

**Risk Management Trust Fund**  
**February 25, 2014**  
**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, 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 \$129.3 million in FY 2013-14, \$147.8 million in FY 2014-15, \$133.2 million in FY 2015-16, \$135.1 million in 2016-17, \$137.1 million in FY 2017-18 and \$139.8 million FY 2018-19.

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 \$0.4 million in FY 2013-14 and \$0.5 million in FY 2014-15 through to the end of the forecast period.

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 2013-14 the forecast for contracted services, and contracted legal expenditures has remained stable based on actual expenditures year to date. For future fiscal years, the total operating expenditures mainly reflect the witnessed amounts from FY 2013-14.

During the period FY 2004-05 to FY 2006-07, the Budget Stabilization Fund (BSF) loaned the State Risk Management Trust Fund a total of \$22,813,741 to cover catastrophic hurricane loss claims. The SRMTF has repaid \$21,359,987.19 with a remaining balance of \$1,453,753.81 to be repaid in FY 2013-14. Any FEMA funds received by the Agencies from claims on these catastrophic hurricane losses are transferred to the SRMTF. While the \$1,453,753.81 balance will be repaid in full from the SRMTF in FY 2013-14, only \$277,988.92 has been received from the Agencies in FY13-14. Based on current agency responses, there is a potential of an additional \$309,106.33 being reimbursed by FEMA and subsequently reimbursed to the SRMTF.

From FY 2013-14 through to FY 2018-19, the ending balances are projected to be positive, and the State Risk Management Trust Fund's overall position has slightly improved in each year.

