

Texas Windstorm
Insurance Association

2024 Budget Overview to
Board of Directors
October 31, 2023



TWIA Budget – New and Notable Items for 2024

- **Budget Process** - First budget developed completely within Workday Financial Software
 - Eliminated risk, improved efficiency, cost avoidance
- **Claims Contractor Conversions** - Second year to convert limited number of claims contractors to FTEs for cost savings
- **Cloud Migration** - Includes amounts approved to migrate Guidewire Policy Center, Billing Center and Claims Center to the cloud environment.
- **Private Market Contraction** - Continued growth in policy counts, exposures and premiums (\$ 800 million)
- **Reinsurance** – Hard market remains as reinsurers stay committed to improved terms and pricing. Hints of capital returning to market.

TWIA 2024 Budget – Key Assumptions

The 2024 Budget is based on the following assumptions:

- Rate change: No change in rates is reflected in the 2024 budget
- The number of policies in force is projected to increase from the forecast of 247,220 policies at December 31, 2023 to 264,718 at year end 2024, an increase of 17,498 policies or 7.1%
- Loss and loss adjustment expense ratios used are based on actuarial estimates and correspond to the non-hurricane loss ratios included in the annual rate indications
- Losses and loss adjustment expenses attributable to hurricanes are not included in the budget
- 2023 Operating Expenses forecast is comprised of the January to June 2023 actuals plus June to December 2023 projections
- Commissions: Budgeted at \$130.5 million using current rate of 16.0% for new and renewal policies

TWIA 2024 Budget – Key Assumptions (cont'd)

- Premium taxes, licenses and other fees: 1.83%
- Investment yields: based on approximately 5.0% on invested cash for the first half of 2024 and 4.5% for the second half of the year.
- \$500 million line of credit: assumed to be renewed on June 1, 2024, with same late December cancellation date, inception fees (\$500K) and commitment fees at 47.5 BPS.
- Employee merit increases are budgeted at 3.5%.
- Operating expenses are based on detailed zero-based departmental budgets.

2024 Proposed Income Statement Budget (In 000s)

	A	B	C	D	E	F
	For the twelve months ended December 31,				B2024 vs B2023	B2024 vs F2023
	Forecast FY2023	Budget FY2023	Variance 2023	Budget FY2024		
Premiums Written:						
1 Direct	\$659,881	\$560,179	\$99,702	\$815,861	\$255,682	\$155,980
Premiums Earned:						
2 Direct	\$592,019	\$542,293	\$49,726	\$743,860	\$201,567	\$151,842
3 Ceded	(214,356)	(225,544)	11,188	(298,000)	(72,456)	(83,644)
4 Net	377,662	316,749	60,913	445,860	129,111	68,198
Deductions:						
5 Losses and LAE Incurred	120,285	92,171	28,113	97,803	5,632	(22,481)
6 Operating Expenses	33,446	35,171	(1,725)	40,243	5,072	6,797
7 Commission Expense	105,505	89,629	15,877	130,538	40,909	25,032
8 Ceding commissions / brokerage	(9,596)	(8,849)	(747)	(13,340)	(4,491)	(3,744)
9 Premium / Maintenance Tax	12,047	10,402	1,645	14,889	4,488	2,843
10 Total Deductions	261,686	218,523	43,163	270,133	51,610	8,447
11 Net Underwriting Gain or (Loss)	115,976	98,226	17,750	175,727	77,502	59,751
Other Income or (Expense):						
12 Gross Investment Income	21,497	4,278	17,219	24,237	19,958	2,739
13 Line of Credit Fees and Other Investment Expenses	(2,047)	(2,359)	312	(2,065)	294	(17)
14 Interest Expense on Debt	0	0	0	0	0	0
15 Premium Charge Offs/Write Offs	(126)	0	(126)	0	0	126
16 Other Income (Expense)	6	0	6	0	0	(6)
17 Total Other Income or (Expense)	19,330	1,920	17,411	22,172	20,253	2,842
18 Net Income (Loss)	\$135,306	\$100,145	\$35,161	\$197,899	\$97,754	\$62,593

Direct Written Premiums projected to grow by \$156.0 million (23.6%) from \$659.9 million in 2023 to \$815.9 million in 2024 budget.

Ceded Deposit Premiums for 2023/24 reinsurance were \$204.4M on June 1, 2023. For 2024, the current estimate is \$298.0 million.

Investment income reflects the higher yields received in 2023 and anticipates rates will remain high throughout 2024.

Detailed schedules for key line items are provided on subsequent slides.

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
1 Surplus (Deficit) Account:						
2 Beginning Surplus (Deficit)	38,643	27,859	10,784	42,063	14,204	3,420
3 Net Income (Loss)	135,306	100,145	35,161	197,899	97,754	62,593
4 Change in Provision for Reinsurance	0	0	0	0	-	-
5 Change in Non-Admitted Assets	3,420	2,964	456	3,349	385	(72)
6 Statutory Fund Cost	(135,306)	(100,145)	(35,161)	(197,899)	(97,754)	(62,593)
7 Ending Surplus (Deficit)	\$42,063	\$30,823	\$11,240	\$45,412	\$14,589	\$3,349
8 Key Operating Ratios:						
9 Direct:						
10 Loss & LAE Ratio	20.3%	17.0%	3.3%	13.1%	(3.8%)	(7.2%)
11 UW Expense Ratio:						
12 Acquisition	17.8%	17.9%	(0.0%)	17.8%	(0.0%)	0.0%
13 Non Acquisition	5.6%	6.5%	(0.8%)	5.4%	(1.1%)	(0.2%)
14 UW Expense Ratio	23.5%	24.3%	(0.9%)	23.2%	(1.1%)	(0.2%)
15 Direct Combined Ratio	43.8%	41.3%	2.4%	36.4%	(5.0%)	(7.4%)
16						
17						
18 Ending Balance in CRTF	282,691	292,071	(9,380)	444,123	152,052	161,432

