

Risk Management Trust Fund Executive Summary December 7, 2018

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 significant in the near term.

In this regard, Hurricane Michael caused the single greatest change to the forecast. Directly attributable to Michael, an additional \$48.0 million in property losses and associated expenses has been added to the forecast in FY 2018-19. Of this amount, \$46 million is reflected in projected property losses to cover direct damages and \$2 million is reflected in Public Assistance – State Ops for claims adjusting and engineering costs. In total, the Trust Fund is expected to payout \$62.2 million for property losses in FY 2018-19. In addition to the \$46 million related to Hurricane Michael, \$14.9 million is projected in remaining losses arising from Hurricane Irma (for a two-year total of \$31.7 million in property losses since the hurricane made landfall in September 2017), \$0.1 million is needed to close out Hurricane Hermine, and \$1.2 million is anticipated in non-hurricane related losses. In the remaining years, these payments return to more typical levels of \$1.2 million to \$1.5 million per year.

In normal years, the most significant expense is typically 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. Overall, projected casualty losses were only slightly revised from the prior forecast: in total, the new forecast projects expenditures of \$147.3 million in FY 2018-19, \$142.0 million in FY 2019-20, \$143.0 million in FY 2020-21, \$143.9 million in FY 2021-22, \$144.7 million in FY 2022-23 and \$144.7 million in FY 2023-24.

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. The total annual operating expenditures are expected to be \$77.1 million in FY 2018-19 (inclusive of the \$2 million for Michael-related claims adjusting and engineering costs) and \$74.3 thereafter.

Trust fund income is calculated primarily based on information provided by the Division of Risk Management, Department of Financial Services. This area saw only a small adjustment.

In FY 2018-19, the ending cash balance turns negative and remains so throughout the remainder of the forecast 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:

| | Old Ending Cash Balance | New Ending Cash Balance | Difference |
|---------|-------------------------|-------------------------|------------|
| 2018-19 | 11.1 | (39.3) | (50.4) |
| 2019-20 | (14.8) | (18.7) | (3.9) |
| 2020-21 | (27.5) | (25.7) | 1.8 |
| 2021-22 | (28.0) | (26.6) | 1.4 |
| 2022-23 | (28.0) | (27.7) | 0.3 |
| 2023-24 | (28.0) | (27.6) | 0.4 |

RISK MANAGEMENT TRUST FUND
Revenue Estimating Conference (December 7, 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 | 11.1 | 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 | 4.9 | 5.1 | 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 | 0.0 | 6.0 | 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 | 214.9 | 215.0 | 194.9 | 200.9 | 194.9 | 194.9 | 194.9 | 194.9 | 194.9 | 194.9 | 194.9 | 194.9 |
| 17 Expenditures | | | | | | | | | | | | | | | | | |
| 18 Non-operating Expenditures | | | | | | | | | | | | | | | | | |
| 19 Casualty Losses | | | | | | | | | | | | | | | | | |
| 20 WC Indemnity | 37.8 | 39.6 | 39.2 | 40.4 | 40.7 | 42.0 | 43.1 | 42.4 | 42.9 | 42.8 | 42.5 | 43.1 | 42.2 | 43.1 | 41.9 | 43.1 | 41.9 |
| 21 WC Medical | 63.7 | 66.9 | 70.8 | 68.4 | 78.9 | 78.0 | 78.3 | 83.0 | 79.6 | 84.3 | 80.8 | 84.3 | 81.8 | 84.3 | 83.0 | 84.3 | 83.0 |
| 22 Total WC Payments | 101.5 | 106.5 | 110.0 | 108.8 | 119.6 | 120.0 | 121.3 | 125.4 | 122.5 | 127.1 | 123.3 | 127.4 | 124.0 | 127.4 | 124.9 | 127.4 | 124.9 |
| 23 General Liability | 4.7 | 5.4 | 5.7 | 5.6 | 4.2 | 5.4 | 5.4 | 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 | 4.9 | 4.1 | 4.2 | 4.1 | 4.3 | 4.4 | 4.3 | 4.4 | 4.3 | 4.3 | 4.3 | 4.3 |
| 25 Federal Civil Rights | 6.4 | 6.5 | 7.2 | 17.5 | 10.8 | 16.2 | 16.5 | 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 | 146.5 | 147.3 | 145.0 | 142.0 | 146.6 | 143.0 | 147.2 | 143.9 | 147.2 | 144.7 | 147.2 | 144.7 |
| 27 Property Losses (2) | 0.2 | 1.7 | 3.5 | 3.8 | 19.9 | 14.6 | 62.2 | 0.9 | 1.2 | 0.9 | 1.3 | 0.9 | 1.2 | 0.9 | 1.5 | 0.9 | 1.4 |
| 28 Total Payment of Losses | 115.8 | 123.0 | 130.1 | 140.6 | 159.3 | 161.1 | 209.5 | 145.9 | 143.2 | 147.5 | 144.3 | 148.1 | 145.1 | 148.1 | 146.2 | 148.1 | 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 | 163.1 | 211.6 | 148.0 | 145.3 | 149.6 | 146.3 | 150.1 | 147.2 | 150.1 | 148.2 | 150.1 | 148.1 |
| 35 Operating Expenditures: | | | | | | | | | | | | | | | | | |
| 36 Salaries & Benefits | 5.3 | 5.7 | 5.7 | 6.3 | 6.8 | 6.9 | 7.0 | 6.9 | 7.0 | 6.9 | 7.0 | 6.9 | 7.0 | 6.9 | 7.0 | 6.9 | 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 | 20.5 | 22.0 | 20.5 | 22.0 | 20.5 | 22.0 | 20.5 | 22.0 | 20.5 | 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 | 0.8 | 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 | 75.1 | 77.1 | 72.8 | 74.3 | 72.8 | 74.3 | 72.8 | 74.3 | 72.8 | 74.3 | 72.8 | 74.3 |
| 56 | | | | | | | | | | | | | | | | | |
| 57 Total Expenditures | 174.6 | 184.4 | 197.1 | 207.8 | 225.5 | 238.2 | 288.8 | 220.8 | 219.6 | 222.4 | 220.6 | 222.9 | 221.5 | 222.9 | 222.6 | 222.9 | 222.5 |
| 59 Net Income | 17.8 | 9.5 | (3.5) | (9.1) | (29.6) | (23.3) | (73.7) | (25.9) | (18.7) | (27.5) | (25.7) | (28.0) | (26.6) | (28.0) | (27.7) | (28.0) | (27.6) |
| 61 Ending Cash Balance | 66.8 | 76.5 | 73.0 | 64.0 | 34.4 | 11.1 | (39.3) | (14.8) | (18.7) | (27.5) | (25.7) | (28.0) | (26.6) | (28.0) | (27.7) | (28.0) | (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 \$14.9M in Hurricane Irma losses and \$46.0M in Hurricane Michael losses. Paid Hurricane Irma losses in 2017-18 totaled \$16.8M, for a hurricane loss total of \$31.7M.

(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.