**RISK MANAGEMENT TRUST FUND**  
Revenue Estimating Conference (February 25, 2014)

	2013-14		2014-15		2015-16		2016-2017		2017-18		2018-19		
	12-13 Actual	Curr REC	New Est	Curr REC	New Est	Curr Est	New Est	Curr Est	New Est	Curr Est	New Est	Curr Est	New Est
(In millions)													
<b>Beginning Cash Balance</b>	<b>36.7</b>	<b>49.0</b>	<b>49.0</b>	<b>50.4</b>	<b>56.7</b>	<b>33.1</b>	<b>39.4</b>	<b>32.3</b>	<b>38.5</b>	<b>29.5</b>	<b>35.7</b>	<b>24.7</b>	<b>30.9</b>
<b>Income</b>													
Premiums													
Casualty (3)	175.5	175.6	175.6	175.6	175.6	175.6	175.6	175.6	175.6	175.6	175.6	175.6	175.6
Property	12.3	12.2	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	0.0	0.0
Subrogations/TTD refunds/Others	3.0	4.7	10.9	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7
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	0.0
Investment Income	2.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
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	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	0.0
<b>Total Income</b>	<b>193.2</b>	<b>193.8</b>	<b>200.0</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>193.8</b>	<b>193.8</b>	<b>193.8</b>	<b>193.8</b>
<b>Expenditures</b>													
Non-operating Expenditures													
Casualty Losses													
WC Indemnity	37.5	34.4	34.4	34.4	34.4	34.1	34.1	33.8	33.8	33.4	33.4	33.4	33.4
WC Medical	71.9	76.0	76.0	77.7	77.7	79.6	79.6	81.6	81.6	83.8	83.8	86.5	86.5
Total WC Payments	109.4	110.5	110.5	112.1	112.1	113.7	113.7	115.4	115.4	117.2	117.2	119.9	119.9
General Liability	5.2	6.9	6.9	6.5	6.5	6.4	6.4	6.2	6.2	6.2	6.2	6.2	6.2
Automotive Liability	3.4	3.3	3.3	3.4	3.4	3.4	3.4	3.5	3.5	3.6	3.6	3.6	3.6
Federal Civil Rights	7.8	8.6	8.6	25.8	25.8	9.7	9.7	10.0	10.0	10.1	10.1	10.1	10.1
Total Casualty Losses	125.9	129.3	129.3	147.8	147.8	133.2	133.2	135.1	135.1	137.1	137.1	139.8	139.8
Property Losses	1.2	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Total Payment of Losses	127.1	129.7	129.7	148.3	148.3	133.7	133.7	135.6	135.6	137.6	137.6	140.3	140.3
Transfer to BSF (2)	0.5	1.5	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfer to ATF- DFS Admin Spt	1.1	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Refunds	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
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	0.0
Total Non-operating Expenditures	128.8	132.7	132.7	149.9	149.9	135.3	135.3	137.2	137.2	139.2	139.2	141.9	141.9
Operating Expenditures:													
Salaries & Benefits	5.0	6.1	6.1	6.1	6.1	6.1	6.1	6.1	6.1	6.1	6.1	6.1	6.1
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	0.0
Expenses	0.7	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
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	0.0	0.0
Contracted Services	12.5	14.2	14.8	14.2	14.8	14.2	14.8	14.2	14.8	14.2	14.8	14.2	14.8
Contracted Legal - Attorney General	5.2	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3
Contracted Legal - Private Attorneys	15.2	18.0	17.3	18.0	17.3	18.0	17.3	18.0	17.3	18.0	17.3	18.0	17.3
Excess Insurance & Claim Service													
Excess Property Insurance	9.7	9.9	9.9	9.9	9.9	9.9	9.9	9.9	9.9	9.9	9.9	9.9	9.9
DWC Assessments	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9
Broker Fees/RMIS Spt Fees	0.6	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Total Excess Insurance	13.3	13.7	13.7	13.7	13.7	13.7	13.7	13.7	13.7	13.7	13.7	13.7	13.7
Risk Management Information Claims Sys (4)		0.3	0.3	1.9	1.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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	0.1	0.1
Lease or Lease Purchase of Equip	0.0	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	0.0
Total Operating Expenditures	52.1	59.6	59.6	61.3	61.3	59.3	59.3	59.3	59.3	59.3	59.3	59.3	59.3
<b>Total Expenditures</b>	<b>180.8</b>	<b>192.4</b>	<b>192.4</b>	<b>211.1</b>	<b>211.1</b>	<b>194.6</b>	<b>194.6</b>	<b>196.6</b>	<b>196.6</b>	<b>198.6</b>	<b>198.6</b>	<b>201.2</b>	<b>201.2</b>
<b>Net Income</b>	<b>12.3</b>	<b>1.4</b>	<b>7.7</b>	<b>(17.3)</b>	<b>(17.3)</b>	<b>(0.9)</b>	<b>(0.9)</b>	<b>(2.8)</b>	<b>(2.8)</b>	<b>(4.8)</b>	<b>(4.8)</b>	<b>(7.5)</b>	<b>(7.5)</b>
<b>Ending Cash Balance</b>	<b>49.0</b>	<b>50.4</b>	<b>56.7</b>	<b>33.1</b>	<b>39.4</b>	<b>32.3</b>	<b>38.5</b>	<b>29.5</b>	<b>35.7</b>	<b>24.7</b>	<b>30.9</b>	<b>17.2</b>	<b>23.5</b>

Notes:

- 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 and FY1314. 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.
- 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. The SRMTF has repaid \$21,359,987.19 with a remaining balance of \$1,453,753.81 to be repaid in FY1314. Any FEMA funds received by the Agencies from claims on these catastrophic hurricane losses are transferred to the SRMTF. While the \$1,453,753.81 balance will be repaid in full from the SRMTF in FY1314, only \$277,988.92 has been received from the Agencies in FY13-14. Based on current agency responses, there is a potential of an additional \$309,106.33 being reimbursed by FEMA and subsequently reimbursed to the SRMTF.
- There remains a balance due of \$1,644,810 for FY 2013-14 Casualty Premiums from the Department of Juvenile Justice (DJJ). Based on a July 17, 2013, notification by the department to the Division of Risk Management, the DJJ is experiencing cash flow issues as a result of a recent court case. The agency is working to cover this shortfall either through mechanisms in Chapter 216, F.S., or additional funding from the 2014 Legislature.
- FY13-14 Appropriation for the Risk Management Information Claims System is \$2,225,000. Based on new information, the estimated 2013-14 expenditures will be \$300,000. The remainder of the appropriation, \$1,925,000 will be moved into 2014-15. An additional appropriation of \$2,225,000 is being requested for FY14-15.