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

TWIA All Expenses by Category Summary (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	24,543	26,928	(2,385)	27,358	430	2,816	1
2	Professional & Consulting Services	9,113	8,849	263	13,103	4,254	3,990	2
3	Hardware/Software Purchases & Licensing	3,393	3,857	(465)	4,047	190	654	3
4	Rental & Maintenance - Office/Equipment	987	1,004	(17)	1,060	55	72	4
5	Travel Expenses	180	194	(14)	203	8	22	5
6	Postage, Telephone and Express	1,319	1,208	111	1,420	212	101	6
7	Capital Management Expenses	0	0	0	0	0	0	7
8	Depreciation	3,115	3,069	46	3,096	27	(19)	8
9	Other Operating Expenses	1,590	1,891	(302)	1,657	(235)	67	9
10	Gross Operating Expenses	44,239	47,002	(2,763)	51,943	4,942	7,704	10
11	Less: Adjustments/Allocations							11
12	Capitalization of Fixed Assets	0	0	0	0	0	0	12
13	Reimbursement of Depopulation Servicing Expense	(3)	0	(3)	0	0	3	13
14	Allocation To ULAE	(10,682)	(11,579)	897	(11,604)	(26)	(922)	14
15	Allocation To Investing	(109)	(252)	143	(96)	156	13	15
16	Total Adjustments/Allocations	(10,793)	(11,831)	1,038	(11,700)	130	(907)	16
17								17
18	Net Operating Expense - UW Operations	33,446	35,171	(1,725)	40,243	5,072	6,797	18

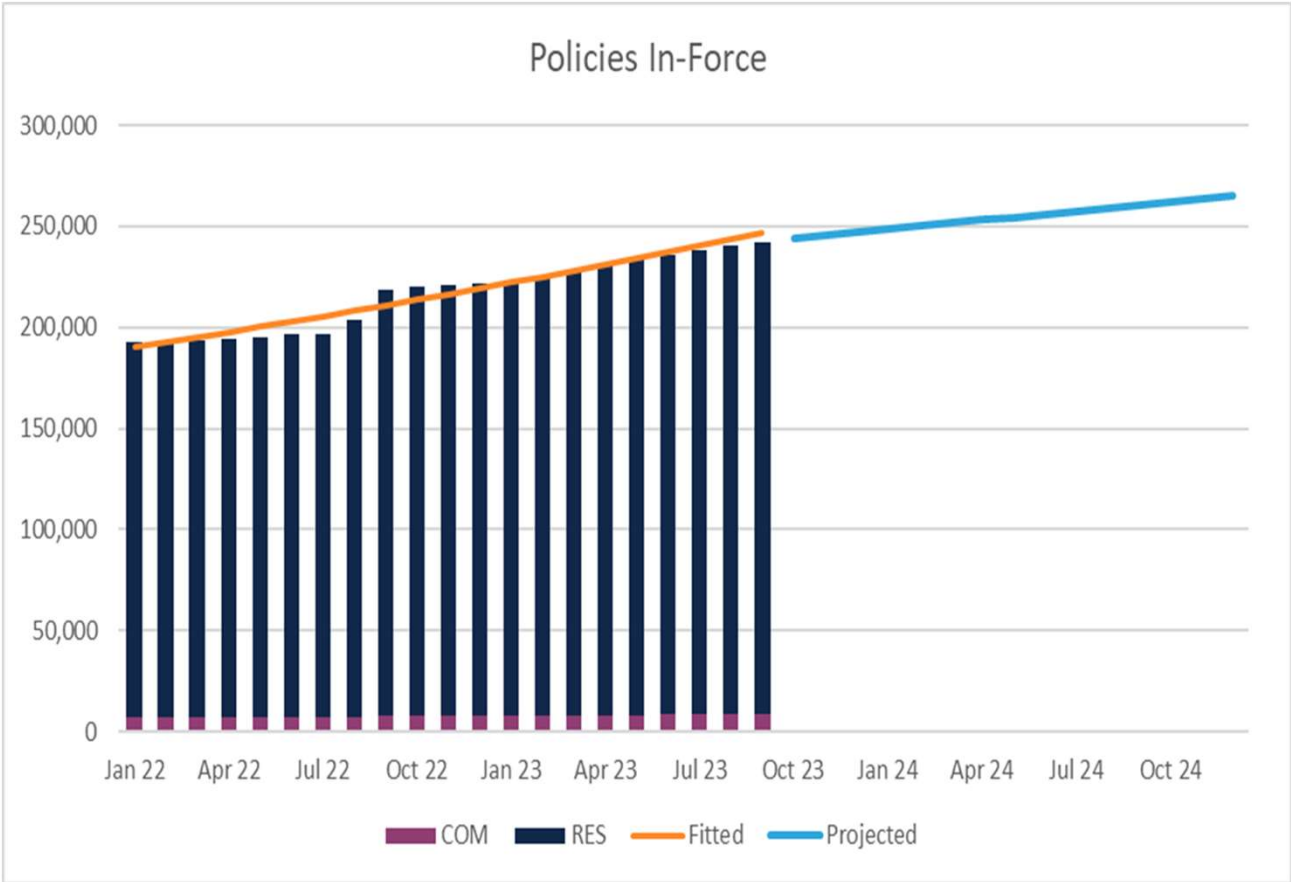
PREMIUM PROJECTIONS

Premium Budget – Policies in Force

- Policies in Force**
- Dec 2021 – 193,002 (Actual)
 - Dec 2022 – 222,480 (Actual)
 - Sep 2023 – 242,888 (Actual)
 - Dec 2023 – 247,220 (Projected)
 - Dec 2024 – 264,718 (Projected)

