

Risk Management Trust Fund December 16, 2021 Executive Summary

The 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 Self-Insurance Estimating Conference forecasts the annual funding that is needed to cover such losses.

Trust fund income is calculated primarily based on information provided by the Division of Risk Management, Department of Financial Services. For FY 2021-22, income was revised upward to \$205.3 million from \$204.7 million. This change to the estimate was due to a combination of two factors. First, there was a small increase in the Subrogations/TTD Refunds/Others category. The department continues to receive a significant number of Total Temporary Disability (TTD) Refunds from agencies reimbursing the fund for paid COVID-19 Worker’s Compensation (WC) Indemnity claims. This upward adjustment was partially offset by a decrease in the projected Investment Income category. Both of these changes affected only the current year.

For non-operating expenditures, WC Indemnity was revised upward by \$3.9 million to \$43.1 million for FY 2021-22. This revision addressed the known number of residual COVID-19 Indemnity Claims. No change was made to WC Medical, leaving the prior forecast of \$79.8 million in place. For FY 2022-23 through FY 2026-27, the Conference maintained the prior estimates for both components.

General Liability was revised upward by \$2.1 million to \$7.9 million for FY 2021-22. The Department is seeing the typical volume of General Liability claims; however, the average cost per claim has increased significantly. Automotive Liability is experiencing a similar issue. For FY 2021-22, Automotive Liability was increased by \$1.6 million to \$7.2 million—and unlike General Liability, this category was revised slightly upward in the remaining years of the forecast period to reflect the unique inflationary pressures in its market.

The Conference also increased the Federal Civil Rights category (by \$4.2 million to \$15.3 million) to address the large number of payouts expected by the end of the fiscal year. In addition, the Property Losses category was revised upward (by \$1.3 million to \$4.6 million) in the current year to reflect new hurricane claims and one large non-hurricane claim.

No adjustment was made to expected annual operating expenditures. As a result of all of the changes, the forecasted ending cash balance drops in each year relative to the prior forecast, but—as before—the cash balance stays positive (albeit narrowly) through FY 2023-24.

	August 2021 Ending Cash Balance	December 2021 Ending Cash Balance	Difference
2021-22	\$45.5	\$33.0	(\$12.5)
2022-23	\$30.4	\$17.6	(\$12.8)
2023-24	\$13.8	\$0.7	(\$13.1)
2024-25	(\$3.4)	(\$16.9)	(\$13.5)
2025-26	(\$17.2)	(\$17.5)	(\$0.3)
2026-27	(\$17.2)	(\$17.5)	(\$0.3)

RISK MANAGEMENT TRUST FUND
Revenue Estimating Conference (December, 2021)

0

1 (In millions)

