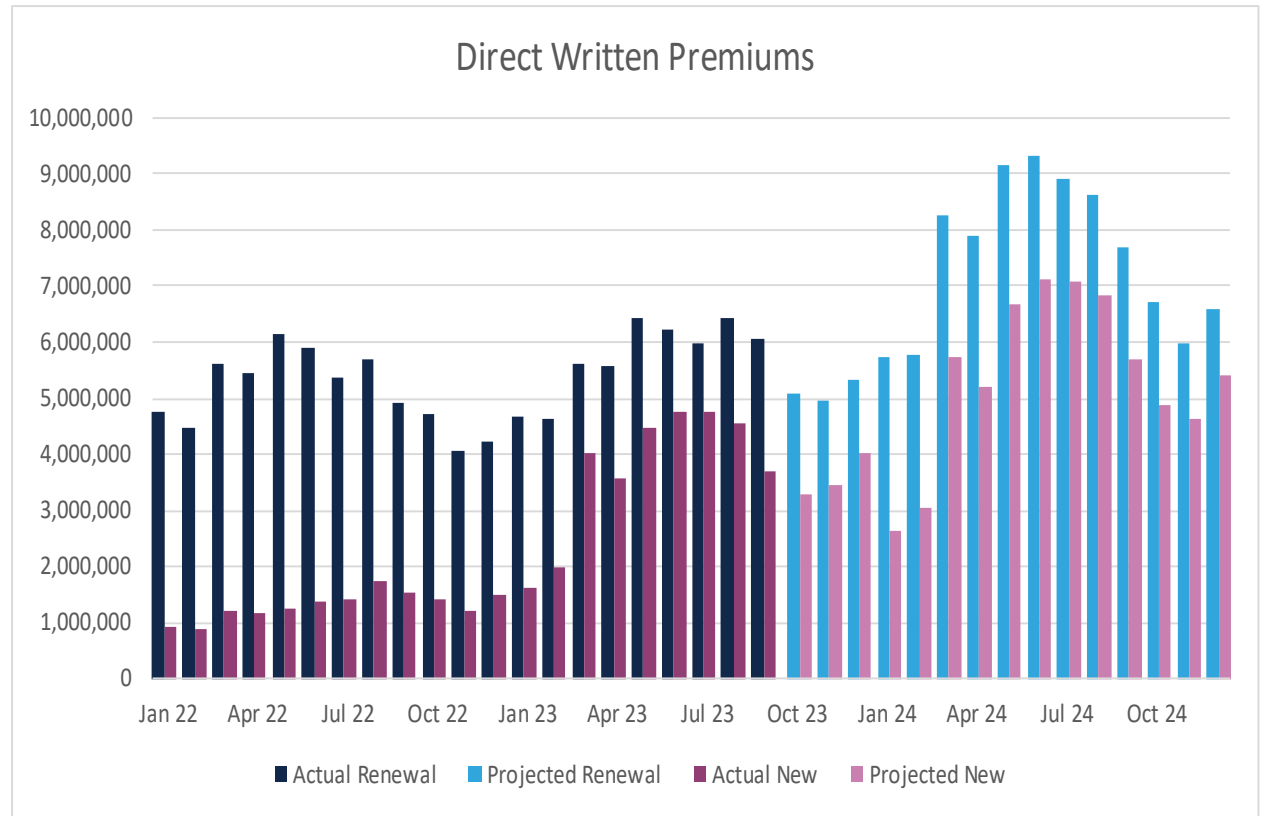
TFPA Historical and Projected Exposures in Force

	A	B	C	D	E	F	G	H	I		
Exposures in Force at December 31, (In 000s)											
										% Change B2023 vs F2022	
1	Class of Business	2018	2019	2020	2021	2022	Forecast 2023	Budget 2024		1	
2	Homeowners - HO3	9,837,297	8,522,822	7,960,202	7,318,776	7,365,929	11,105,247	14,077,857		26.8%	2
3	Dwelling - DP2	5,082,484	4,601,376	4,361,752	3,879,984	3,686,824	4,716,573	5,738,857		21.7%	3
4	Condominium - HO6	280,244	251,509	236,557	221,575	207,151	206,182	213,242		3.4%	4
5	Tenant - HO4	85,483	65,816	57,608	50,866	41,840	39,867	40,596		1.8%	5
6	Total	15,285,508	13,441,524	12,616,119	11,471,201	11,301,744	16,067,869	20,070,552		24.9%	6
7	% Change	-10.9%	-12.1%	-6.1%	-9.1%	-1.5%	42.2%	24.9%			7

