

Risk Management Trust Fund

July 22, 2020

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.

Trust fund income is calculated based on information provided by the Division of Risk Management, Department of Financial Services. FY 2019-20 trust fund income was \$223.2 million. This amount is slightly higher than the prior estimate due to Subrogations/TTD Refunds and Investment Income coming in better than forecast. For FY 2020-21 through FY 2025-26, trust fund income is expected to total \$204.8 million annually. This projection is \$1.1 million above the December estimate each year.

FY 2019-2020 non-operating expenditures totaled \$146.1 million. This amount was \$13.5 million below the December estimate. The decrease in non-operating expenditures was primarily due to WC Indemnity, WC Medical and Federal Civil Rights coming in lower than expected. WC Indemnity was \$1.3 million lower and WC Medical was \$5.5 million lower. The interruptions caused by COVID-19 and the subsequent migration of state work from office to residential homes was a key factor in the lower WC Payments. Federal Civil Rights was \$5.3 million lower due to the delay of several significant payouts till the subsequent fiscal year.

The prior estimates for FY 2020-21 were reevaluated in light of COVID-19's potential impact on the Risk Management Trust Fund. Notably, WC Indemnity and WC Medical were not changed, even though actual WC Payments in FY 2019-20 were \$7.3 million lower than the FY 2020-21 WC Payments estimate. Given *Chief Financial Officer Directive 2020-05* indicating that specified frontline state employees who have tested positive for COVID-19 can file workers compensation claims, the Conference concurred that additional dollars would be needed to handle these claims and did not downwardly adjust the estimate. In contrast, Automotive Liability was decreased by \$0.3 million in FY 2020-21 to account for the expected decrease in state employee travel attributable to cancellation of conferences, out-of-office meetings and other events.

Other significant changes for non-operating expenditures in FY 2020-21 include the upward revision to Property Losses (from \$1.7 million to \$3.5 million) due to still ongoing hurricane claims related to damage caused by Hurricane Michael and Hurricane Irma. Federal Civil Rights was revised upward (from \$9.8 million to \$12.2 million) to account for several large payments expected to occur by the end FY 2020-21. In total, non-operating expenditures were revised upward from \$138.6 million to \$142.2 million in FY 2020-21.

There were only minor revisions to operating expenditures to account for changes in appropriations. The projected cost for operating expenditures is \$75.8 million annually for FY 2020-21 through FY 2025-26.

The final ending cash balance for FY 2019-20 was higher than expected by \$26.9 million largely due to the lower expenditures described above. Going forward, the balance is expected to decline each year, but remain positive through FY 2024-25—two years later than the prior forecast. In FY 2025-26, the balance is projected to turn negative. See the table on the following page for the specific estimates by year.

	Projected Ending Cash Balances (12/18/2019)	Projected Ending Cash Balances (7/22/2020)	Difference
2020-21	\$30.1	\$53.8	\$23.7
2021-22	\$18.5	\$43.2	\$24.7
2022-23	\$5.3	\$30.8	\$25.5
2023-24	(\$9.5)	\$16.9	\$26.4
2024-25	(\$15.4)	\$2.3	\$17.7
2025-26	N/A	(\$12.2)	N/A

RISK MANAGEMENT TRUST FUND
Revenue Estimating Conference (July, 2020)

0

1 (In millions)