2024 Budget – PIF at 12/31/2024

Residential	254,106
Manufactured	1,351
Commercial	<u>9,261</u>
Total	264,718
% Annual growth	7.1%



Policies In Force - Historical and Projected

	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	F2023
2	Commercial	7,827	7,063	6,467	6,818	7,721	8,611	9,261	7.5%	2
3	Manufactured Home	724	694	742	913	999	1,206	1,351	12.0%	3
4	Residential	193,657	181,446	177,681	185,271	213,760	237,403	254,106	7.0%	4
5	Total	202,208	189,203	184,890	193,002	222,480	247,220	264,718	7.1%	5
6	% Change	-10.9%	-6.4%	-2.3%	4.4%	15.3%	11.1%	7.1%		6

Premium Budget – Direct Liability in Force

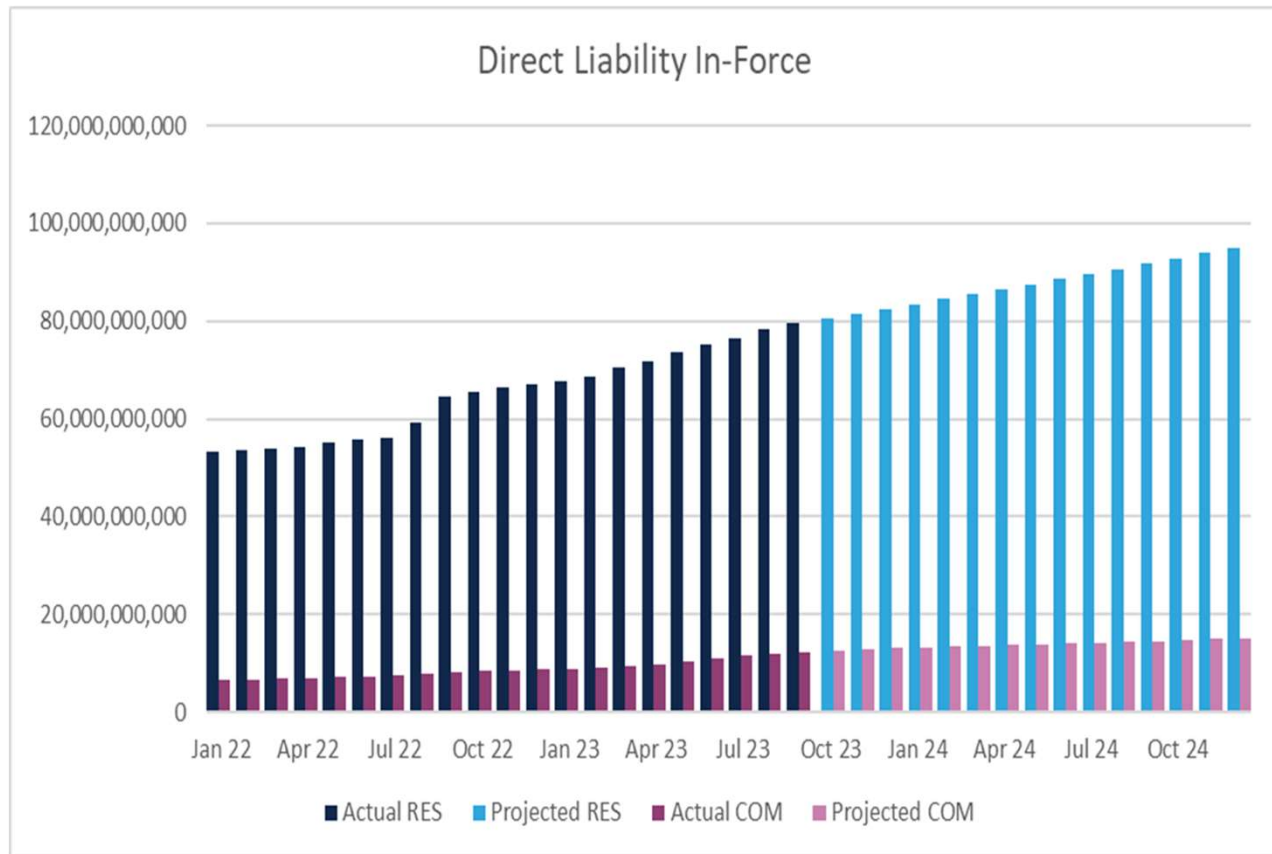
Total Direct Liability in Force (In 000s)

- Dec 2021 – \$59,543,596 (Actual)
- Dec 2022 – \$75,698,532 (Actual)
- Sep 2023 – \$91,907,685 (Actual)
- Dec 2023 – \$94,856,796 (Projected)
- Dec 2024 – \$109,190,424 (Projected)

2024 Budget – Exposures at 12/31/2024

(In 000s)