Premium Budget – Written Premium

Total Annual Direct Written Premiums	
2021	\$ 75,648,112
2022	\$ 76,880,876
2023 (Forecast)	\$ 111,729,024
2024 (Budget)	\$ 154,099,457

2023 Budget – Direct Written Premiums	
Class of Business	Amount
Homeowners	\$ 100,575,660
Dwelling	51,785,572
Condominium	1,464,143
Tenant	274,082
TOTAL	\$ 154,099,457
% Annual Growth	37.9%



Graphical view of monthly direct written premium from 2022 through 2024 budget.

REINSURANCE

Reinsurance

- 2023 reinsurance projected premiums: **\$45.2 million**
- Estimated 2024 reinsurance deposit premiums: **\$65.0 million**

The above estimate is based on the projected increase in direct earned premium for 2024. Actual reinsurance costs will depend on:

- the modeled impact of exposure growth
- the amount of reinsurance coverage purchased (The Governing Committee is not required to purchase to a specific loss amount)
- which optional coverages are purchased (drop down and Reinstatement Premium Protection (RPP) are discretionary)
- selected retention level
- changes in underlying reinsurance market conditions for the 2024 season

Expenses

Expense Categories

TFPA budgets and tracks expenses in four 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
- 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

2024 Budget vs. 2023 Budget Comparisons

		(000's)			
A		B	C	D	
		Total Operating Expenses			
		Budget 2024	Budget 2023	B2024 vs B2023	
1	Total Operating Expenses - Both Associations	73,318	64,679	8,638	1
2	Less: Allocation to TWIA (1)	51,943	47,002	4,942	2
3	TFPA Gross Operating Expenses	21,375	17,678	3,697	3
4	Depopulation Expense	0	0	0	4
5	Claims Expenses - ULAE (2)	(4,161)	(3,750)	(411)	5
6	Investment Expenses	(92)	(91)	(0)	6
7	TFPA Gross Underwriting Expenses Before Capitalization	17,122	13,836	3,286	7
8	Capitalized Expenses	0	0	0	8
9	TFPA Net Underwriting Expenses (3)	17,122	13,836	3,286	9

(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 (ULAE) 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

2024 Budget vs. 2023 Forecast Comparisons

		(000's)			
A		B	C	D	
		Total Operating Expenses			
		Budget 2024	Forecast 2023	B2024 vs F2023	
1	Total Operating Expenses - Both Associations	73,318	61,181	12,137	1
2	Less: Allocation to TWIA (1)	51,943	44,239	7,704	2
3	TFPA Gross Operating Expenses	21,375	16,942	4,432	3
4	Depopulation Expense	0	0	0	4
5	Claims Expenses - ULAE (2)	(4,161)	(3,793)	(368)	5
6	Investment Expenses	(92)	(91)	(0)	6
7	TFPA Gross Underwriting Expenses Before Capitalization	17,122	13,058	4,064	7
8	Capitalized Expenses	0	0	0	8
9	TFPA Net Underwriting Expenses (3)	17,122	13,058	4,064	9

(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 (ULAE) 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.

