

Risk Management Trust Fund
July 28th, 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.

For FY 2014-15, income for the trust fund nearly matched expectations, but overall expenditures were less than expected. The net effect of these changes increased the available balance carried into FY-2015-16 by \$12.2 million.

On the expenditure-side of the forecast, 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. Total casualty losses were \$121.3 million in FY 2014-15 and \$153.6 million in FY 2015-16, \$139.1 million in FY 2016-17, \$141.7 million in 2017-18, and \$145.5 for the rest of the outlook. These estimates match the ones made in February.

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 came in at \$1.7 million versus the estimate of \$3.8 million in FY 2014-15 and is projected between \$0.5 million and \$0.6 million through to the end of the forecast period, again matching the February forecast.

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 2015-16 the forecast for contracted legal expenditures has been increased based on higher hourly rates identified by the Office of the Attorney General. For future fiscal years, the total operating expenditures mainly reflect the witnessed amounts from FY 2014-15, but the forecast is higher overall than anticipated in February.

From FY 2015-16 through to FY 2017-18, the ending balances are projected to be positive (and higher than the February forecast because of the carry-forward from FY 2014-15) but diminishing. In FY 2018-19, the balance turns negative—a year earlier than anticipated in February due to the higher annual operating expenditures. When a negative balance occurs, the Conference assumes that annual legislative actions will eliminate the shortfalls in the year that they occur. Accordingly, the beginning balances for the subsequent years are zero.

RISK MANAGEMENT TRUST FUND
Revenue Estimating Conference (July 28, 2015)

