

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.

RISK MANAGEMENT TRUST FUND

Revenue Estimating Conference (February 28, 2017)

(In millions)	History	2016-17		2017-18		2018-19		2019-20		2020-21		2021-22	
	15-16 Actual	Curr REC	New Est	Curr REC	New Est	Curr Est	New Est						
Beginning Cash Balance	76.5	73.0	73.0	38.1	36.8	18.6	16.8	0.0	0.0	0.0	0.0	0.0	0.0
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	3.7	3.9	3.4	3.9	3.4	3.9	3.4	3.9	3.4	3.9	3.4	3.9	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	2.1	2.1	2.1	2.2	2.2	2.3	2.3	2.3	2.3	2.3	2.3	2.3	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
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	193.6	193.8	193.3	193.9	193.4	194.0	193.5	194.0	193.5	194.0	193.5	194.0	193.5
Expenditures													
Non-operating Expenditures													
Casualty Losses													
WC Indemnity (2)	39.2	40.8	40.8	41.4	41.4	41.8	41.8	42.2	42.2	42.6	42.6	42.9	42.9
WC Medical (2)	70.8	74.8	74.8	77.8	77.8	81.1	81.1	84.3	84.3	84.3	84.3	84.3	84.3
Total WC Payments	110.0	115.6	115.6	119.2	119.2	122.9	122.9	126.5	126.5	126.9	126.9	127.2	127.2
General Liability	5.7	5.8	5.8	6.2	6.2	6.6	6.6	7.0	7.0	7.5	7.5	7.8	7.8
Automotive Liability	3.6	3.2	3.2	3.2	3.2	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3
Federal Civil Rights	7.2	24.5	24.5	11.0	11.0	10.5	10.5	10.5	10.5	9.1	9.1	9.0	9.0
Total Casualty Losses	126.5	149.1	149.1	139.7	139.7	143.3	143.3	147.3	147.3	146.7	146.7	147.3	147.3
Property Losses	3.5	6.4	7.2	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Total Payment of Losses	130.1	155.5	156.3	140.3	140.3	144.0	144.0	147.9	147.9	147.4	147.4	147.9	147.9
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
Transfer to ATF- DFS Admin Spt	1.4	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	131.5	157.1	157.9	141.9	141.9	145.6	145.6	149.6	149.6	149.0	149.0	149.6	149.6
Operating Expenditures:													
Salaries & Benefits	5.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7
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	3.9	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	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
Contracted Services	3.7	4.2	3.9	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2
Contracted Legal - Attorney General	4.9	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6
Contracted Legal - Private Attorneys (2)	21.4	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0
Contracted Medical Services	13.3	15.3	15.3	15.3	15.3	15.3	15.3	15.3	15.3	15.3	15.3	15.3	15.3
Excess Insurance & Claim Service													
Excess Property Insurance	10.7	10.9	10.9	10.9	10.9	10.9	10.9	10.9	10.9	10.9	10.9	10.9	10.9
DWC Assessments	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Broker Fees/RMIS Spt Fees	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Excess Insurance	11.7	10.9	10.9	10.9	10.9	10.9	10.9	10.9	10.9	10.9	10.9	10.9	10.9
Risk Management Information Claims Sys	0.9	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Risk Management Insurance	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
Public Assistance - State Ops	0.0	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	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
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	65.7	71.5											
Total Expenditures	197.1	228.6	229.5	213.4	213.4	217.1	217.1	221.1	221.1	220.5	220.5	221.1	221.1
Net Income	(3.5)	(34.9)	(36.2)	(19.5)	(20.0)	(23.1)	(23.6)	(27.1)	(27.6)	(26.5)	(27.0)	(27.1)	(27.6)
Ending Cash Balance	73.0	38.1	36.8	18.6	16.8	(4.5)	(6.8)	(27.1)	(27.6)	(26.5)	(27.0)	(27.1)	(27.6)

Notes:

(1) Approval of the Department of Financial Services budget amendment regarding Hurricane Matthew contracted claims adjusting service expenditures established the Public Assistance – ST Ops special operating category. Budget authority for the special category is \$300,000. Hurricane Matthew contracted claims adjusting service expenditures will be transferred from the contracted services category into the special operating category. Estimated expenditures for transfer is \$162,943. Federal Emergency Management Agency reimbursement of up to \$300,000 will be recorded as a revenue at a future date upon receipt.

(2) Estimates do not include the NCCI rate increase resulting from recent Florida Supreme Court rulings and medical fee schedule changes. The potential impact of rate increases on estimates affect Workers' Compensation Indemnity and Medical Non-Operating Casualty Losses and Contracted Legal – Private Attorney Operating Expenditures. Estimated total impact, by fiscal year, is less than 3.0 million in 2016-17, 9.3 million in 2017-18, 10.0 million in 2018-19, 10.9 million in 2019-20, 11.7 million in 2020-21, and 11.7 million in 2021-22. The estimated total impact for FY 2016-17 is based upon year-to-date actuals through the first seven months of the fiscal year. Estimated total impact for the 2017-18 through 2021-22 fiscal years is based upon the Self-Insurance Program Actuarial Review as of June 30, 2016. The Division will continue to monitor and evaluate the cost impact of those cases that resulted in a rate approval by the Office of Insurance Regulation in order to refine the impact projections as more data comes available.