TFPA All Expenses Summary (In 000s)

	A	B	C	D	E	F G		H I	
	For the twelve months ended December 31,					B2024 vs B2023		B2024 vs F2023	
	Forecast 2023	Budget FY2023	Variance 2023	Budget FY2024		\$	%	\$	%
Personnel Expenses									
1 Salaries & Wages - Permanent	7,163	7,121	42	8,160	1,039	15%	997	14%	
2 Contractor & Temporary Help	1,218	1,482	(264)	1,148	(333)	-23%	(70)	-6%	
3 Payroll Taxes	529	542	(13)	591	49	9%	61	12%	
4 Employee Benefits	2,062	2,170	(108)	2,378	209	10%	317	15%	
5 Recruiting, Training & Other	158	220	(62)	213	(8)	-3%	55	35%	
6 Subtotal	11,129	11,534	(405)	12,489	955	8%	1,360	12%	
Professional & Consulting Services									
9 Legal	127	127	0	121	(6)	-5%	(7)	-5%	
10 Accounting & Auditing	135	100	34	134	33	33%	(1)	-1%	
11 Information Technology	453	737	(284)	3,027	2,290	311%	2,574	568%	
12 Actuarial Services	24	24	0	24	0	0%	0	0%	
13 Ombudsman Program	0	0	0	0	0	0%	0	0%	
14 Surveys & Inspections	526	436	90	595	159	36%	69	13%	
15 Disaster Recovery Services	4	5	(1)	4	(1)	-20%	0	11%	
16 Other Services	1,352	1,202	150	1,368	166	14%	16	1%	
17 Subtotal	2,621	2,631	(10)	5,272	2,640	100%	2,651	101%	
18 Hardware/Software Purchases & Licensing	1,495	1,597	(102)	1,676	80	5%	182	12%	
19 Rental & Maintenance - Office/Equipment	533	560	(28)	570	9	2%	37	7%	
20 Travel Expenses	155	158	(2)	162	5	3%	7	5%	
21 Postage, Telephone and Express	469	462	7	556	94	20%	87	19%	
22 Capital Management Expenses	91	91	0	92	0	0%	0	0%	
23 Depreciation	0	0	0	0	0	0%	0	0%	
24 Other Operating Expenses	448	644	(196)	557	(87)	-13%	109	24%	
25 Total Operating Expenses	16,942	17,678	(736)	21,375	3,697	21%	4,432	26%	
26									
27									
28									
29 Capitalization of Fixed Assets	0	0	0	0	0	0%	0	0%	
30 Reimbursement of Depopulation Servicing Expenses	0	0	0	0	0	0%	0	0%	
31 Allocation To ULAE	(3,793)	(3,750)	(42)	(4,161)	(411)	11%	(368)	10%	
32 Allocation To Investing	(91)	(91)	(0)	(92)	(0)	0%	(0)	0%	
33 Net Operating Expense - UW Operations	13,058	13,836	(778)	17,122	3,286	24%	4,064	31%	

1 Increase in Salaries and wages is
2 attributable to the additional
3 full-time employees in the
4 Underwriting and Claims
5 departments and proposed merit
6 increase of 3.5% or \$257K. The
7 increase is partly offset by a
8 decrease in Contractor expense
9 due to the conversion of 10
10 contractors to 10 full-time
11 employees . Variance is explained
12 in detail in the Personnel section
13 of the discussion.

14 The significant increase in IT
15 Consulting, Software and
16 Telephone charges are caused by
17 the Guidewire Migration project
18 in 2024.

19 The drop in Other Operating
20 expenses is primarily due to the
21 increase in interest rates.

Cloud Migration – Cost Benefit Analysis

December 2022 Board Meeting

High Level Cost Benefit Analysis (7-Year)

Benefits	2023	2024	2025	2026	2027	2028	2029	Grand Total
IT Net Benefits	\$0	\$0	\$5,789,400	\$7,703,680	\$4,113,320	\$4,294,560	\$4,479,400	\$26,380,360
Expense Reduction	\$0	\$0	\$1,629,400	\$3,383,680	\$3,542,120	\$3,702,960	\$3,867,400	\$16,125,560
Upgrade Avoidance	\$0	\$0	\$4,160,000	\$4,320,000	\$571,200	\$591,600	\$612,000	\$10,254,800
Total Net Costs	\$175,143	(\$6,241,834)	(\$448,404)	(\$857,620)	(\$1,096,820)	(\$1,345,588)	(\$1,604,307)	(\$11,420,000)
Cloud Subscription	(\$2,770,773)	(\$3,500,000)	(\$5,480,000)	(\$5,980,000)	(\$6,219,200)	(\$6,467,968)	(\$6,726,687)	(\$37,145,000)
Guidewire Licensing	\$2,945,916	\$4,258,166	\$5,031,596	\$5,122,380	\$5,122,380	\$5,122,380	\$5,122,380	\$32,725,000
Implement Costs	\$0	(\$7,000,000)	\$0	\$0	\$0	\$0	\$0	(\$7,000,000)
Net Benefits	\$175,143	(\$6,241,834)	\$5,340,996	\$6,846,060	\$3,016,500	\$2,948,972	\$2,875,093	\$14,960,360
Aggregate Net Benefits	\$175,143	(\$6,066,691)	(\$725,695)	\$6,120,365	\$9,136,865	\$12,085,837	\$14,960,930	

