

## **Risk Management Trust Fund December 21, 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 changes made by this Conference were negative and primarily related to Hurricane Irma. These effects are more pronounced in the short term.

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 modest with total projections of \$140.4 million in FY 2017-18, \$139.3 million in FY 2018-19, \$145.0 million in FY 2019-20, \$146.6 million in FY 2020-21, \$147.2 million in FY 2021-22 and \$147.2 million in FY 2022-23.

The new property loss payment estimate for FY 2017-18 includes \$28.3 million in Hurricane Irma losses and \$1.4 million in Hurricane Mathew losses. For FY 2018-19, it includes an additional \$9.0 million in Hurricane Irma losses, for a two-year total of \$38.7 million in property losses due to hurricane damage. For FY 2019-20 and onward, covered property losses are projected to be \$0.9 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. Across the fiscal years, the total annual operating expenditures are expected to be \$75.9 million in FY 2017-18 and \$73.5 thereafter.

In FY 2017-18, the fund's cash balance remains positive, but the annual non-operating and operating expenditures outstrip the fund's total income. By FY 2018-19, the projected ending cash balance turns negative. 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 2017-18... lower by \$33.1 million to +\$10.7 million
- FY 2018-19... lower by \$40.4 million to (\$18.8) million
- FY 2019-20... lower by \$19.4 million to (\$26.2) million
- FY 2020-21... similar to the prior projection at (\$27.8) million
- FY 2021-22... similar to the prior projection at (\$28.3) million
- FY 2022-23... similar to the prior projection at (\$28.3) million

