Risk Management Trust Fund August 5, 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 on a fiscal year basis.

Trust fund income is calculated mainly based on information provided by the Division of Risk Management, Department of Financial Services. Final trust fund income for FY 2018-19 was \$252.1 million. This was \$36.7 million higher than the previous estimate due to an increase of \$35.0 million in the Additional Funding from GAA income category. This same category saw an adjustment of \$24.6 million for FY 2019-20. For FY 2020-21 through FY 2024-25, the Conference increased trust fund income by \$9 million annually. This change was primarily related to a new recurring appropriation to pay casualty insurance premiums.

On the expenditure-side of the forecast, the FY 2018-19 actuals were significantly lower than the prior estimate. Final non-operating expenditures for FY 2018-19 totaled \$168.5 million. This was \$35.1 million lower than the prior estimate. Largely, this is a result of the final property losses associated with Hurricane Michael coming in lower than the original estimate, as well as spilling into the next fiscal year—\$15.8 million of the hurricane payments shifted to FY 2019-20. In total, projected non-operating expenditures were \$162.0 million in FY 2019-20, \$147.0 million in FY 2020-21, \$147.9 million in FY 2021-22, \$149.1 million in FY 2022-23, \$149.0 million in FY 2023-24 and \$149.0 million in FY 2024-25.

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 forecast horizon, total annual operating expenditures are expected to be \$75.1 million in FY 2019-20 and \$75.0 thereafter.

In FY 2018-19, the ending cash balance came in positive, with a balance of \$52.7 million. The ending cash balance now remains positive through FY 2020-21. All subsequent years project deficits. 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
2019-20	(\$24.1)	\$36.0	\$60.1
2020-21	(\$25.8)	\$17.9	\$43.7
2021-22	(\$26.6)	(\$1.0)	\$25.6
2022-23	(\$27.7)	(\$20.1)	\$7.6
2023-24	(\$27.6)	(\$20.0)	\$7.6
2024-25	-	(\$20.0)	-

RISK MANAGEMENT TRUST FUND Revenue Estimating Conference (August, 2019)