2024 Planned Implementation Costs

TFPA - Impact of Cloud Migration on 2024 Budget

	<i>A</i>	<i>B</i>	<i>C</i>	<i>D</i>	<i>E</i>
		Budget FY2024	Deduct TFPA Cloud Migration Costs	Adjusted Budget FY2024	Budget FY2023
1 Personnel Expenses		12,489		12,489	11,534
2 Professional & Consulting Services		5,272	2,211	3,060	2,631
3 Hardware/Software Purchases & Licensing		1,676		1,676	1,597
4 Rental & Maintenance - Office/Equipment		570		570	560
5 Travel Expenses		162		162	158
6 Postage, Telephone and Express		556	29	526	462
7 Capital Management Expenses		92		92	91
8 Other Operating Expenses		557		557	644
9 Gross Operating Expenses		21,375	2,241	19,134	17,678

This slide removes the expenses associated with the Guidewire cloud migration from the 2024 gross budgeted operating expenses to compare to the 2023 approved budget.

Historical Operating Expenses by Category

	A	B	C	D	E	G	F	H	
	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Forecast	2023 Budget	2024 Budget	
1 TOTAL ALL DEPTS									1
2 Personnel Costs	\$15,105,525	\$11,350,250	\$11,065,152	\$10,076,419	\$10,218,143	\$11,129,455	\$11,534,251	\$12,489,425	2
3 Professional Services	7,519,066	4,938,527	3,975,824	2,293,651	2,275,448	2,621,113	2,631,467	5,271,815	3
4 Hardware & Software Licensing	1,177,267	1,305,467	1,304,142	1,286,390	1,418,291	1,494,710	1,596,919	1,676,500	4
5 Rental & Maintenance - Office/Equipment	748,160	684,883	678,653	670,781	737,988	532,727	560,275	569,517	5
6 Travel Expenses	73,599	63,988	10,184	12,302	68,288	155,195	157,531	162,496	6
7 Postage, Telephone and Express	423,073	412,485	348,767	452,930	343,499	469,018	461,890	555,857	7
8 Capital Management Expenses	84,056	121,667	150,501	164,160	91,250	91,472	91,250	91,500	8
9 Other Operating Expenses	551,225	509,274	477,148	435,640	334,825	448,462	644,184	557,439	9
10									10
11 GROSS OPERATING EXPENSES	25,681,969	19,386,542	18,010,370	15,392,273	15,487,733	16,942,153	17,677,765	21,374,548	11
12									12
13 Capitalization of Fixed Assets	0	0	0	0	0	0	0	0	13
14 Reimbursement of Depop Servicing Exp	0	0	0	0	0	0	0	0	14
15 Allocation To ULAE	(6,845,841)	(3,691,030)	(4,616,029)	(4,757,745)	(3,590,053)	(3,792,628)	(3,750,213)	(4,160,996)	15
16 Allocation To Investing & Other Exp	(84,056)	(121,667)	(150,501)	(164,160)	(91,250)	(91,472)	(91,250)	(91,500)	16
17 Net Operating Expense	\$18,752,073	\$15,573,845	\$13,243,840	\$10,470,369	\$11,806,430	\$13,058,052	\$13,836,302	\$17,122,052	17

Comparative Personnel Costs – 2024 Budget to 2023 Budget

(000's)

