

**Risk Management Trust Fund**  
**February 27, 2013**  
**Executive Summary**

The Florida State Risk Management Trust Fund (SRMTF) 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 SRMTF 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. Starting from FY 2010-11 on, the total payments of these casualty losses are separated into two parts: (1) loss payments, and (2) the payments for contracted services, contracted legal services--Attorney General, and contracted legal services--private attorneys (the latter part of the total payment is recategorized into the Operating Expenditures of the program). Projected loss payment costs are \$129.4 million in FY 2012-13, \$157.7 million in FY 2013-14, \$143.3 million in FY 2014-15, \$145.9 million in FY 2015-16, 150.6 million in FY 2016-17, and \$157.6 in FY 2017-18.

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 \$0.8 million annually in FY 2012-13 through 2014-15; \$0.9 million in FY 2015-16 and FY 2016-17, and \$1 million in FY 2017-18.

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 2012-13, contracted services and both contracted legal expenditure categories have been revised downward based on actual year-to-date expenditures. For future fiscal years, the total operating expenditures mainly reflect the appropriated amount for FY 2012-13.

During the period FY 2004-05 to FY 2006-07, the Budget Stabilization Fund (BSF) provided loans to the SRMTF totaling \$22,813,741 in order to cover catastrophic hurricane loss claims. As of February 27, 2013, the SRMTF has repaid \$20,814,160.47 with a remaining balance of \$1,999,580.53. Beginning in FY 2009-10, Florida Statutes [s. 215.32(3), F.S.] required repayment to the BSF in equal installments of \$1,756,330.20 for five fiscal years. Based on the amounts paid to date, the remaining annual payments are as follows: for FY 2012-13 - \$545,826.72, and for FY 2013-14 - \$1,453,753.81. FEMA funds are paid to agencies for claims related to the catastrophic hurricane losses, and the funds are then transmitted by the agencies to the SRMTF to repay the BSF loan.

From FY 2012-13 through FY 2014-15, the ending balances are projected to be positive, and negative thereafter beginning in FY 2015-16. It is assumed that annual legislative actions will eliminate the future shortfalls. Accordingly, the beginning balances for the subsequent years are zero.

