

## Executive Summary

- The Florida State Risk Management Trust Fund provides coverage that protects state property and workforce members that are exposed to the risk of financial losses through damage, injuries, and alleged negligent or improper acts. The Florida Self-Insurance Estimating Conference forecasts the annual funding that is needed to cover such losses on a fiscal year basis.
- The income of this trust fund is calculated mainly based on information provided by the Division of Risk Management, Department of Financial Services.
- On the expenditure-side, the most critical item of the Risk Management Trust Fund is the payment to cover casualty losses. This loss payment includes coverage of state workers' compensation, Federal Civil Rights settlements, general liability, and state automotive liability. The total casualty loss payments were separated into two parts at the beginning of FY 2010-11: (1) the loss payments; (2) the payments for contracted services, contracted legal services--Attorney General, and contracted legal services--private attorneys. The contracted payments portion was also moved to Program Operating Expenditures. Projected loss payment costs are \$125.1 million in FY 2010-11, \$140.3 million in FY 2011-12, \$142.8 million in FY 2012-13, \$149.5 million in FY 13-14, and \$155.8 million in FY 2014-15.
- For the current fiscal year and the future years in this forecast period, only non-hurricane property loss payments are forecasted. The property loss payment is estimated to be \$0.1 million for the current fiscal year and to be kept at \$0.5 million level for each of the future fiscal years.
- Other expenditure items include costs to cover the program's operating expenses, coverage of excess property insurance, and worker's compensation assessments, and payments for contracted services, contracted legal services--Attorney General, and contracted legal services--private attorneys. For FY 2010-11 and future fiscal years, the total operating expenditures mainly reflect the appropriated amount for FY 2010-11, payment adjustments made for contracted services, contracted legal services—private attorneys, and changes in market conditions in the future excess property insurance market.
- During the period FY 2004-05 to FY 2006-07, the BSF loaned the Risk Management TF a total of \$22,813,741. The Risk Management TF repaid \$16,446,753.40 by the end of FY 2009-10, with a remaining balance of \$6,366,987.60. In FY 2010-11 (as of the end of February 17, 2011), an additional \$2,546,224.30 has been repaid, with the outstanding balance reduced to \$3,820,763.30. This is consistent with s. 215.32(3), F.S., which required repayment to the BSF to be made in equal installments of \$1,756,330.20 for a total of five fiscal years beginning in FY 2009-10. For

FY 2010-11, anticipated Transfers to the BSF are \$2,630,081. If the full amount is received and transferred, the FY 11-12 Transfer to the BSF would decrease to \$224,302.90.

- From FY 2013-14 on, the ending balances are projected to be negative, and legislative action has been assumed to eliminate the shortfalls. Accordingly, the beginning balances for the subsequent years are zero.