A	B	C	D		
	Personnel Costs				
	Budget 2024	Budget 2023	B2024 vs B2023		
1				1	
2	Salaries & Wages - Permanent	8,160	7,121	1,039	2
3	Contractor & Temporary Help	1,148	1,482	(333)	3
4	Sub-total	9,308	8,602	705	4
5	Payroll Taxes	591	542	49	5
6	Employee Benefits	2,378	2,170	209	6
7	Recruiting, Training & Other	213	220	(8)	7
8	Personnel Costs, Gross	12,489	11,534	955	8
9	<i>Less:</i>				9
10	Capitalized Amount	0	0	0	10
11	ULAE Allocation	(2,857)	(2,753)	(104)	11
12	Investment Expense Allocation	0	0	0	12
13	Personnel Costs, Net	9,633	8,781	851	13

- The conversion of 10 contractors to 10 FTE positions plus additional 3 FTEs in Claims department in the 2024 budget result in an increase in Salaries of \$210K but offsets with a decrease in contractor expense of \$153K comparing to 2023 budget.
- Salaries and wages are also higher due to the addition of 6 positions in Underwriting department to handle increasing policy counts. However, only 1 position is fully allocated to FAIR Plan and 2 positions have partial allocations. Total increase in Underwriting salaries including merit is \$226K vs 2023 budget.
- Other increase in salaries also includes total TFPA merit increase of \$243K and budgeted new hires from other departments.

Employee Benefits – TFPA

Description	for the 12 months ended December 31,				Budget 2024 vs Forecast 2023	Budget 2024 vs Budget 2023
	A Forecast FY2023	B Budget FY2023	C Variance-23	D Budget FY2024		
1 Total Salary & Wages	7,162,868	7,120,786	42,082	8,159,672	996,804	1,038,886
2						
3 Pension Plan	680,802	769,805	(89,003)	601,969	(78,833)	(167,836)
4 401 K Plan	387,675	374,928	12,746	440,433	52,758	65,505
5 Insurance & Related:						0
6 Medical	868,594	895,464	(26,870)	1,199,139	330,545	303,675
7 Dental	59,802	66,024	(6,222)	66,290	6,488	266
8 Life, LTD, STD & AD&D	49,699	47,034	2,665	55,240	5,541	8,206
9 All Other (1)	14,978	16,314	(1,336)	15,200	222	(1,114)
10 Total Insurance & Related	993,072	1,024,836	(31,764)	1,335,869	342,797	311,033
11						
12 Total All Benefit Costs	2,061,549	2,169,569	(108,021)	2,378,271	316,723	208,702

Increase in Employee Benefits resulted from higher contracted rates for Medical Insurance expense. The rates increased by slightly over 26% due to inflation and a higher loss ratio.

Decrease in pension expense is attributable to higher interest rates used to value liabilities and annual expense. Estimates provided by Towers Watson actuaries.

The increase in other Employee Benefits expense is due to the anticipated increase in the number of enrolled employees.

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

Benefits % to Salaries 30.5% 29.1%

Headcount Summary

	A	B	C	D	E	F	
	Actual 6/30/2023	Forecast 12/31/2023	Authorized Budget 12/31/2023	Proposed Budget 12/31/2024	B2024 vs F2023	B2024 vs B2023	
1 FTE	235	232	235	257	25	22	1
2 Contractors	37	23	20	16	(7)	(4)	2
3 Total	272	255	255	273	18	18	3

Note: Headcount is as of end of the period

Professional & Consulting Services

2024 Budget vs. 2023 Forecast vs. 2023 Budget Comparisons

(In 000's)