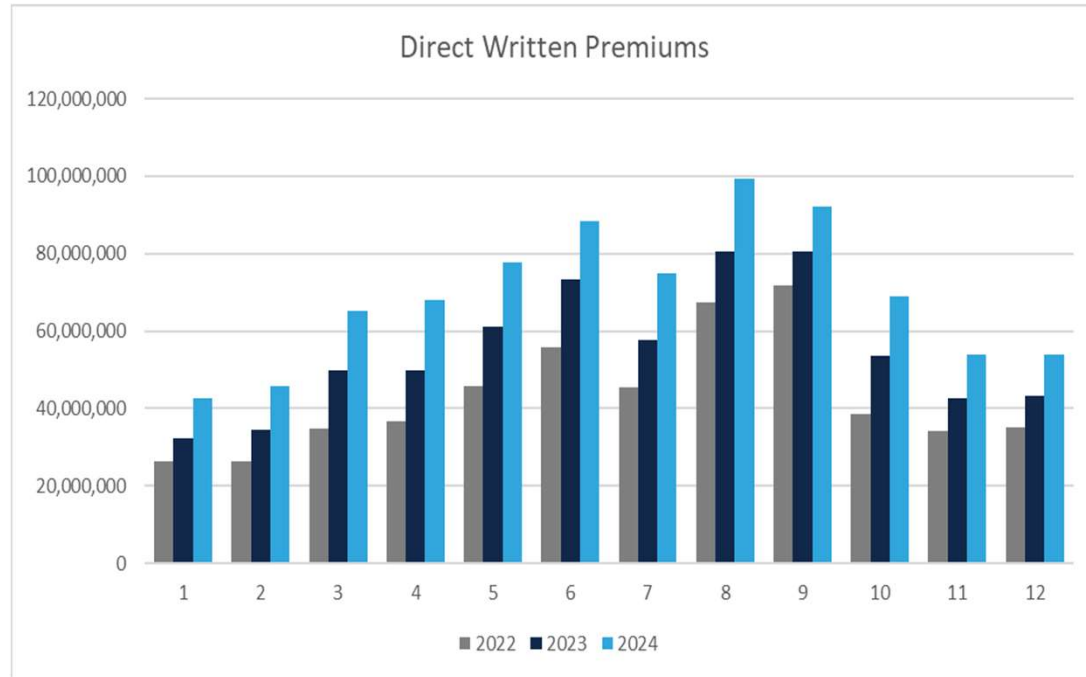
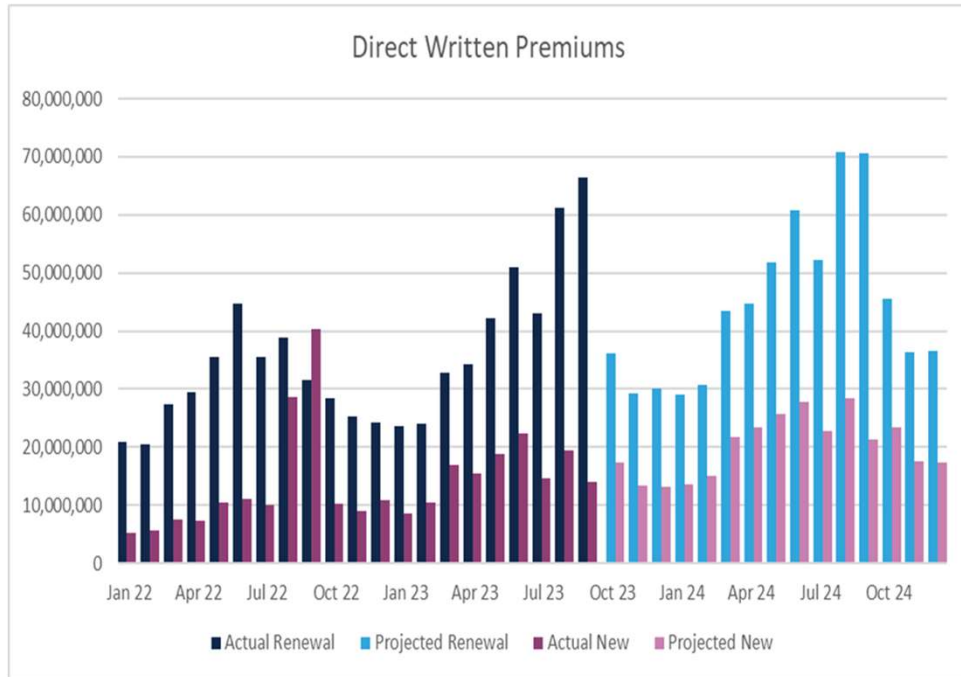
Residential	\$ 94,034,218
Manufactured	102,407
Commercial	<u>15,053,799</u>
Total	\$109,190,424
% Annual growth	15.1%



Exposures In Force Historical and Projected

	A	B	C	D	E	F	G	H	I	
Exposures in Force at December 31, (In 000s)										
1	Class of Business	2018	2019	2020	2021	2022	Forecast 2023	Budget 2024	% Change B2024 vs F2023	1
2	Commercial	6,245,277	5,940,483	5,891,209	6,505,687	8,755,833	13,028,040	15,053,799	15.5%	2
3	Manufactured Home	38,978	37,989	41,337	53,242	64,908	85,282	102,407	20.1%	3
4	Residential	51,973,107	49,516,512	49,077,092	52,984,667	66,877,791	81,743,474	94,034,218	15.0%	4
5	Total	58,257,362	55,494,985	55,009,638	59,543,596	75,698,532	94,856,796	109,190,424	15.1%	5
6	% Change	-10.9%	-4.7%	-0.9%	8.2%	27.1%	25.3%	15.1%		6

Premium Budget – Direct Written Premium



Direct Written Premiums

2021 - \$395,103,401 (Actual)

2022 - \$518,299,032 (Actual)