(In millions)				2015-16		2016-17		2017-18		2018-2019		2019-20		2020-21		
				14-15 Actual	14-15 Est	Difference	Curr REC	New Est	Curr REC	New Est	Curr Est	New Est	Curr Est	New Est	Curr Est	New Est
	Beginning Cash Balance (3)	67.1	66.8		64.4	76.5	42.5	46.5	34.4	30.3	23.0	11.3	7.4	0.0	0.0	0.0
Income																
Premiums																
Casualty	175.6	175.6	0.0	175.6	175.6	175.6	175.6	175.6	175.6	175.6	175.6	175.6	175.6	175.6	0.0	175.6
Property	12.2	12.2	0.0	12.2	12.2	12.2	12.2	12.2	12.2	12.2	12.2	12.2	12.2	12.2	0.0	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	0.0	0.0	0.0
Subrogations/TTD refunds/Others	3.7	4.4	-0.7	3.4	3.7	3.4	3.7	3.4	3.7	3.4	3.7	3.4	3.7	0.0	3.7	
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	0.0	0.0	0.0
Investment Income	2.3	2.3	0.0	2.3	2.3	2.0	2.3	1.5	2.3	1.3	2.3	1.3	2.3	0.0	2.3	
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	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	0.0	0.0	0.0
Total Income	193.8	194.5	-0.7	193.5	193.8	193.2	193.8	192.7	193.8	192.4	193.8	192.4	193.8	0.0	193.8	
Expenditures																
Non-operating Expenditures																
Casualty Losses																
WC Indemnity	39.6	39.6	0.0	36.0	36.0	35.6	35.6	35.3	35.3	35.3	35.3	35.3	35.3	0.0	35.3	
WC Medical	66.9	71.1	-4.1	82.7	82.7	85.7	85.7	88.6	88.6	91.9	91.9	91.9	91.9	0.0	91.9	
Total WC Payments	106.5	110.6	-4.1	118.7	118.7	121.3	121.3	123.9	123.9	127.2	127.2	127.2	127.2	0.0	127.2	
General Liability	5.4	5.9	-0.6	5.7	5.7	5.6	5.6	5.5	5.5	5.5	5.5	5.5	5.5	0.0	5.5	
Automotive Liability	2.9	3.2	-0.2	3.1	3.1	3.1	3.1	3.2	3.2	3.2	3.2	3.2	3.2	0.0	3.2	
Federal Civil Rights	6.5	6.8	-0.3	26.1	26.1	9.1	9.1	9.1	9.1	9.6	9.6	9.6	9.6	0.0	9.6	
Total Casualty Losses	121.3	126.5	-5.2	153.6	153.6	139.1	139.1	141.7	141.7	145.5	145.5	145.5	145.5	0.0	145.5	
Property Losses (4)	1.7	3.8	-2.1	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.6	0.0	0.6	
Total Payment of Losses	123.0	130.3	-7.3	154.1	154.1	139.6	139.6	142.2	142.2	146.1	146.1	146.1	146.1	0.0	146.1	
Transfer to 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	0.0	0.0	
Transfer to ATF- DFS Admin Spt	1.3	1.5	-0.2	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	0.0	1.5	
Refunds	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	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	0.0	0.0	
Total Non-operating Expenditures	124.4	131.9	-7.5	155.7	155.7	141.2	141.3	143.8	143.9	147.7	147.7	147.7	147.7	0.0	147.7	
Operating Expenditures:																
Salaries & Benefits	5.7	6.2	-0.5	6.2	6.4	6.2	6.4	6.2	6.4	6.2	6.4	6.2	6.4	0.0	6.4	
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	0.0	0.0	
Expenses	0.7	0.9	-0.2	0.9	5.2	0.9	5.2	0.9	5.2	0.9	5.2	0.9	5.2	0.0	5.2	
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	0.0	0.0	
Contracted Services	4.4	3.9	0.5	3.9	4.2	3.9	4.2	3.9	4.2	3.9	4.3	3.9	4.4	0.0	4.4	
Contracted Legal - Attorney General (1) (2)	5.5	5.6	-0.1	5.1	5.6	5.1	6.6	5.1	6.6	5.1	6.6	5.1	6.6	0.0	6.6	
Contracted Legal - Private Attorneys (1)	20.4	22.5	-2.1	17.5	22.0	17.5	22.0	17.5	22.0	17.5	22.0	17.5	22.0	0.0	22.0	
Contracted Medical Services	10.8	12.1	-1.3	12.3	12.5	12.5	12.7	12.8	13.0	13.0	13.2	13.0	13.2	0.0	13.2	
Excess Insurance & Claim Service																
Excess Property Insurance	9.7	9.7	0.0	9.3	10.7	9.5	10.9	9.5	10.9	9.5	10.9	9.5	10.9	0.0	10.9	
DWC Assessments	0.7	1.9	-1.2	3.9	0.0	3.9	0.0	3.9	0.0	3.9	0.0	3.9	0.0	0.0	0.0	
Broker Fees/RMIS Spt Fees	0.8	0.9	-0.1	0.5	0.2	0.3	0.0	0.3	0.0	0.3	0.0	0.3	0.0	0.0	0.0	
Total Excess Insurance	11.2	12.5	-1.4	13.7	10.9	13.7	10.9	13.7	10.9	13.7	10.9	13.7	10.9	0.0	10.9	
Risk Management Information Claims Sys	1.1	1.2	-0.1	0.0	1.3	0.0	0.6	0.0	0.6	0.0	0.6	0.0	0.6	0.0	0.6	
Risk Management Insurance	0.1	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.0	0.0	
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	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	0.0	0.0	
Total Operating Expenditures	60.0	65.1	-5.1	59.7	68.2	60.0	68.7	60.2	69.0	60.4	69.2	60.4	69.4	0.0	69.4	
Total Expenditures	184.4	197.0	(12.6)	215.4	223.9	201.2	209.9	204.1	212.8	208.1	216.9	208.1	217.1	0.0	217.1	
Net Income	9.5	(2.4)	11.9	(21.9)	(30.1)	(8.0)	(16.1)	(11.4)	(19.0)	(15.7)	(23.1)	(15.7)	(23.3)	0.0	(23.3)	
Ending Cash Balance	76.5	64.4	12.2	42.5	46.5	34.4	30.3	23.0	11.3	7.4	(11.9)	-8.3	(23.3)	0.0	(23.3)	

- Notes:
- (1) The DFS, Division of Risk Management, will submit a budget amendment to the Legislative Budget Commission that proposes to increase Fiscal Year 2015-16 spending authority to fund the estimated budget deficits in Contracted Legal – Attorney General and Contracted Legal – Private Attorneys.
 - (2) Estimates for Contracted Legal - Attorney General include hourly rate increases identified by the Office of the Attorney General for Fiscal Year 2015-16 and proposed for Fiscal Year 2016-17.
 - (3) The Fiscal Year 2014-15 beginning cash balance has been revised to agree with the actual cash balance recorded in FLAIR.
 - (4) Property Loss estimates for Fiscal Year 2014-15 include damage from an unnamed windstorm in Calhoun County and a fire loss with FDOT. Those payments have not been made, but due to the uncertainty of final losses for the windstorm loss and pending subrogation of the fire loss, the Division is maintaining the actuarial estimate until more information is known.