**RISK MANAGEMENT TRUST FUND**  
Revenue Estimating Conference (December 21, 2017)

	History				2017-18		2018-19		2019-20		2020-2021		2021-22		2022-23	
	13-14 Actual	14-15 Actual	15-16 Actual	16-17 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
0																
1 (In millions)																
2 <b>Beginning Cash Balance</b>	49.0	67.1	76.5	73.0	64.0	64.0	43.8	10.7	21.6	0.0	0.0	0.0	0.0	0.0	0.0	
3 <b>Income</b>																
4 Premiums																
5 Casualty (1)	175.6	175.6	175.6	175.6	175.1	175.1	176.0	176.0	175.6	175.6	175.6	175.6	175.6	175.6	175.6	
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	12.2	12.2	
7 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	
8 Subrogations/TTD refunds/Others	3.4	3.7	3.7	3.4	3.4	4.9	3.4	4.9	3.4	4.9	3.4	4.9	3.4	4.9	4.9	
9 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	
10 Investment Income	1.3	2.3	2.1	1.8	2.1	2.2	2.1	2.2	2.1	2.2	2.1	2.2	2.1	2.2	2.2	
Other Non Operating Receipts/Settlement	0.0	0.0	0.0	5.8	0.7	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
11 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	
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	
12 <b>Total Income</b>	192.4	193.8	193.6	198.8	193.5	195.2	193.7	195.4	193.2	194.9	193.2	194.9	193.2	194.9	194.9	
14 <b>Expenditures</b>																
15 Non-operating Expenditures																
16 Casualty Losses																
17 WC Indemnity	37.8	39.6	39.2	40.4	41.4	41.6	41.8	42.0	42.2	42.4	42.6	42.8	42.9	43.1	42.9	
18 WC Medical	63.7	66.9	70.8	68.4	73.0	75.6	78.0	78.0	83.0	83.0	84.3	84.3	84.3	84.3	84.3	
19 Total WC Payments	101.5	106.5	110.0	108.8	114.4	117.2	119.8	120.0	125.2	125.4	126.9	127.1	127.2	127.4	127.4	
20 General Liability	4.7	5.4	5.7	5.6	6.2	5.3	6.6	5.4	7.0	5.6	7.5	5.8	7.8	5.9	7.8	
21 Automotive Liability	3.1	2.9	3.6	4.9	3.2	4.5	3.3	4.1	3.3	4.2	3.3	4.3	3.3	4.3	3.3	
22 Federal Civil Rights	6.4	6.5	7.2	17.5	11.0	13.4	10.5	9.8	10.5	9.9	9.1	9.5	9.0	9.6	9.0	
23 Total Casualty Losses	115.6	121.3	126.5	136.8	134.9	140.4	140.2	139.3	146.0	145.0	146.7	146.6	147.3	147.2	147.3	
24 Property Losses (2)	0.2	1.7	3.5	3.8	3.8	30.4	0.6	10.4	0.6	0.9	0.6	0.9	0.6	0.9	0.6	
25 Total Payment of Losses	115.8	123.0	130.1	140.6	138.6	170.8	140.9	149.7	146.6	145.9	147.4	147.5	147.9	148.1	147.9	
26 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	0.0	0.0	
27 Transfer to ATF- DFS Admin Spt	0.9	1.3	1.4	1.2	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	
28 Refunds	0.0	0.1	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	
29 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	
30 <b>Total Non-operating Expenditures</b>	118.2	124.4	131.5	141.8	140.3	172.5	142.5	151.3	148.3	147.6	149.0	149.2	149.6	149.7	149.6	
32 Operating Expenditures:																
33 Salaries & Benefits	5.3	5.7	5.7	6.3	6.8	6.9	6.8	6.9	6.8	6.9	6.8	6.9	6.8	6.9	6.8	
34 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	
35 Expenses	0.7	0.7	3.9	4.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	
36 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	
37 Contracted Services	14.9	4.4	3.7	3.5	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	
38 Contracted Legal - Attorney General	4.8	5.5	4.9	5.4	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	
39 Contracted Legal - Private Attorneys	16.4	20.4	21.4	20.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	
40 Contracted Medical Services	0.0	10.8	13.3	14.6	17.1	17.1	17.1	17.1	17.1	17.1	17.1	17.1	17.1	17.1	17.1	
41 Excess Insurance & Claim Service																
42 Excess Property Insurance	9.7	9.7	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	
43 DWC Assessments	3.9	0.7	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	
44 Broker Fees/RMIS Spt Fees	0.6	0.8	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	
45 Total Excess Insurance	14.2	11.2	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	
46 Risk Management Information Claims Sys	0.0	1.1	0.9	0.8	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	
Operation/Motor 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	
47 Risk Management Insurance	0.1	0.1	0.0	0.0	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	
48 Public Assistance - State Ops (3)	0.0	0.0	0.0	0.2	0.0	2.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
49 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	
50 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	
51 <b>Total Operating Expenditures</b>	56.4	60.0	65.7	66.0	73.4	75.9	73.4	73.5	73.4	73.5	73.4	73.5	73.4	73.5	73.4	
52																
53 <b>Total Expenditures</b>	174.6	184.4	197.1	207.8	213.7	248.4	215.9	224.9	221.7	221.1	222.4	222.7	222.9	223.2	222.9	
55 <b>Net Income</b>	17.8	9.5	(3.5)	(9.1)	(20.2)	(53.3)	(22.2)	(29.5)	(28.4)	(26.2)	(29.1)	(27.8)	(29.7)	(28.3)	(29.7)	
57 <b>Ending Cash Balance</b>	66.8	76.5	73.0	64.0	43.8	10.7	21.6	(18.8)	(6.8)	(26.2)	(29.1)	(27.8)	(29.7)	(28.3)	(29.7)	

Notes:

(1) Casualty premium estimates reflect a 2017-2018 reduction of \$440,990 in invoiced premiums due to a processing error. The amount of the reduction will be included in the 2018-2019 premium development process and invoiced in July 2018.

(2) 2017-2018 property loss payment estimates include \$28.3M in Hurricane Irma losses and \$1.4M in Hurricane Mathew losses. 2018-2019 property loss estimates include \$9.0M in Hurricane Irma losses, for a two-year total of \$38.7M in hurricane losses. The Conference expects that a small number of additional claims will be reported to the Division.

(3) Approval of the 2017-2018 Department of Financial Services budget amendment established the Public Assistance – ST Ops special operating category for recording Hurricane Irma contracted claims adjusting service expenditures. Budget authority for the special category is \$2.4M. During 2017-2018, Hurricane Matthew related claims adjusting service expenditures will be transferred from the contracted services category into the special operating category.

(4) It is assumed the projected deficits in Fiscal Years 2018-2019 through 2022-2023 will be resolved prior to the end of each fiscal year.