2023 - \$659,880,752 Forecast (Actual written premium Jan – Sep 2023 - \$519,437,059)

2024 - \$815,861,146 Premium Budget (Annual growth of 23.6%)

REINSURANCE

Reinsurance

- Initial 2023 TIV forecast: \$91.5 billion
- Initial 2024 TIV forecast: \$117.3 billion⁽¹⁾
- Projected annual exposure growth: 28.2%
- 2023 reinsurance deposit premiums: **\$204.4 million**
- Estimated 2024 reinsurance deposit premiums: **\$298.0 million**

The above estimate includes the impact of projected growth on both the amount and underlying cost of reinsurance to be purchased. Actual reinsurance costs will vary based on:

- the modeled impact of exposure growth,
- the determination of the 100-year probable maximum loss for 2024, and
- any changes in underlying reinsurance market conditions for the 2024 hurricane season

(1) Projected exposures as of 10/31/2024 of \$106.7B in direct exposures and an additional \$10.6B of indirect exposures for Additional Living Expense (ALE) and Business Interruption (BI) coverages

EXPENSES

Expense Categories

TWIA 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
- Depreciation and Amortization
- Service Charges (Bank Fees)

Reconciliation of Expenses

2024 Budget vs. 2023 Budget Comparisons

(In 000s)

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	Allocation to TFPA (1)	21,375	17,678	3,697	2
3	TWIA Gross Operating Expenses	51,943	47,002	4,942	3
4	Depopulation Expense (2)	0	0	0	4
5	Claims Expenses (ULAE) (3)	(11,604)	(11,579)	(26)	5
6	Investment Expenses	(96)	(252)	156	6
7	TWIA Gross Underwriting Expenses Before Capitalization	40,243	35,171	5,072	7
8	Capitalized Expenses (4)	0	0	0	8
9	TWIA Net Underwriting Expenses (5)	40,243	35,171	5,072	9

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

(2) Servicing fee received from participating depop carriers as an offset to TWIA expenses.

(3) 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.

(4) Capitalized Expenses for Elevate Project ended in April 2022. No capitalization in 2023 and 2024

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

Reconciliation of Expenses

2024 Budget vs. 2023 Forecast Comparisons

(In 000s)

	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	Allocation to TFPA (1)	21,375	16,942	4,432	2
3	TWIA Gross Operating Expenses	51,943	44,239	7,704	3
4	Depopulation Expense (2)	0	(3)	3	4
5	Claims Expenses (ULAE) (3)	(11,604)	(10,682)	(922)	5
6	Investment Expenses	(96)	(109)	13	6
7	TWIA Gross Underwriting Expenses Before Capitalization	40,243	33,446	6,797	7
8	Capitalized Expenses (4)	0	0	0	8
9	TWIA Net Underwriting Expenses (5)	40,243	33,446	6,797	9

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

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

Texas Windstorm All Expenses Summary (In 000s)

	For the twelve months ended December 31,				E	B2024 vs B2023		B2024 vs F2023	
	A	B	C	D		F	G	H	I
	Forecast 2023	Budget FY2023	Variance 2023	Budget FY2024	\$	%	\$	%	
Personnel Expenses									
1 Salaries & Wages - Permanent	14,306	15,319	(1,014)	16,974	1,654	11%	2,668	19%	
2 Contractor & Temporary Help	4,748	5,164	(416)	3,824	(1,340)	-26%	(924)	-19%	
3 Payroll Taxes	1,035	1,166	(132)	1,221	55	5%	186	18%	
4 Employee Benefits	4,119	4,844	(724)	4,900	57	1%	781	19%	
5 Recruiting, Training & Other	335	435	(99)	439	5	1%	104	31%	
6 Subtotal	24,543	26,928	(2,385)	27,358	430	2%	2,816	11%	
Professional & Consulting Services									
9 Legal	597	503	94	485	(17)	-3%	(111)	-19%	
10 Accounting & Auditing	243	279	(35)	253	(26)	-9%	9	4%	
11 Information Technology	1,628	1,315	313	5,574	4,259	324%	3,946	242%	
12 Actuarial Services	99	70	29	69	(1)	-1%	(30)	-30%	
13 Ombudsman Program	93	113	(20)	130	17	15%	37	40%	
14 Surveys & Inspections	1,347	1,319	28	1,356	37	3%	8	1%	
15 Disaster Recovery Services	7	10	(3)	8	(2)	-20%	1	11%	
16 Other Services	5,099	5,241	(143)	5,229	(13)	0%	130	3%	
17 Subtotal	9,113	8,849	263	13,103	4,254	48%	3,990	44%	
19 Hardware/Software Purchases & Licensing	3,393	3,857	(465)	4,047	190	5%	654	19%	
20 Rental & Maintenance - Office/Equipment	987	1,004	(17)	1,060	55	5%	72	7%	
21 Travel Expenses	180	194	(14)	203	8	4%	22	12%	
22 Postage, Telephone and Express	1,319	1,208	111	1,420	212	18%	101	8%	
23 Capital Management Expenses	0	0	0	0	0	0%	0	0%	
24 Depreciation	3,115	3,069	46	3,096	27	1%	(19)	-1%	
25 Other Operating Expenses	1,590	1,891	(302)	1,657	(235)	-12%	67	4%	
27 Total Operating Expenses	44,239	47,002	(2,763)	51,943	4,942	11%	7,704	17%	
29 Capitalization of Fixed Assets	0	0	0	0	0	0%	0	0%	
30 Reimbursement of Depopulation Servicing Expense:	(3)	0	(3)	0	0	0%	3	-100%	
31 Allocation To ULAE	(10,682)	(11,579)	897	(11,604)	(26)	0%	(922)	9%	
32 Allocation To Investing	(109)	(252)	143	(96)	156	-62%	13	-12%	
33 Net Operating Expense - UW Operations	33,446	35,171	(1,725)	40,243	5,072	14%	6,797	20%	

Increase in Budgeted salaries is mainly attributed to the additional FTEs in Underwriting and Claims departments and an offset with the reduction of contractors and proposed merit increase of 3.5% or \$493K. This will be discussed in detail on the Personnel expenses slide.

