Risk Management Trust Fund
February 28, 2017
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 overall changes made by this Conference were modest.

The trust fund income is calculated mainly based on information provided by the Division of Risk Management, Department of Financial Services. This area saw only a small adjustment.

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. In total, projected casualty losses were $149.1 million in FY 2016-17, $139.7 million in FY 2017-18, $143.3 million in FY 2018-19, $147.3 million in FY 2019-20, $146.7 million in FY 2020-21 and $147.3 million in FY 2021-22.

The property loss payment estimate for FY 2016-17 is $7.2 million, $3.7 million higher than the prior year’s actual. Of this amount, $5.7 million accounts for damage relating to the two hurricanes, Matthew and Hermine. For FY 2017-18 and onward, covered property losses are projected to be $0.6 million each year.

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 all fiscal years, the total annual operating expenditures are expected to be $71.5 million.

For FY 2016-17 and FY 2017-18, the ending balances are projected to be positive but diminishing. In FY 2018-19, the balance turns negative as the annual non-operating and operating expenditures outstrip the fund’s total income. 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. For this forecast, the new projected ending balances are:

- FY 2016-17... lower by $1.3 million to +$36.8 million
- FY 2017-18... lower by $1.8 million to +$16.8 million
- FY 2018-19... lower by $2.3 million to ($6.8) million
- FY 2019-20... lower by $0.5 million to ($27.6) million
- FY 2020-21... lower by $0.5 million to ($27.0) million
- FY 2021-22... lower by $0.5 million to ($27.6) million

An anticipated NCCI rate increase resulting from recent Florida Supreme Court rulings and medical fee schedule changes will likely alter this trust fund outlook. While projections have been included in a separate note for informational purposes, they are believed to more likely reflect the fund’s maximum exposure rather than the probable result and, therefore, were not included at this time.