

Risk Management Trust Fund
February 24, 2015
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). Total casualty losses are \$126.5 million in FY 2014-15, \$153.6 million in FY 2015-16, \$139.1 million in FY 2016-17, \$141.7 million in 2017-18, \$145.5 million in FY 2018-19 and \$145.5 million FY 2019-20.

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 \$3.8 million in FY 2014-15 and between \$0.5 million and \$0.6 million 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 2014-15, the forecast for contracted legal costs has increased slightly based on actual expenditures year to date. For future fiscal years, the total operating expenditures mainly reflect the witnessed amounts from FY 2013-14.

From FY 2014-15 to FY 2018-19, the ending balances are projected to be positive but diminishing. Overall, the balances are slightly lower than the prior forecast, largely due to the higher projected contracted service cost in FY 2014-15. In FY 2019-20, the ending cash balance turns negative. In cases of a negative balance, the Conference assumes that annual legislative actions will eliminate the shortfalls. Accordingly, the beginning balances for the subsequent years are zero.

RISK MANAGEMENT TRUST FUND

Revenue Estimating Conference (February 24, 2015)

	13-14 Actual	2014-15		2015-16		2016-17		2017-2018		2018-19		2019-20	
		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)													
Beginning Cash Balance	49.0	66.8	66.8	68.3	64.4	45.4	42.5	36.6	34.4	25.0	23.0	9.3	7.4
Income													
Premiums													
Casualty	175.6	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	12.2	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 (1)	3.4	9.6	4.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4
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	1.3	1.3	2.3	1.3	2.3	1.3	2.0	1.3	1.5	1.3	1.3	1.3	1.3
Trust fund Loan	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
Total Income	192.4	198.7	194.5	192.4	193.5	192.4	193.2	192.4	192.7	192.4	192.4	192.4	192.4
Expenditures													
Non-operating Expenditures													
Casualty Losses													
WC Indemnity	37.8	36.3	39.6	36.0	36.0	35.6	35.6	35.3	35.3	35.3	35.3	35.3	35.3
WC Medical	63.7	80.1	71.1	82.7	82.7	85.7	85.7	88.6	88.6	91.9	91.9	91.9	91.9
Total WC Payments	101.5	116.4	110.6	118.7	118.7	121.3	121.3	123.9	123.9	127.2	127.2	127.2	127.2
General Liability	4.7	5.9	5.9	5.7	5.7	5.6	5.6	5.5	5.5	5.5	5.5	5.5	5.5
Automotive Liability	3.1	3.2	3.2	3.1	3.1	3.1	3.1	3.2	3.2	3.2	3.2	3.2	3.2
Federal Civil Rights	6.4	8.4	6.8	26.1	26.1	9.1	9.1	9.1	9.1	9.6	9.6	9.6	9.6
Total Casualty Losses	115.6	133.9	126.5	153.6	153.6	139.1	139.1	141.7	141.7	145.5	145.5	145.5	145.5
Property Losses	0.2	0.6	3.8	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.6
Total Payment of Losses	115.8	134.5	130.3	154.1	154.1	139.6	139.6	142.2	142.2	146.1	146.1	146.1	146.1
Transfer to BSF	1.5	0.0	0.0	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	0.9	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	0.0	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	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	118.2	136.1	131.9	155.7	155.7	141.2	141.2	143.8	143.8	147.7	147.7	147.7	147.7
Operating Expenditures:													
Salaries & Benefits	5.3	6.2	6.2	6.2	6.2	6.2	6.2	6.2	6.2	6.2	6.2	6.2	6.2
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	0.9	0.9	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	0.0	0.0
Contracted Services	14.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9
Contracted Legal - Attorney General (2)	4.8	5.1	5.6	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1
Contracted Legal - Private Attorneys (2)	16.4	17.5	22.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5
Contracted Medical Services	0.0	12.1	12.1	12.3	12.3	12.5	12.5	12.8	12.8	13.0	13.0	13.0	13.0
Excess Insurance & Claim Service													
Excess Property Insurance	9.7	10.9	9.7	9.3	9.3	9.5	9.5	9.5	9.5	9.5	9.5	9.5	9.5
DWC Assessments	3.9	1.9	1.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9
Broker Fees/RMIS Spt Fees	0.6	0.9	0.9	0.5	0.5	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Total Excess Insurance	14.2	13.7	12.5	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	0.0	1.6	1.2	0.0	0.0	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	56.4	61.0	65.1	59.7	59.7	60.0	60.0	60.2	60.2	60.4	60.4	60.4	60.4
Total Expenditures	174.6	197.2	197.0	215.4	215.4	201.2	201.2	204.1	204.1	208.1	208.1	208.1	208.1
Net Income	17.8	1.5	(2.4)	(22.9)	(21.9)	(8.8)	(8.0)	(11.6)	(11.4)	(15.7)	(15.7)	(15.7)	(15.7)
Ending Cash Balance	66.8	68.3	64.4	45.4	42.5	36.6	34.4	25.0	23.0	9.3	7.4	(6.4)	(8.3)

Notes:

(1) The repayment of cash advances made for contracted medical case management and medical billing processing services was previously depicted as a revenue in the Subrogations/TTD refunds/others line. Due to the FLAIR posting of the advance repayment, WC Medical loss payments were reduced by \$4.5M, so the repayment is now reflected as a reduction to WC medical loss payments.

(2) The DFS, Division of Risk Management, will submit a budget amendment to the Legislative Budget Commission that proposes to increase Fiscal Year 2014-15 spending authority to fund the estimated budget deficits in Contracted Legal – Attorney General and Contracted Legal – Private Attorneys. The agency will submit a 5% transfer budget amendment and a 14-day budget amendment to provide \$253,864 in budget authority to Contracted Legal – Attorney General and \$1,873,800 to Contracted Legal – Private Attorneys categories.