**RISK MANAGEMENT TRUST FUND**  
Revenue Estimating Conference (February 27, 2013)

(In millions)	11-12 Actual	2012-13		2013-14		2014-15		2015-2016		2016-17		2017
		Current REC Estimate	New REC Estimate	REC Estimate	New REC Estimate	REC Estimate						
<b>Beginning Cash Balance</b>	<b>25.3</b>	<b>37.6</b>	<b>37.6</b>	<b>18.9</b>	<b>45.5</b>	<b>11.4</b>	<b>20.4</b>	<b>1.1</b>	<b>10.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Income</b>												
Premiums												
Casualty	176.6	175.6	175.6	175.6	175.6	175.6	175.6	175.6	175.6	175.6	175.6	0.0
Property	11.3	12.2	12.2	12.2	12.2	12.2	12.2	12.2	12.2	12.2	12.2	0.0
Law Vehicles	0.0	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 (5)	3.1	4.9	2.3	4.9	4.2	3.1	3.1	3.1	3.1	3.1	3.1	0.0
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	0.0
Investment Income	2.4	2.6	2.6	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	0.0
Trust fund Loan (1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Additional Funding from BOB of GAA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Income</b>	<b>193.3</b>	<b>195.3</b>	<b>192.7</b>	<b>195.6</b>	<b>194.9</b>	<b>193.8</b>	<b>193.8</b>	<b>193.8</b>	<b>193.8</b>	<b>193.8</b>	<b>193.8</b>	<b>0.0</b>
<b>Expenditures</b>												
Non-operating expenditures												
Casualty Losses												
WC Indemnity	38.7	37.7	37.6	37.5	37.5	37.3	37.3	37.2	37.2	37.2	37.2	0.0
WC Medical	73.8	80.8	72.9	84.0	84.0	87.0	87.0	90.1	90.1	93.3	93.3	0.0
<b>Total WC Payments</b>	<b>112.5</b>	<b>118.5</b>	<b>110.4</b>	<b>121.5</b>	<b>121.5</b>	<b>124.3</b>	<b>124.3</b>	<b>127.3</b>	<b>127.3</b>	<b>130.5</b>	<b>130.5</b>	<b>0.0</b>
General Liability	4.1	7.3	5.0	7.0	7.0	6.6	6.6	6.4	6.4	6.4	6.4	0.0
Automotive Liability	2.4	2.7	3.5	2.7	2.7	2.8	2.8	2.8	2.8	2.9	2.9	0.0
Federal Civil Rights (4)	8.4	23.8	10.5	9.5	26.5	9.6	9.6	9.4	9.4	10.8	10.8	0.0
<b>Total Casualty Losses</b>	<b>127.4</b>	<b>152.4</b>	<b>129.4</b>	<b>140.7</b>	<b>157.7</b>	<b>143.3</b>	<b>143.3</b>	<b>146.0</b>	<b>145.9</b>	<b>150.6</b>	<b>150.6</b>	<b>0.0</b>
Property Losses	0.5	1.3	0.8	0.8	0.8	0.8	0.8	0.9	0.9	0.9	0.9	0.0
<b>Total Payment of Losses</b>	<b>127.9</b>	<b>153.7</b>	<b>130.3</b>	<b>141.5</b>	<b>158.5</b>	<b>144.2</b>	<b>144.2</b>	<b>146.8</b>	<b>146.8</b>	<b>151.5</b>	<b>151.5</b>	<b>0.0</b>
Transfer to BSF (2)	0.1	0.3	0.5	1.5	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfer to ATF- DFS Admin Spt	1.1	1.2	1.1	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	0.0
Refunds	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0
Trust Fund Loan (1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Non-operating Expenditures</b>	<b>129.2</b>	<b>155.3</b>	<b>132.0</b>	<b>144.3</b>	<b>161.3</b>	<b>145.5</b>	<b>145.5</b>	<b>148.1</b>	<b>148.1</b>	<b>152.8</b>	<b>152.8</b>	<b>0.0</b>
Operating Expenditures:												
Salaries & Benefits	5.0	5.4	5.2	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	0.0
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	0.0
Expenses	0.7	0.9	0.7	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.0
Operating Capital Outlay	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contracted Services	10.7	14.2	11.8	14.2	14.2	14.2	14.2	14.2	14.2	14.2	14.2	0.0
Contracted Legal - Attorney General	4.9	6.3	5.4	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	0.0
Contracted Legal - Private Attorneys	14.9	18.0	15.9	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	0.0
Excess Insurance & Claim Service												
Excess Property Insurance	11.7	9.3	9.7	9.3	9.3	9.3	9.3	9.3	9.3	9.3	9.3	0.0
DWC Assessments	3.3	3.7	3.3	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	0.0
Broker Fees/RMIS Spt Fees	0.3	0.6	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.0
<b>Total Excess Insurance</b>	<b>15.3</b>	<b>13.7</b>	<b>13.7</b>	<b>13.7</b>	<b>13.7</b>	<b>13.7</b>	<b>13.7</b>	<b>13.7</b>	<b>13.7</b>	<b>13.7</b>	<b>13.7</b>	<b>0.0</b>
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	0.0
Lease or Lease Purchase of Equip (3)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
HR Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Operating Expenditures</b>	<b>51.9</b>	<b>58.7</b>	<b>52.9</b>	<b>58.7</b>	<b>58.7</b>	<b>58.7</b>	<b>58.7</b>	<b>58.7</b>	<b>58.7</b>	<b>58.7</b>	<b>58.7</b>	<b>0.0</b>
<b>Total Expenditures</b>	<b>181.0</b>	<b>214.0</b>	<b>184.8</b>	<b>203.0</b>	<b>220.0</b>	<b>204.2</b>	<b>204.2</b>	<b>206.8</b>	<b>206.8</b>	<b>211.5</b>	<b>211.5</b>	<b>0.0</b>
<b>Net Income</b>	<b>12.3</b>	<b>(18.8)</b>	<b>7.9</b>	<b>(7.4)</b>	<b>(25.1)</b>	<b>(10.3)</b>	<b>(10.3)</b>	<b>(13.0)</b>	<b>(13.0)</b>	<b>(17.7)</b>	<b>(17.7)</b>	<b>(0.0)</b>
<b>Ending Cash Balance (3)</b>	<b>37.6</b>	<b>18.9</b>	<b>45.5</b>	<b>11.4</b>	<b>20.4</b>	<b>1.1</b>	<b>10.0</b>	<b>(11.9)</b>	<b>(2.9)</b>	<b>(17.7)</b>	<b>(17.7)</b>	<b>(0.0)</b>

Notes:

(1) The Trust Fund Loan column is a safety measure in case the SRMTF ending balance for a fiscal year is less than \$20m. The Trust Fund Loan was not needed for the beginning of FY1213. The SRMTF monthly expenditures vary from \$11.9m to \$23.6m and average \$16.6m. If the SRMTF does not have enough funds to start a fiscal year until such time that premiums can be collected, the SRMTF would have to stop paying claims until sufficient premiums were collected. This situation could lead to severe fines and penalties. The Trust Fund Loan is only requested if necessary, which will allow the SRMTF to operate until the premiums are collected, and is repaid within the same fiscal year that the Loan is taken out.

(2) During the period FY0405 to FY0607, the BSF loaned the State Risk Management Trust Fund a total of \$22,813,741 to cover catastrophic hurricane loss claims. As of February 27, 2013, the SRMTF has repaid \$20,814,160.47 with a remaining balance of \$1,999,580.53. 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 five fiscal years. Based on the amount paid to date, the remaining annual payments are as follows: FY1213 - \$545,826.72 and FY1314 - \$1,453,753.81. The BSF is reimbursed with FEMA funds from the hurricanes. FEMA funds are paid to Agencies for claims on these catastrophic hurricane losses & the funds are then passed by the Agencies to the SRMTF to re-pay the BSF loan.

(3) Beginning FY1213 the GAA added category 105281 totaling \$20,031.