Increase in IT Consulting, Software and Telephone expenses mainly relates to the Guidewire Cloud Migration project in 2024.

Increase in Postage charges is due to increase in the number of policies in-force.

The decline in Other Operating Expenses results from the increase in bank earning credits.

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

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 TWIA Cloud Migration Costs	Adjusted Budget FY2024	Budget FY2023
1 Personnel Expenses		27,358		27,358	26,928
2 Professional & Consulting Services		13,103	4,107	8,996	8,849
3 Hardware/Software Purchases & Licensing		4,047		4,047	3,857
4 Rental & Maintenance - Office/Equipment		1,060		1,060	1,004
5 Travel Expenses		203		203	194
6 Postage, Telephone and Express		1,420	55	1,366	1,208
7 Other Operating Expenses		4,753		4,753	4,960
8 Gross Operating Expenses		51,943	4,162	47,781	47,002

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.

Operating Expenses – Historical Trend Analysis

	A	B	C	D	E	F	G	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	\$53,401,035	\$30,889,084	\$31,214,130	\$32,646,892	\$27,790,653	\$24,542,678	\$26,927,972	\$27,358,188	2
3 Professional Services	10,148,994	8,805,315	10,868,403	12,251,132	9,619,727	9,112,805	8,849,333	13,103,081	3
4 Hardware & Software Licensing	3,003,507	2,997,898	3,095,779	3,368,723	3,776,425	3,392,562	3,857,285	4,046,797	4
5 Rental & Maintenance - Office/Equipment	1,351,117	1,296,079	1,267,426	1,246,376	1,483,711	987,120	1,004,487	1,059,620	5
6 Travel Expenses	317,375	251,104	57,881	35,829	121,695	180,301	194,170	202,630	6
7 Postage, Telephone and Express	1,072,486	975,547	907,156	902,172	1,028,753	1,319,181	1,207,972	1,420,113	7
8 Capital Management Expenses	2,261,920	2,112,784	17,388	15,660	6,326	0	0	0	8
9 Other Operating Expenses	2,229,831	1,183,133	1,152,218	1,327,630	3,762,845	4,704,183	4,960,299	4,752,626	9
10									10
11 GROSS OPERATING EXPENSES	73,786,265	48,510,942	48,580,382	51,794,415	47,590,134	44,238,829	47,001,518	51,943,053	11
12									12
13 Capitalization of Fixed Assets	0	0	(4,577,587)	(8,927,371)	(1,699,371)	0	0	0	13
14 Reimbursement of Depop Servicing Exp	(248,371)	(120,463)	(76,065)	(15,863)	(8,137)	(2,518)	0	0	14
15 Allocation To ULAE	(42,799,315)	(16,886,693)	(15,224,675)	(14,752,216)	(12,100,915)	(10,681,847)	(11,578,502)	(11,604,121)	15
16 Allocation To Investing & Other Exp	(2,457,477)	(2,386,866)	(301,264)	(273,379)	(262,325)	(108,597)	(252,000)	(96,000)	16
17 Net Operating Expense	\$28,281,102	\$29,116,920	\$28,400,791	\$27,825,586	\$33,519,385	\$33,445,867	\$35,171,016	\$40,242,932	17

Note: Other Operating Expenses (Line 9) include amortization of capitalized cost for Project Elevate in late 2020 to early 2022

Comparative Personnel Costs – 2024 Budget to 2023 Budget (In 000s)

A		B	C	D	
		Personnel Costs			
		Budget 2024	Budget 2023	B2024 vs B2023	
1					1
2	Salaries & Wages - Permanent	16,974	15,319	1,654	2
3	Contractor & Temporary Help	3,824	5,164	(1,340)	3
4	Sub-total	20,798	20,483	314	4
5	Payroll Taxes	1,221	1,166	55	5
6	Employee Benefits	4,900	4,844	57	6
7	Recruiting, Training & Other	439	435	5	7
8	Personnel Costs, Gross	27,358	26,928	430	8
9	<i>Less:</i>				9
10	Capitalized Amount	0	0	0	10
11	ULAE Allocation	(7,751)	(8,465)	714	11
12	Investment Expense Allocation	0	0	0	12
13	Personnel Costs, Net	19,607	18,463	1,145	13

- The second round of the conversion of 10 contractors to 10 full-time employee positions plus additional 3 full-time employees in Claims department results in an increase in Salaries of \$813K but reduces contractor expense by \$1.5M.
- Underwriting department is adding 6 positions from 2023 budget due to increase and heavier volume of transactions. This results in a corresponding increase in Salaries of \$517K vs 2023 budget.