	A	B	C	D	E	F	
	Forecast 2023	Budget 2023	Variance 2023	Budget 2024	Variance B24 vs F23	Variance B24 vs B23	
1 Professional & Consulting Services							1
2 Legal	127	127	0	121	(7)	(6)	2
3 Accounting & Auditing	135	100	34	134	(1)	33	3
4 Information Technology	453	737	(284)	3,027	2,574	2,290	4
5 Actuarial Services	24	24	0	24	0	0	5
6 Ombudsman Program	0	0	0	0	0	0	6
7 Surveys & Inspections	526	436	90	595	69	159	7
8 Disaster Recovery Services	4	5	(1)	4	0	(1)	8
9 Other Services	1,352	1,202	150	1,368	16	166	9
10 Total Gross	2,621	2,631	(10)	5,272	2,651	2,640	10
11 Less:							11
12 Capitalized Amount	0	0	0	0	0	0	12
13 ULAE Allocation	(479)	(469)	(11)	(857)	(378)	(389)	13
14 Investment Expense Allocation	0	0	0	0	0	0	14
15 Professional Services, Net	2,142	2,163	(21)	4,414	2,273	2,252	15

The increase in IT Consulting expense in the 2024 budget is attributed to the Guidewire migration consulting services for Zensar Technologies and Guidewire which accounts for \$2.2 million or 97% of the increase.

The increase in Surveys and Inspections refers to Reliable reports (property inspections) whereas Other Services relates to Call Center expenses. Both are a result of the projected increase in the number of policies.

TFPA Professional Services Top 10 Vendors

	A	B	C	D	E	F	G	H	
	Department/s	Vendor	2023 Forecast	2023 Budget	Variance 2023	2024 Budget	Variance B2024 vs F2023	Variance B2024 vs B2023	
1	Information Technology	Cynosure, Inc. dba Zensar Technologies	\$ 183,551	378,364	(194,813)	2,069,900	\$ 1,886,349	1,691,536	1
2	Information Technology	Guidewire Software, Inc.	0	0	0	533,235	533,235	533,235	2
3	Underwriting	Reliable Reports, Inc.	410,320	334,400	75,920	462,000	51,680	127,600	3
4	Underwriting	Clear Point Claims, LLC.	384,255	358,000	26,255	417,300	33,045	59,300	4
5	Underwriting	Insurance Services Office, Inc. (Verisk)	172,470	135,300	37,170	166,802	(5,668)	31,502	5
6	Underwriting	Marshall & Swift/Boeckh, LLC. (CoreLogic)	156,907	144,500	12,407	164,250	7,343	19,750	6
7	Claims	Xactware Solutions, Inc.	127,281	139,509	(12,228)	154,567	27,286	15,058	7
8	Information Technology	Stratus Technology Services, LLC.	71,390	79,380	(7,991)	147,000	75,611	67,620	8
9	Information Technology	Transferpath, LLC.	63,876	127,750	(63,874)	131,250	67,374	3,500	9
10	Underwriting, Claims	EagleView Technologies, Inc.	98,311	116,858	(18,547)	118,104	19,793	1,246	10
11	Various departments	Other Vendors	952,752	817,406	135,346	907,408	(45,344)	90,002	11
12		Total Other Professional Services	\$ 2,621,113	\$ 2,631,467	\$ (10,355)	\$ 5,271,815	\$ 2,650,703	\$ 2,640,348	12

- IT Consulting services for Cynosure/Zensar Technologies and Guidewire Software Inc. are primarily related to the Guidewire cloud migration project in 2024.
- Surveys and Inspection expenses for Reliable Reports, Inc. refers to property inspections.

Hardware and Software

2024 Budget vs. 2023 Forecast vs. 2023 Budget Comparisons

(In 000's)

	A	B	C	D	E	F	
	Forecast 2023	Budget 2023	Variance 2023	Budget 2024	Variance B24 vs F23	Variance B24 vs B23	
1 Hardware and Software							1
2 Hardware	132	93	39	96	(36)	2	2
3 Software Licensing Fees	1,362	1,503	(141)	1,581	218	77	3
4 Total Gross	1,495	1,597	(102)	1,676	182	80	4
5 Less:							5
6 Capitalized Amount	0	0	0	0	0	0	6
7 ULAE Allocation	(88)	(239)	151	(137)	(49)	102	7
8 Investment Expense Allocation	0	0	0	0	0	0	8
9 Hardware & Software, Net	1,407	1,358	49	1,539	132	182	9

Software: The current year savings in the 2023 forecast vs budget is due to a temporary reduction in Guidewire Software License fees associated with the cloud migration contract.