0									2019-2020		2020-2021		2021-2022		2022-23		2023-24		2024	-25
Ū		14-15	15-16	16-17	17-18	18-19	18-19		Curr	New	Curr	New								
1	In millions)	Actual	Actual	Actual	Actual	Actual	Estimate	Difference	REC	Est	Est	Est								
2 Beginning Cash Balance		67.1	76.5	73.0	64.0	34.4	34.4		0.0	52.7	0.0	36.0	0.0	17.9	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	175.1	176.0	176.0	0.0	175.6	175.6	175.6	183.7	175.6	183.7	175.6	183.7	175.6	183.7	-	183.7
6	Property	12.2	12.2	12.2	12.2	12.2	12.2	0.0	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 Transfer from BSF	3.7	3.7	3.4 0.0	5.9	7.0	5.5	1.5	4.9	5.8	4.9	5.8	4.9	5.8	4.9	5.8 0.0	4.9 0.0	5.8	-	5.8
9 10	Investment Income	0.0 2.3	0.0 2.1	1.8	0.0 2.2	0.0 2.3	0.0 2.2	0.0 0.2	0.0 2.2	2.2	2.2	0.0 2.2	-	0.0 2.2						
11	Other Non Operating Receipts/Settlement	0.0	0.0	5.8	0.5	0.0	0.0	0.2	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		0.0
13	Additional Funding from GAA (2)	0.0	0.0	0.0	0.0	54.6	19.6	35.0	0.0	24.6	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	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	0.0
15	Total Income	193.8	193.6	198.8	195.9	252.1	215.4	36.7	195.6	220.4	194.9	203.9	194.9	203.9	194.9	203.9	194.9	203.9	0.0	203.9
16	Expenditures																			
17	Non-operating Expenditures																			
18	Casualty Losses																			
19	WC Indemnity	39.6	39.2	40.4	40.7	37.1	39.5	-2.4	42.9	42.9	42.5	42.5	42.2	42.2	41.9	41.9	41.9	41.9	-	41.9
20	WC Medical	66.9	70.8	68.4	78.9	76.0	77.0	-0.9	79.6	79.6	80.8	80.8	81.8	81.8	83.0	83.0	83.0	83.0	-	83.0
21 22	Total WC Payments General Liability	106.5 5.4	110.0 5.7	108.8 5.6	119.6 4.2	113.1 5.8	116.5 5.2	-3.4 0.6	122.5 5.6	122.5 5.6	123.3 5.8	123.3 5.8	124.0 5.9	124.0 5.9	124.9 5.9	124.9 5.9	124.9 5.9	124.9 5.9	0.0	124.9 5.9
23	Automotive Liability	2.9	3.6	4.9	4.2	5.3	4.3	1.0	4.1	5.0	4.4	5.0	4.4	5.9	4.3	5.9	4.3	5.9	-	5.9
24	Federal Civil Rights	6.5	7.2	17.5	10.8	12.6	18.2	-5.5	9.9	9.9	9.5	9.5	9.6	9.6	9.6	9.6	9.6	9.6		9.6
25	Total Casualty Losses	121.3	126.5	136.8	139.5	136.9	144.2	-7.3	142.0	143.1	143.0	143.7	143.9	144.6	144.7	145.5	144.7	145.5	0.0	145.5
26	Property Losses (3)	1.7	3.5	3.8	19.9	30.0	57.4	-27.4	1.2	16.9	1.3	1.3	1.2	1.2	1.5	1.5	1.4	1.4	-	1.4
27	Total Payment of Losses	123.0	130.1	140.6	159.3	166.9	201.6	-34.7	143.2	159.9	144.3	145.0	145.1	145.8	146.2	147.0	146.1	146.9	0.0	146.9
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	-	0.0
29	Transfer to ATF- DFS Admin Spt	1.3	1.4	1.2	1.4	1.6	2.0	-0.4	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	-	2.0
30	Refunds	0.1	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	-	0.1
31	Trust Fund Loan	0.0 124.4	0.0 131.5	0.0 141.8	0.0 160.8	0.0 168.5	0.0 203.7	0.0 -35.1	0.0 145.3	0.0 162.0	0.0 146.3	0.0 147.0	0.0 147.2	0.0 147.9	0.0 148.2	0.0 149.1	0.0 148.1	0.0 149.0	0.0	0.0 149.0
	32 Total Non-operating Expenditures		131.5	141.0	160.6	100.5	203.7	-35.1	145.3	162.0	146.3	147.0	147.2	147.9	140.2	149.1	140.1	149.0	0.0	149.0
33	Operating Expenditures:		r 7	0.0	0.0	0.0	7.0	0.4	7.0	7.4	7.0	7.4	7.0	7.4	7.0	7.4	7.0	7.4		7.4
34 35	Salaries & Benefits Other Personal Services	5.7 0.0	5.7 0.0	6.3 0.0	6.8 0.0	6.6 0.0	7.0 0.0	-0.4 0.0	7.0 0.0	7.1 0.0	7.0	7.1 0.0	7.0	7.1 0.0	7.0	7.1	7.0	7.1 0.0		7.1 0.0
36	Expenses	0.0	3.9	4.2	3.8	2.9	5.2	-2.2	5.2	5.1	5.2	5.1	5.2	5.1	5.2	5.1	5.2	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		0.0
38	Contracted Services	4.4	3.7	3.5	3.5	3.5	4.3	-0.8	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	-	4.3
39	Contracted Legal - Attorney General	5.5	4.9	5.4	4.1	4.0	6.6	-2.6	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	20.4	21.4	20.0	17.9	18.6	22.0	-3.4	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	10.8	13.3	14.6	15.5	15.8	17.7	-1.9	17.7	18.2	17.7	18.2	17.7	18.2	17.7	18.2	17.7	18.2	-	18.2
42	Excess Insurance & Claim Service	0.7	40.7	40.0	40.0	40.0	40.0	0.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0		40.0
43	Excess Property Insurance	9.7	10.7	10.9	10.9	10.8	10.9	0.0	10.9	10.9	10.9	10.9	10.9	10.9	10.9	10.9	10.9	10.9		10.9
44 45	DWC Assessments Broker Fees/RMIS Spt Fees	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	0.0	0.0	0.0		0.0
46	Total Excess Insurance	11.2	11.7	10.9	10.9	10.8	10.9	0.0	10.9	10.9	10.9	10.9	10.9	10.9	10.9	10.9	10.9	10.9	0.0	10.9
47	Risk Management Information Claims Sys	1.1	0.9	0.8	0.5	0.6	0.6	0.0	0.6	0.7	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		0.0
49	Risk Management Insurance	0.1	0.0	0.0	0.1	0.1	0.1	0.0	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 (4)	0.0	0.0	0.2	1.6	2.2	2.8	-0.6	0.0	0.1	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	-	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		0.0
53	Total Operating Expenditures	60.0	65.7	66.0	64.7	65.2	77.2	-12.0	74.4	75.1	74.4	75.0	74.3	75.0	74.3	75.0	74.3	75.0	0.0	75.0
54	T-4-1 F 24	404.4	407.4	207.0	205 5	200.0	000 0	4-7 4	242.5	227.4	200 -	222.0	204 5	222.0	222.0	224.5	222 5	222.0	0.0	222.0
55	Total Expenditures	184.4	197.1	207.8	225.5	233.8	280.8	-47.1	219.6	237.1	220.7	222.0	221.5	222.9	222.6	224.0	222.5	223.9		223.9
57 Net Income		9.5	(3.5)	(9.1)	(29.6)	18.3	(65.4)	83.8	(24.1)	(16.7)	(25.8)	(18.1)	(26.6)	(18.9)	(27.7)	(20.1)	(27.6)	(20.0)	0.0	(20.0)
59	Ending Cash Balance	76.5	73.0	64.0	34.4	52.7	(18.3)	71.1	(24.1)	36.0	(25.8)	17.9	(26.6)	(1.0)	(27.7)	(20.1)	(27.6)	(20.0)	0.0	(20.0)