Employee Benefits Summary – TWIA

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 2023	D Budget FY2024		
1 Total Salary & Wages	14,305,516	15,319,365	(1,013,849)	16,973,846	2,668,330	1,654,481
2						
3 Pension Plan	1,299,198	1,894,195	(594,997)	1,237,031	(62,167)	(657,164)
4 401 K Plan	767,380	805,566	(38,185)	916,962	149,581	111,396
5 Insurance & Related:						0
6 Medical	1,799,456	1,871,452	(71,996)	2,465,290	665,834	593,838
7 Dental	121,337	137,988	(16,651)	136,285	14,948	(1,704)
8 Life, LTD & AD&D	101,773	100,366	1,406	113,560	11,787	13,194
9 All Other (1)	30,274	34,093	(3,820)	31,249	975	(2,845)
10 Total Insurance & Related	2,052,839	2,143,899	(91,060)	2,746,383	693,544	602,484
11						
12 Total All Benefit Costs	4,119,418	4,843,660	(724,242)	4,900,376	780,958	56,716

Decrease in pension expense reflects impact of higher interest rates used to calculate liabilities and expense levels. Balances provided by Towers Watson.

Medical insurance increased by 17.8% on high deductible plan and 32.8% on traditional plan reflecting inflation and a high loss ratio.

Increase in 401K, Dental, Life, Long-Term Disability, Accidental Death & Dismemberment and other employee benefits are mainly due to projected increase in the number of enrollees.

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

Benefits % to Salaries	28.8%	31.6%	28.9%
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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 Services and Consulting Expenses

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	Professional & Consulting Services						1	
2	Legal	597	503	94	485	(111)	(17)	2
3	Accounting & Auditing	243	279	(35)	253	9	(26)	3
4	Information Technology	1,628	1,315	313	5,574	3,946	4,259	4
5	Actuarial Services	99	70	29	69	(30)	(1)	5
6	Ombudsman Program	93	113	(20)	130	37	17	6
7	Surveys & Inspections	1,347	1,319	28	1,356	8	37	7
8	Disaster Recovery Services	7	10	(3)	8	1	(2)	8
9	Other Services	5,099	5,241	(143)	5,229	130	(13)	9
10	Total Gross	9,113	8,849	263	13,103	3,990	4,254	10
11	Less:							11
12	Capitalized Amount	0	0	0	0	0	0	12
13	ULAE Allocation	(970)	(971)	1	(1,677)	(707)	(706)	13
14	Investment Expense Allocation	0	0	0	0	0	0	14
15	Professional Services, Net	8,142	7,878	264	11,426	3,284	3,548	15

The significant increase in IT Consulting expense in the 2024 budget is attributed to the Guidewire cloud migration consulting services totaling \$4.1 million.

The increase in Other Services in the 2024 budget vs 2023 forecast is primarily for the Chatbot project, Xactware fees and Call Center expense.

Professional Services – Top 10 Vendors

		A	B	C	D	E	F		
	Department/s	Vendor	2023 Forecast	2023 Budget	Variance 2023	2024 Budget	Variance B2024 vs B2023	Variance B2024 vs F2023	
1	Information Technology	Cynosure, Inc. dba Zensar Technologies	\$ 1,027,477	702,676	324,801	3,844,100	3,141,424	\$ 2,816,623	1
2	Expert Panel, Corporate	Accenture, LLP	2,130,333	2,226,833	(96,500)	2,068,333	(158,500)	(62,000)	2
3	Underwriting, Claims	EagleView Technologies, Inc.	1,439,335	1,476,244	(36,909)	1,476,252	8	36,917	3
4	Information Technology	Guidewire Software, Inc.	0	0	0	990,293	990,293	990,293	4
5	Actuary	AON Re, Inc.	600,000	600,000	0	600,000	0	0	5
6	Underwriting	Clear Point Claims, LLC.	517,645	515,000	2,645	544,000	29,000	26,355	6
7	Underwriting	Marshall & Swift/Boeckh, LLC. (CoreLogic)	303,522	321,927	(18,405)	333,018	11,091	29,496	7
8	Claims	Xactware Solutions, Inc.	249,397	271,715	(22,318)	293,069	21,354	43,672	8
9	Expert Panel, Actuary	Risk Management Solutions, Inc.	293,967	274,215	19,752	289,228	15,013	(4,739)	9
10	Information Technology	Stratus Technology Services, LLC.	221,561	147,420	74,141	273,000	125,580	51,440	10
11	Various departments	Other Vendors	2,329,568	2,313,303	16,265	2,391,787	78,484	62,219	11
12		Total Other Professional Services	\$ 9,112,805	\$ 8,849,333	\$ 263,472	\$ 13,103,081	\$ 4,253,747	\$ 3,990,276	12

- IT Consulting services for Cynosure/Zensar Technologies and Guidewire Software Inc. are primarily related to the Guidewire cloud migration project in 2024.
- IT Consulting for Stratus Technology Services LLC refers to the service contracts for Quality Assurance and developers.

Hardware & Software Expenses (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 Hardware and Software							1
2 Hardware	246	174	72	178	(67)	5	2
3 Software	3,147	3,684	(537)	3,869	722	185	3
4 Total Gross	3,393	3,857	(465)	4,047	654	190	4
5 Less:							5
6 Capitalized Amount	0	0	0	0	0	0	6
7 ULAE Allocation	(624)	(676)	52	(769)	(144)	(92)	7
8 Investment Expense Allocation	0	0	0	0	0	0	8
9 Hardware & Software, Net	2,768	3,181	(413)	3,278	510	97	9

Software: The decrease in the current year forecast is due to the savings associated with the new cloud migration contract.

The 2024 budgeted amount reflects the increasing license fees in subsequent years.