2 **Beginning Cash Balance**

3 **Income**

4 Premiums

5 Casualty (1)

6 Property

7 Law Vehicles

8 Subrogations/TTD refunds/Others

9 Transfer from BSF

10 Investment Income

11 Other Non Operating Receipts/Settlement

12 Trust fund Loan

13 Additional Funding from GAA (2)

14 Recoveries from Excess Insurance for Michael

15

16 **Expenditures**

17 Non-operating Expenditures

18 Casualty Losses

19 WC Indemnity

20 WC Medical

21 Total WC Payments (3)

22 General Liability

23 Automotive Liability

24 Federal Civil Rights

25 Total Casualty Losses

26 Property Losses (4)

27 Total Payment of Losses

28 Transfer to BSF

29 Transfer to ATF- DFS Admin Spt

30 Refunds

31 Trust Fund Loan

32

32 **Total Non-operating Expenditures**

33 **Operating Expenditures:**

34 Salaries & Benefits

35 Other Personal Services

36 Expenses

37 Operating Capital Outlay

38 Contracted Services

39 Contracted Legal - Attorney General

40 Contracted Legal - Private Attorneys

41 Contracted Medical Services

42 Excess Insurance & Claim Service

43 Excess Property Insurance

44 DWC Assessments

45 Broker Fees/RMS Spt Fees

46 Total Excess Insurance

47 Risk Management Information Claims Sys

48 Operation/Motor Vehicles

49 Risk Management Insurance

50 Public Assistance - State Ops (5)

51 Lease or Lease Purchase of Equip

52 HR Services

53

53 **Total Operating Expenditures**

54

55 **Total Expenditures**

57 **Net Income**

59 **Ending Cash Balance**

	2020-2021		2021-2022		2022-23		2023-24		2024-25		2025-2026						
	15-16 Actual	16-17 Actual	17-18 Actual	18-19 Actual	19-20 Actual	Curr Est	New Est	Curr Est	New Est	Curr Est	New Est	Curr Est	New Est				
2 Beginning Cash Balance	76.5	73.0	64.0	34.4	52.7	40.1	67.0	30.1	53.8	18.5	43.2	5.3	30.8	0.0	16.9	0.0	2.3
3 Income																	
4 Premiums																	
5 Casualty (1)	175.6	175.6	175.1	176.0	175.6	183.7	183.7	183.7	183.7	183.7	183.7	183.7	183.7	183.7	183.7	183.7	183.7
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	3.7	3.4	5.9	7.0	6.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6
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	2.1	1.8	2.2	2.3	4.2	2.2	3.4	2.2	3.4	2.2	3.4	2.2	3.4	2.2	3.4	2.2	3.4
11 Other Non Operating Receipts/Settlement	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	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 (2)	0.0	0.0	0.0	54.6	24.6	0.0	0.0	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	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
15 Total Income	193.6	198.8	195.9	252.1	223.2	203.7	204.8	203.7	204.8	203.7	204.8	203.7	204.8	203.7	204.8	0.0	204.8
16 Expenditures																	
17 Non-operating Expenditures																	
18 Casualty Losses																	
19 WC Indemnity	39.2	40.4	40.7	37.1	38.4	39.1	39.1	39.2	39.2	39.2	39.2	39.4	39.4	39.7	39.7	39.7	39.7
20 WC Medical	70.8	68.4	78.9	76.0	68.1	74.7	74.7	75.8	75.8	77.0	77.0	78.2	78.2	78.2	78.2	78.2	78.2
21 Total WC Payments (3)	110.0	108.8	119.6	113.1	106.5	113.8	113.8	114.9	114.9	116.2	116.2	117.5	117.5	117.9	117.9	0.0	117.9
22 General Liability	5.7	5.6	4.2	5.8	5.5	5.6	5.6	5.8	5.8	5.9	5.9	6.1	6.1	6.1	6.1	6.1	6.1
23 Automotive Liability	3.6	4.9	4.9	5.3	5.4	5.7	5.4	5.8	5.6	6.0	6.0	6.1	6.1	6.3	6.3	6.3	6.3
24 Federal Civil Rights	7.2	17.5	10.8	12.6	7.1	9.8	12.2	9.9	9.9	9.9	9.9	9.9	9.9	9.9	9.9	9.9	9.9
25 Total Casualty Losses	126.5	136.8	139.5	136.9	124.5	134.8	137.1	136.5	136.3	138.1	138.1	139.6	139.6	140.3	140.3	0.0	140.3
26 Property Losses (4)	3.5	3.8	19.9	30.0	19.9	1.7	3.5	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
27 Total Payment of Losses	130.1	140.6	159.3	166.9	144.4	136.5	140.6	138.2	138.0	139.8	139.8	141.3	141.3	142.0	142.0	0.0	142.0
28 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	0.0	0.0
29 Transfer to ATF- DFS Admin Spt	1.4	1.2	1.4	1.6	1.7	2.0	1.5	2.0	1.5	2.0	1.5	2.0	1.5	2.0	1.5	2.0	1.5
30 Refunds	0.0	0.0	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
31 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
32 Total Non-operating Expenditures	131.5	141.8	160.8	168.5	146.1	138.6	142.2	140.2	139.6	141.9	141.4	143.4	142.9	144.0	143.6	0.0	143.6
33 Operating Expenditures:																	
34 Salaries & Benefits	5.7	6.3	6.8	6.6	6.8	7.1	7.8	7.1	7.8	7.1	7.8	7.1	7.8	7.1	7.8	7.1	7.8
35 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
36 Expenses	3.9	4.2	3.8	2.9	2.2	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1
37 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
38 Contracted Services	3.7	3.5	3.5	3.5	3.9	4.3	4.4	4.3	4.4	4.3	4.4	4.3	4.4	4.3	4.4	4.3	4.4
39 Contracted Legal - Attorney General	4.9	5.4	4.1	4.0	4.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6
40 Contracted Legal - Private Attorneys	21.4	20.0	17.9	18.6	17.4	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0
41 Contracted Medical Services	13.3	14.6	15.5	15.8	16.1	18.2	18.2	18.2	18.2	18.2	18.2	18.2	18.2	18.2	18.2	18.2	18.2
42 Excess Insurance & Claim Service																	
43 Excess Property Insurance	10.7	10.9	10.9	10.8	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
44 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	0.0	0.0	0.0	0.0
45 Broker Fees/RMS 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	0.0	0.0	0.0	0.0
46 Total Excess Insurance	11.7	10.9	10.9	10.8	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
47 Risk Management Information Claims Sys	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	0.6	0.6
48 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
49 Risk Management Insurance	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	0.1	0.1
50 Public Assistance - State Ops (5)	0.0	0.2	1.6	2.2	0.2	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 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
52 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
53 Total Operating Expenditures	65.7	66.0	64.7	65.2	62.8	75.0	75.8	75.0	75.8	75.0	75.8	75.0	75.8	75.0	75.8	0.0	75.8
54																	
55 Total Expenditures	197.1	207.8	225.5	233.8	208.9	213.6	218.0	215.3	215.4	216.9	217.2	218.4	218.7	219.0	219.4	0.0	219.4
57 Net Income	(3.5)	(9.1)	(29.6)	18.3	14.2	(10.0)	(13.2)	(11.6)	(10.6)	(13.2)	(12.4)	(14.8)	(13.9)	(15.4)	(14.6)	0.0	(14.6)
59 Ending Cash Balance	73.0	64.0	34.4	52.7	67.0	30.1											