

Risk Management Trust Fund February 25, 2019 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. The overall changes made by this Conference were modest and primarily related to the damage caused by Hurricane Michael.

Trust fund income is calculated using information provided by the Division of Risk Management, Department of Financial Services. This area had relatively minor adjustments in the short term, with most of the change related to the state's liability for the amount above the coverage provided by excess property insurance. The new property loss estimates have reduced this exposure.

On the expenditure-side of the forecast, the greatest cost driver for the SRMTF is typically the payment to cover casualty losses. These loss payments include coverage of state workers' compensation, Federal Civil Rights settlements, general liability, and state automotive liability. In total, projected casualty losses are \$144.2 million in FY 2018-19, down from the prior forecast by \$3.2 million. There were no changes to the out-years which range in cost from \$142.0 million in FY 2019-20 to \$144.7 million in FY 2022-23 and FY 2023-24.

The property loss payment estimate for FY 2018-19 has been reduced by \$4.8 million to \$57.4 million. The estimate includes \$15.4 million in Hurricane Irma losses. The final numbers for property loss payments in FY 2017-18 included an additional \$16.8 million in Hurricane Irma losses, for a two-year total of \$32.2 million. In contrast, Hurricane Michael losses are estimated to be \$40.7 million in FY 2018-19. For FY 2019-20 and onward, covered property losses were projected to range between \$1.2 million and \$1.5 million each year.

Other expenditure items include the program's operating expenses, coverage for 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 2018-19, the total annual operating expenditures are expected to cost \$77.2 million and then drop to \$74.4 thereafter. There was only a minor change to this cost area.

In FY 2018-19, the ending cash balance—while slightly improved—is still negative. When a negative balance occurs in the current year, the Conference assumes that the Legislature will take action to eliminate the deficit before the end of the year. Accordingly, the beginning balance in the subsequent year is zero. Relative to the prior forecast, the new projected ending cash balance for each year remains negative:

	December Ending Cash Balance (\$m)	February Ending Cash Balance (\$m)	Difference Feb - Dec (\$m)
2018-19	(\$39.3)	(\$31.0)	\$8.3
2019-20	(\$18.7)	(\$24.1)	(\$5.4)
2020-21	(\$25.7)	(\$25.8)	(\$0.1)
2021-22	(\$26.6)	(\$26.7)	(\$0.1)
2022-23	(\$27.7)	(\$27.7)	\$0
2023-24	(\$27.6)	(\$27.6)	\$0

RISK MANAGEMENT TRUST FUND
Revenue Estimating Conference (February 25, 2018)

	History					2018-19		2019-20		2020-21		2021-2022		2022-23		2023-24	
	13-14 Actual	14-15 Actual	15-16 Actual	16-17 Actual	17-18 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 Beginning Cash Balance	49.0	67.1	76.5	73.0	64.0	34.4	34.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3 Income																	
4 Premiums																	
5 Casualty (1)	175.6	175.6	175.6	175.6	175.1	176.0	176.0	175.6	175.6	175.6	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	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	0.0	0.0
8 Subrogations/TTD refunds/Others	3.4	3.7	3.7	3.4	5.9	5.1	5.5	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	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	0.0	0.0
10 Investment Income	1.3	2.3	2.1	1.8	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
11 Other Non Operating Receipts/Settlement	0.0	0.0	0.0	5.8	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
12 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	0.0
13 Additional Funding from GAA for Irma	0.0	0.0	0.0	0.0	0.0	19.6	19.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
14 Recoveries from Excess Insurance for Michael	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6.0	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
15 Total Income	192.4	193.8	193.6	198.8	195.9	215.0	215.4	200.9	195.6	194.9							
17 Expenditures																	
18 Non-operating Expenditures																	
19 Casualty Losses																	
20 WC Indemnity	37.8	39.6	39.2	40.4	40.7	43.1	39.5	42.9	42.9	42.5	42.5	42.2	42.2	41.9	41.9	41.9	41.9
21 WC Medical	63.7	66.9	70.8	68.4	78.9	78.3	77.0	79.6	79.6	80.8	80.8	81.8	81.8	83.0	83.0	83.0	83.0
22 Total WC Payments	101.5	106.5	110.0	108.8	119.6	121.3	116.5	122.5	122.5	123.3	123.3	124.0	124.0	124.9	124.9	124.9	124.9
23 General Liability	4.7	5.4	5.7	5.6	4.2	5.4	5.2	5.6	5.6	5.8	5.8	5.9	5.9	5.9	5.9	5.9	5.9
24 Automotive Liability	3.1	2.9	3.6	4.9	4.9	4.1	4.3	4.1	4.1	4.4	4.4	4.4	4.4	4.3	4.3	4.3	4.3
25 Federal Civil Rights	6.4	6.5	7.2	17.5	10.8	16.5	18.2	9.9	9.9	9.5	9.5	9.6	9.6	9.6	9.6	9.6	9.6
26 Total Casualty Losses	115.6	121.3	126.5	136.8	139.5	147.3	144.2	142.0	142.0	143.0	143.0	143.9	143.9	144.7	144.7	144.7	144.7
27 Property Losses (2)	0.2	1.7	3.5	3.8	19.9	62.2	57.4	1.2	1.2	1.3	1.3	1.2	1.2	1.5	1.5	1.4	1.4
28 Total Payment of Losses	115.8	123.0	130.1	140.6	159.3	209.5	201.6	143.2	143.2	144.3	144.3	145.1	145.1	146.2	146.2	146.1	146.1
29 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	0.0	0.0
30 Transfer to ATF- DFS Admin Spt	0.9	1.3	1.4	1.2	1.4	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
31 Refunds	0.0	0.1	0.0	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	0.1
32 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	0.0
33 Total Non-operating Expenditures	118.2	124.4	131.5	141.8	160.8	211.6	203.7	145.3	145.3	146.3	146.3	147.2	147.2	148.2	148.2	148.1	148.1
35 Operating Expenditures:																	
36 Salaries & Benefits	5.3	5.7	5.7	6.3	6.8	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
37 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	0.0	0.0
38 Expenses	0.7	0.7	3.9	4.2	3.8	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2
39 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	0.0	0.0
40 Contracted Services	14.9	4.4	3.7	3.5	3.5	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3
41 Contracted Legal - Attorney General	4.8	5.5	4.9	5.4	4.1	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6
42 Contracted Legal - Private Attorneys	16.4	20.4	21.4	20.0	17.9	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0
43 Contracted Medical Services	0.0	10.8	13.3	14.6	15.5	17.7	17.7	17.7	17.7	17.7	17.7	17.7	17.7	17.7	17.7	17.7	17.7
44 Excess Insurance & Claim Service																	
45 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	10.9	10.9
46 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	0.0	0.0
47 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	0.0	0.0
48 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	10.9	10.9
49 Risk Management Information Claims Sys	0.0	1.1	0.9	0.8	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
50 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	0.0	0.0
51 Risk Management Insurance	0.1	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	0.1	0.1
52 Public Assistance - State Ops (3)	0.0	0.0	0.0	0.2	1.6	2.8	2.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
53 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	0.0	0.0
54 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	0.0	0.0
55 Total Operating Expenditures	56.4	60.0	65.7	66.0	64.7	77.1	77.2	74.3	74.4								
56																	
57 Total Expenditures	174.6	184.4	197.1	207.8	225.5	288.8	280.9	219.6	219.6	220.6	220.7	221.5	221.5	222.6	222.6	222.5	222.5
59 Net Income	17.8	9.5	(3.5)	(9.1)	(29.6)	(73.7)	(65.4)	(18.7)	(24.1)	(25.7)	(25.8)	(26.6)	(26.7)	(27.7)	(27.7)	(27.6)	(27.6)
61 Ending Cash Balance	66.8	76.5	73.0	64.0	34.4	(39.3)	(31.0)	(18.7)	(24.1)	(25.7)	(25.8)	(26.6)	(26.7)	(27.7)	(27.7)	(27.6)	(27.6)