	2021-2022		2022-23		2023-24		2024-25		2025-2026		2026-2027							
	16-17 Actual	17-18 Actual	18-19 Actual	19-20 Actual	20-21 Actual	21-22 YTD	Curr Est	New Est	Curr Est	New Est	Curr Est	New Est	Curr Est	New Est				
2 Beginning Cash Balance	73.0	64.0	34.4	52.7	67.0	64.8	64.8	64.8	45.5	33.0	30.4	17.6	13.8	0.7	0.0	0.0	0.0	0.0
3 Income																		
4 Premiums																		
5 Casualty	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	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	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	0.0
8 Subrogations/TTD refunds/Others	3.4	5.9	7.0	6.6	14.7	3.6	6.5	7.7	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5
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	1.8	2.2	2.3	4.2	2.4	0.5	2.3	1.7	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
11 Other Non Operating Receipts/Settlement	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	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	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	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	198.8	195.9	252.1	223.2	213.0	199.9	204.7	205.3	204.7	204.6								
16 Expenditures																		
17 Non-operating Expenditures																		
18 Casualty Losses																		
19 WC Indemnity	40.4	40.7	37.1	38.4	45.8	17.7	39.2	43.1	39.2	39.2	39.4	39.4	39.7	39.7	39.7	39.7	39.7	39.7
20 WC Medical	68.4	78.9	76.0	68.1	74.6	36.2	79.8	79.8	77.0	77.0	78.2	78.2	78.2	78.2	78.2	78.2	78.2	78.2
21 Total WC Payments (1)	108.8	119.6	113.1	106.5	120.5	53.9	119.0	122.9	116.2	116.2	117.5	117.5	117.9	117.9	117.9	117.9	117.9	117.9
22 General Liability	5.6	4.2	5.8	5.5	4.2	3.3	5.8	7.9	5.9	5.9	6.1	6.1	6.1	6.1	6.1	6.1	6.1	6.1
23 Automotive Liability	4.9	4.9	5.3	5.4	5.9	3.0	5.6	7.2	6.0	6.2	6.1	6.3	6.3	6.5	6.3	6.5	6.3	6.5
24 Federal Civil Rights	17.5	10.8	12.6	7.1	11.7	4.3	11.1	15.3	9.9	9.9	9.9	9.9	9.9	9.9	9.9	9.9	9.9	9.9
25 Total Casualty Losses	136.8	139.5	136.9	124.5	142.2	64.4	141.5	153.3	138.1	138.3	139.6	139.8	140.3	140.5	140.3	140.5	140.3	140.5
26 Property Losses (2)	3.8	19.9	30.0	19.9	9.1	2.5	3.3	4.6	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
27 Total Payment of Losses	140.6	159.3	166.9	144.4	151.3	66.9	144.8	157.9	140.6	140.8	142.1	142.3	142.8	143.0	142.8	143.0	142.8	143.0
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	1.2	1.4	1.6	1.7	1.2	0.6	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
30 Refunds	0.0	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	141.8	160.8	168.5	146.1	152.5	67.5	147.4	160.5	143.2	143.4	144.7	144.9	145.4	145.6	145.4	145.6	145.4	145.6
33 Operating Expenditures:																		
34 Salaries & Benefits	6.3	6.8	6.6	6.8	7.0	2.8	8.2	8.2	8.2	8.2	8.2	8.2	8.2	8.2	8.2	8.2	8.2	8.2
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	0.0
36 Expenses	4.2	3.8	2.9	2.2	2.0	0.7	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	3.5	3.5	3.5	3.9	4.0	1.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7
39 FLAIR System Replacement						0.0	0.1	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1
40 Contracted Legal - Attorney General	5.4	4.1	4.0	4.6	4.3	1.5	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6
41 Contracted Legal - Private Attorneys	20.0	17.9	18.6	17.4	18.3	7.1	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0
42 Contracted Medical Services	14.6	15.5	15.8	16.1	15.5	7.1	18.2	18.2	18.2	18.2	18.2	18.2	18.2	18.2	18.2	18.2	18.2	18.2
43 Excess Insurance & Claim Service																		
44 Excess Property Insurance	10.9	10.9	10.8	10.9	10.8	0.0	10.9	10.9	10.9	10.9	10.9	10.9	10.9	10.9	10.9	10.9	10.9	10.9
45 DWC Assessments	0.0	0.0	0.0	0.0	-	0.0	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 Broker Fees/RMIS Spt Fees	0.0	0.0	0.0	0.0	-	0.0	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 Total Excess Insurance	10.9	10.9	10.8	10.9	10.8	0.0	10.9	10.9	10.9	10.9	10.9	10.9	10.9	10.9	10.9	10.9	10.9	10.9
48 Risk Management Information Claims Sys	0.8	0.5	0.6	0.6	0.6	0.0	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
49 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	0.0
50 Risk Management Insurance	0.0	0.1	0.1	0.1	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0
51 Public Assistance - State Ops	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	0.0	0.0
52 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	0.0
53 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	0.0
54 Total Operating Expenditures	66.0	64.7	65.2	62.8	62.7	21.0	76.6	76.6	76.5	76.6	76.5	76.6	76.5	76.6	76.5	76.6	76.5	76.6
55 Total Expenditures	207.8	225.5	233.8	208.9	215.17	88.5	224.0	237.1	219.7	220.0	221.3	221.5	221.9	222.2	221.9	222.2	221.9	222.2
56 Net Income	(9.1)	(29.6)	18.3	14.2	(2.16)	111.4	(19.3)	(31.9)	(15.1)	(15.4)	(16.6)	(16.9)	(17.2)	(17.5)	(17.2)	(17.5)	(17.2)	(17.5)
60 Ending Cash Balance	64.0	34.4	52.7	67.0	64.81	176.2	45.5	33.0	30.4	17.6	13.8	0.7	(3.4)	(16.9)	(17.2)	(17.5)	(17.2)	(17.5)

Notes:

(1) Per Chief Financial Officer Directive 2020-05, which was effective between March 30, 2020, and June 26, 2021, certain state workers could file Workers Compensation claims due to contracting COVID-19 while on the job. In FY 2020-21, WC Indemnity paid out \$8.6M in COVID-19 claims and WC Medical paid out \$8.1M in COVID-19 claims. Indemnity and medical benefits related to COVID-19 will continue to be paid in FY 2021-22 for workers' compensation claims determined to be compensable under the Directive for illnesses originating within the covered period.

(2) FY 2021-22 property loss estimates include \$39K in Hurricane Michael, \$809K in Hurricane Sally losses, \$52K in Tropical Storm Eta losses, and \$1.2M in Hurricane Elsa losses. Paid Hurricane losses for FY 2020-21 included \$6.1M for Hurricane Sally, \$445K in Tropical Storm Eta losses, and \$161K in Hurricane Michael losses.