**RISK MANAGEMENT TRUST FUND**  
Revenue Estimating Conference (March 01, 2011)

	09-10 Actual	2010-11		2011-12		2012-13		2013-2014		2014-15	
		Current REC Estimate	New REC Estimate								
(In millions)											
<b>Beginning Cash Balance</b>	<b>10.9</b>	<b>4.9</b>	<b>4.9</b>	<b>0.0</b>	<b>22.2</b>	<b>0.0</b>	<b>14.5</b>	<b>0.0</b>	<b>4.3</b>	<b>0.0</b>	<b>0.0</b>
<b>Income</b>											
Premiums											
Casualty	158.4	175.6	175.6	175.6	175.6	175.6	175.6	175.6	175.6	175.6	175.6
Property	12.2	12.2	12.2	12.2	12.2	12.2	12.2	12.2	12.2	12.2	12.2
Law Vehicles	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subrogations/TTD refunds/Others	3.2	6.2	6.1	3.6	3.6	4.9	4.9	4.9	4.9	3.1	3.1
Transfer from BSF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investment Income	1.3	2.0	2.0	2.3	2.3	2.6	2.6	2.9	2.9	2.9	2.9
Trust fund Loan	15.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0
<b>Total Income</b>	<b>190.1</b>	<b>216.0</b>	<b>215.9</b>	<b>213.7</b>	<b>213.7</b>	<b>215.3</b>	<b>215.3</b>	<b>215.6</b>	<b>215.6</b>	<b>213.8</b>	<b>213.8</b>
<b>Expenditures</b>											
Non-operating expenditures											
Casualty Losses											
WC Indemnity	0.0	36.4	39.2	36.6	39.6	36.8	40.0	37.3	40.4	38.2	40.8
WC Medical (4)	123.4	74.7	66.7	78.7	70.7	82.7	74.9	86.5	79.4	90.1	84.2
WC MCM Contract	8.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total WC Payments	131.6	111.1	105.9	115.2	110.3	119.5	114.9	123.8	119.8	128.2	125.0
General Liability	11.4	7.0	5.3	7.4	7.4	7.8	7.8	8.2	8.2	8.5	8.5
Automotive Liability	3.3	3.1	2.6	3.1	3.1	3.2	3.2	3.2	3.2	3.3	3.3
Federal Civil Rights	11.9	17.0	11.2	19.5	19.5	16.9	16.9	18.3	18.3	19.0	19.0
Total Casualty Losses	158.2	138.1	125.1	145.3	140.3	147.3	142.8	153.5	149.5	159.0	155.8
Property Losses	0.5	0.5	0.1	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Total Payment of Losses	158.7	138.7	125.2	145.8	140.8	147.8	143.3	154.0	150.0	159.5	156.3
Transfer to BSF (1)	1.0	2.6	2.6	0.2	0.2	1.8	1.8	1.8	1.8	0.0	0.0
Transfer to ATF- DFS Admin Spt	1.0	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Refunds	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Trust Fund Loan	15.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0
Total Non-operating Expenditures	175.8	162.8	149.3	167.5	162.6	171.1	166.6	177.3	173.3	181.0	177.8
Operating Expenditures:											
Salaries & Benefits	5.0	5.6	5.3	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6
Other Personal Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Expenses	0.8	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Operating Capital Outlay	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contracted Services (2)	0.4	16.2	13.2	16.2	15.2	16.2	15.2	16.2	15.2	16.2	15.2
Contracted Legal - Attorney General (2)	0.0	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3
Contracted Legal - Private Attorneys (2)	0.0	21.4	16.4	21.4	19.0	21.4	19.0	21.4	19.0	21.4	19.0
Excess Insurance & Claim Service											
Excess Property Insurance	9.3	6.5	6.5	6.5	9.3	6.5	9.3	6.5	9.3	6.5	9.3
DWC Assessments	4.2	3.8	1.9	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8
Broker Fees/RMIS Spt Fees	0.4	0.6	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Total Excess Insurance	13.9	10.9	9.1	10.9	13.7	10.9	13.7	10.9	13.7	10.9	13.7
Risk Management Insurance	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
HR Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Operating Expenditures (3)	20.3	59.5	49.3	59.5	58.9	59.5	58.9	59.5	58.9	59.5	58.9
<b>Total Expenditures</b>	<b>196.1</b>	<b>222.3</b>	<b>198.6</b>	<b>227.0</b>	<b>221.5</b>	<b>230.6</b>	<b>225.5</b>	<b>236.8</b>	<b>232.2</b>	<b>240.5</b>	<b>236.7</b>
<b>Net Income</b>	<b>(6.0)</b>	<b>(6.3)</b>	<b>17.3</b>	<b>(13.3)</b>	<b>(7.8)</b>	<b>(15.3)</b>	<b>(10.2)</b>	<b>(21.2)</b>	<b>(16.6)</b>	<b>(26.7)</b>	<b>(22.9)</b>
<b>Ending Cash Balance (4)</b>	<b>4.9</b>	<b>(1.4)</b>	<b>22.2</b>	<b>(13.3)</b>	<b>14.5</b>	<b>(15.3)</b>	<b>4.3</b>	<b>(21.2)</b>	<b>(12.3)</b>	<b>(26.7)</b>	<b>(22.9)</b>

Notes:

- (1) During the period FY0405 to FY0607, the BSF loaned the State Risk Management Trust Fund a total of \$22,813,741. The SRMTF repaid \$16,446,753.40 by the end of FY0910, with a remaining balance of \$6,366,987.60. In FY1011 (as of February 17, 2011), an additional \$2,546,224.30 has been repaid; with the outstanding balance reduced to \$3,820,763.30. An additional \$83,800 will be repaid in FY1011 as the SRMTF has the funds on hand but is waiting for budget authority to transfer the funds to the BSF. Beginning in FY0910, 215.32(3) F.S. required repayment to the BSF to be made in equal installments of \$1,756,330.20 for the next five fiscal years. For FY1011, anticipated transfers to the BSF are \$2,630,081. If the full amount is received & transferred in FY1011, the FY1112 Transfer to the BSF will be \$224,303.
- (2) Starting in FY 2010-11, the payments for Contracted Services, Contracted Legal Fees (Attorney General), and Contracted Legal Fees (Private Attorneys) were separated from Non-operating Expenditures and moved to Operating Expenditures.
- (3) For FY1011, a Budget Amendment is pending to transfer \$1m from the Contracted Legal - Private Attorneys Category to the Excess Insurance & Claim Service Category. If approved, this will cover the purchase of a \$18.75m layer of Excess Property Insurance. The Current Appropriation is \$21.4m for the Contracted Legal - Private Attorney Category & \$10.9m for the Excess Insurance & Claim Service Category. Anticipated expenditures are: \$8.8m Excess Insurance quoted on 1/26/11 by AJG + \$2.0m for DWC Assessment + \$3m Brokerage Fees + \$3m CAS = \$11.4m Total Estimated Expenditures. The \$1m Budget Amendment is \$5m to cover the shortage in the category + \$5m to cover the anticipated increase in cost of Excess Insurance during the 2 month window from the date of the quote, 01/26/11, to the estimated binding date of 03/26/11. Prior FY0910 cost of the same coverage was \$9.3m & bound in May 2010.
- (4) When the ending balance is a deficit for a fiscal year, It is assumed that legislative action will be taken to eliminate the shortfalls.