Notes

⁽¹⁾ The 2019-2020 General Appropriations Act provides \$5,129,523 in recurring General Revenue and \$2,947,588 in recurring trust funds for distribution into customer agencies' Risk Management appropriation categories to pay casualty insurance premiums in order to alleviate future funding deficits within the program.

⁽²⁾ The FY 2019-2020 GAA, provided \$26,169,969 in General Revenue and \$2,947,588 in trust funds, for a total of \$29,117,557 appropriated in the Casualty Insurance Premium Deficit category. After the distributions made by budget amendment #EOG-B0002, there remains an undistributed amount of \$4,515,773 in trust fund authority (in Administered Funds) available for distribution into customer agencies Risk Management appropriation categories. In the event the Risk Management Trust Fund encounters a deficit during the 2019-2020 Fiscal Year, Department of Financial Services may request further distribution of the remaining \$4.5 million in Administered Funds.

^{(3) 2019-2020} property loss estimates include \$15.8M in Hurricane Michael losses and \$333K in Hurricane Irma losses. Paid Hurricane Michael losses totaled \$13.9M in 2018-2019, for a anticipated hurricane loss total of \$29.7M. Paid Hurricane Irma losses totaled \$15.3M in 2018-2019 and \$16.8M in 2017-2018, for a huricane loss total of \$32.4M.

⁽⁴⁾ 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 2018-19, Public Assistance - ST OPS expanded to include Hurricane Michael. For 2019-2020, the special category budget authority includes \$43K for Hurricane Irma and \$57K for Hurricane Michael.

⁽⁵⁾ It is assumed the projected deficits in Fiscal Years 2021-2022 through 2024-2025 will be resolved prior to the end of each fiscal year.