The budget-to-budget variance reflects the scheduled 2024 increase in Guidewire license fees and the implementation of Chatbots to assist policyholders with certain Claims system processes.

All Other Expenses Summary (In 000s)

2024 Budget vs. 2023 Forecast vs. 2023 Budget Comparisons

(000's)

	A	B	C	D	E	F	
	Forecast 2023	Budget 2023	Variance 2023	Budget 2024	Variance B24 vs F23	Variance B24 vs B23	
1 All Other Operating Expenses							1
2 Rental & Maintenance - Office/Equipment	533	560	(28)	570	37	9	2
3 Travel Expenses	155	158	(2)	162	7	5	3
4 Postage, Telephone and Express	469	462	7	556	87	94	4
5 Capital Management Expenses	91	91	0	92	0	0	5
6 Printing & Supplies	182	203	(21)	223	41	21	6
7 Depreciation	0	0	0	0	0	0	7
8 Bank Charges	0	116	(116)	0	0	(116)	8
9 Others	267	326	(59)	334	68	9	9
10 Total Gross	1,697	1,915	(218)	1,937	240	22	10
11 Less:							11
12 Capitalized Amount	0	0	0	0	0	0	12
13 Reimbursement of Depopulation Servicing Fees	0	0	0	0	0	0	13
14 ULAE Allocation	(277)	(289)	12	(309)	(33)	(20)	14
15 Investment Expense Allocation	(91)	(91)	(0)	(92)	0	(0)	15
16 All Other Operating Expenses, Net	1,329	1,535	(206)	1,536	207	1	16

Postage/Courier & Printing :

Expenses are budgeted to increase due to the projected increase in policies in force.

Telephone: The increase in the 2024 budget of \$50K is associated with the Amazon Web Services Connectivity for the Guidewire cloud and the data centers and Century Link charges.

Bank Charges: Zero amount for Bank Charges in 2024 budget is due to higher earnings credits associated with current interest rates.

All Other Expenses Details (In 000s)

Description	for the 12 months ended December 31,				Variance	
	Forecast FY2023	Budget FY2023	Variance 2023	Budget FY2024	B24 vs F23	B24 vs B23
Office Rent	502	500	2	516	14	16
Utilities expense	1	0	1	0	(1)	0
Equipment/Storage Rental	13	8	5	9	(4)	1
Office Relocation Expense	(33)	0	(33)	0	33	0
Repair & Maintenance	49	52	(3)	44	(5)	(8)
Other Office & Equip Expense	0	0	0	0	0	0
Total Rental & Maintenance	533	560	(28)	570	37	9
Board meetings	115	123	(8)	89	(26)	(34)
Storm Related	0	0	0	0	0	0
Workshops	0	0	0	1	1	1
Other Travel	40	34	6	72	32	38
Total Travel Expenses	155	158	(2)	162	7	5
Postage/Courier	292	325	(32)	370	78	46
Telephone	177	137	39	186	9	48
Total Postage, Tele & Express	469	462	7	556	87	94
Line of Credit Fees	91	91	0	92	0	0
Investment Expense - TTSTC Fees	0	0	0	0	0	0
Total Capital Mgt Expenses	91	91	0	92	0	0
Boards, Bureaus & Assoc	108	156	(49)	146	38	(10)
Printing & Supplies	182	203	(21)	223	41	21
Dues & Subscriptions	60	65	(5)	74	14	9
Insurance	90	95	(5)	92	2	(4)
Media and Advertising	1	0	1	15	14	15
Depreciation & Amortization	0	0	0	0	0	0
Write-offs	0	0	0	0	0	0
Bank Charges	0	116	(116)	0	0	(116)
Other Expenses	8	8	(1)	8	0	(1)
Total Other Operating Exp	448	644	(196)	557	109	(87)
Total All Other Expenses	1,697	1,915	(218)	1,937	240	22

Office Relocation: The negative credit balance in the expense account represents the TFPA portion of the reimbursement for relocation charges received in March 2023.

WRAP UP: QUESTIONS?