All Other Operating Expenses Summary

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	987	1,004	(17)	1,060	72	55	2
3 Travel Expenses	180	194	(14)	203	22	8	3
4 Postage, Telephone and Express	1,319	1,208	111	1,420	101	212	4
5 Capital Management Expenses	0	0	0	0	0	0	5
6 Printing & Supplies	500	480	20	531	32	51	6
7 Depreciation & Amortization	3,115	3,069	46	3,096	(19)	27	7
8 Bank Charges	432	614	(181)	379	(53)	(235)	8
9 Others	658	797	(140)	747	89	(51)	9
10 Total Gross	7,191	7,367	(176)	7,435	244	68	10
11 Less:							11
12 Capitalized Amount	0	0	0	0	0	0	12
13 Reimbursement of Depopulation Servicing Fees	(3)	0	(3)	0	3	0	13
14 ULAE Allocation	(1,409)	(1,466)	56	(1,408)	2	58	14
15 Investment Expense Allocation	(109)	(252)	143	(96)	0	13	15
16 All Other Operating Expenses, Net	5,670	5,649	21	5,931	246	139	16

Postage/Courier: Expense is budgeted to increase by \$83K in 2024 over the forecast and \$122K over the budget due to the projected increase in policies in force.

Telephone: An increase of \$91K in the 2024 budget vs 2023 budget is primarily associated with the Amazon Web Services Connectivity for the Guidewire cloud and the data centers and Century Link charges.

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

All Other Operating Expenses – Details (In 000s)

Description	for the 12 months ended December 31,				Variance	
	A Forecast FY2023	B Budget FY2023	C Variance 2023	D Budget FY2024	E B24 vs F23	F B24 vs B23
1 Office Rent	931	892	39	960	29	68
2 Utilities expense	1	0	1	0	(1)	0
3 Equipment/Storage Rental	24	16	9	17	(7)	2
4 Office Relocation Expense	(60)	0	(60)	0	60	0
5 Repair & Maintenance	92	97	(5)	82	(10)	(15)
6 Other Office & Equip Expense	0	0	0	0	0	0
7 Total Rental & Maintenance	987	1,004	(17)	1,060	72	55
8						
9 Board meetings	92	123	(31)	89	(3)	(34)
10 Storm Related	0	0	0	0	0	0
11 Workshops	3	0	3	4	0	4
12 Other Travel	85	71	14	110	25	39
13 Total Travel Expenses	180	194	(14)	203	22	8
14						
15 Postage/Courier	987	948	39	1,069	83	122
16 Telephone	333	260	73	351	18	91
17 Total Postage, Tele & Express	1,319	1,208	111	1,420	101	212
18						
19 Line of Credit Fees	0	0	0	0	0	0
20 Investment Expense - TTSTC Fees	0	0	0	0	0	0
21 Total Capital Mgt Expenses	0	0	0	0	0	0
22						
23 Boards, Bureaus & Assoc	211	239	(29)	262	51	23
24 Printing & Supplies	500	480	20	531	32	51
25 Dues & Subscriptions	92	99	(8)	114	23	15
26 Insurance	258	376	(118)	286	28	(90)
27 Media and Advertising	46	35	11	41	(5)	6
28 Depreciation & Amortization	3,115	3,069	46	3,096	(19)	27
29 Write-offs	9	0	9	0	(9)	0
30 Bank Charges	432	614	(181)	379	(53)	(235)
31 Other Expenses	43	48	(5)	43	(0)	(5)
32 Total Other Operating Exp	4,704	4,960	(256)	4,753	48	(208)
33						
34 Total All Other Expenses	7,191	7,367	(176)	7,435	244	68

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

2024 Proposed Income Statement Budget Recap (In 000s)

	A	B	C	D	E	F
	For the twelve months ended December 31,				B2024 vs B2023	B2024 vs F2023
	Forecast FY2023	Budget FY2023	Variance 2023	Budget FY2024		
Premiums Written:						
1 Direct	\$659,881	\$560,179	\$99,702	\$815,861	\$255,682	\$155,980
Premiums Earned:						
2 Direct	\$592,019	\$542,293	\$49,726	\$743,860	\$201,567	\$151,842
3 Ceded	(214,356)	(225,544)	11,188	(298,000)	(72,456)	(83,644)
4 Net	377,662	316,749	60,913	445,860	129,111	68,198
Deductions:						
6 Losses and LAE Incurred	120,285	92,171	28,113	97,803	5,632	(22,481)
7 Operating Expenses	33,446	35,171	(1,725)	40,243	5,072	6,797
8 Commission Expense	105,505	89,629	15,877	130,538	40,909	25,032
9 Ceding commissions / brokerage	(9,596)	(8,849)	(747)	(13,340)	(4,491)	(3,744)
10 Premium / Maintenance Tax	12,047	10,402	1,645	14,889	4,488	2,843
11 Total Deductions	261,686	218,523	43,163	270,133	51,610	8,447
12 Net Underwriting Gain or (Loss)	115,976	98,226	17,750	175,727	77,502	59,751
Other Income or (Expense):						
14 Gross Investment Income	21,497	4,278	17,219	24,237	19,958	2,739
15 Line of Credit Fees and Other Investment Expenses	(2,047)	(2,359)	312	(2,065)	294	(17)
16 Interest Expense on Debt	0	0	0	0	0	0
17 Premium Charge Offs/Write Offs	(126)	0	(126)	0	0	126
18 Other Income (Expense)	6	0	6	0	0	(6)
19 Total Other Income or (Expense)	19,330	1,920	17,411	22,172	20,253	2,842
20 Net Income (Loss)	\$135,306	\$100,145	\$35,161	\$197,899	\$97,754	\$62,593

WRAP UP: QUESTIONS?