Notes:

- 1) 2018-2019 Casualty premium estimates reflect a \$440,990 increase in invoiced premiums due to a 2017-2018 processing error. The amount of the increase was included in the 2018-2019 premium development process and invoiced in July 2018.
- (2) 2018-2019 property loss estimates include \$15.4M in Hurricane Irma losses and \$40.7M in Hurricane Michael losses. Paid Hurricane Irma losses in 2017-18 totaled \$16.8M, for a hurricane loss total of \$32.2M.
- (3) The 2017-2018 Department of Financial Services approved budget amendment established the Public Assistance – ST Ops special operating category for recording Hurricane Irma contracted claims adjusting service expenditures. Hurricane related claims adjusting service expenditures are transferred from the contracted services category into the special operating category. For 2018-2019, the special category budget authority includes the \$803K appropriation balance for Hurricane Irma plus an additional \$2M for Hurricane Michael.
- (4) It is assumed the projected deficits in Fiscal Years 2018-2019 through 2023-2024 will be resolved prior to the end of each fiscal year.

REC Property Loss Projections dor FY 2018-19	
Paid Loss Payments (7/1/18-2/21/19)	
HUR09173 (Irma)	\$ 15,239,035
HUR10161 (Hermine)	\$ 128,105
HUR10162 (Matthew)	\$ -
HUR10187 (Michael)	\$ 13,318,834
Total Paid Hurricane	\$ 28,685,974
Total Paid Non-Hurricane	\$ 429,133
Total Paid Loss Payments (7/1/18 - 2/21/19)	\$ 29,115,107
Unpaid Loss Payment Estimates	
HUR09173(Irma)	\$ 200,000
HUR10161(Hermine)	\$ -
HUR10187 (Michael)	\$ 27,405,140
Non-Hurricane (Actuarial rpt less pd losses)	\$ 694,867
Total Unpaid Loss Payments	\$ 28,300,007
Total Loss Payments Estimated for FY 18-19	\$ 57,415,114

Forecast Property Loss Projections by Event	
Typical Property Loss Expenditures	\$ 1,124,000
Matthew	\$ -
Hermine	\$ 128,105
Irma	\$ 15,439,035
Michael	\$ 40,723,974
Total Paid Loss Payments (7/1/18 - 2/21/19)	\$ 57,415,114

**Property Loss Payment Estimates
December 2018 REC**

Paid Loss Payments (7/1/18 - 10/31/18)	
HUR09173 (Irma)	\$ 6,697,820.17
HUR10161 (Hermine)	128,105.34
HUR10162 (Matthew)	
HUR10187 (Michael)	
Total Paid Hurricane	6,825,925.51
Total Paid Non-Hurricane	205,344.92
Total Paid Loss Payments (7/1/18 - 10/31/18)	7,031,270.43
Unpaid Loss Payment Estimates	
HUR09173 (Irma)	6,800,000.00
HUR10187 (Michael)	45,451,609.39
Non-Hurricane (Actuarial rpt less pd losses)	918,665.08
Total Unpaid Loss Payments	53,170,274.47
Total Loss Payments Estimated for FY 18-19	\$ 60,201,544.90

FLAIR as October 31,2018

7,031,270.43

Origami

6,897,836.92

Difference

133,433.51