Risk Management Trust Fund August 11, 2021 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.

The trust fund income is calculated based on information provided by the Division of Risk Management, Department of Financial Services. FY 2020-21 trust fund income was \$213.0 million. This amount is slightly below the February estimate due to Subrogations/TTD Refunds and Investment Income coming in lower than expected. For FY 2021-22 through FY 2026-27, trust fund income is expected drop slightly and then stabilize at \$204.7 million each year. This estimate is \$0.6 million above the February estimate.

Non-operating expenditures totaled \$152.5 million in FY 2020-2021—only \$0.4 million above the February estimate. Both WC Medical and Property Losses were higher than forecasted. For the year, WC Medical paid out \$8.1 million for COVID-19 related claims. This level of claims ultimately caused WC Medical to end the year \$3.1 million above the February estimate. Other than property losses which were modestly above estimate, the remaining non-operating expenditures came in below the February estimate.

The DFS Directive that authorized the Division of Risk Management to pay Worker's Compensation claims related to COVID-19 ended on June 27, 2021. Any claims originating from the onset of COVID-19 occurring after that date are not valid; however, the Division projects that there are \$0.5 million in outstanding WC Indemnity claims and \$12.6 million in outstanding WC Medical claims. The level of outstanding WC Medical claims prompted the Conference to increase the WC Medical estimate for FY 2021-22 by \$4.0 million, in spite of an anticipated drop in non-COVID related claims.

Other significant changes in non-operating expenditures for FY 2021-22 include an upward revision to anticipated Property Losses of \$1.6 million. While approximately half of the adjustment addresses unpaid hurricane-related claims, the Conference also expects non-hurricane related claims to be higher than the February forecast. This latter expectation persists throughout the forecast period, prompting an increase of \$0.8 million per year. The administrative transfer to ATF- DFS Admin SPT was also revised upward to \$2.5 million from \$1.5 million.

Operating expenditures are expected to be range between \$76.5 million to \$76.6 million for FY 2021-22 through FY 2026-27. The changes reflect the Division's latest approved budget.

The ending cash balance for FY 2020-21 was \$64.8 million. It is projected to remain positive until FY 2024-25 when it turn negative, one year earlier than the February forecast.

	Old Ending Cash Balance	New Ending Cash Balance	Difference
2021-22	\$52.0	\$45.5	(\$6.5)
2022-23	\$38.7	\$30.4	(\$8.3)
2023-24	\$23.8	\$13.8	(\$10.0)
2024-25	\$8.2	(\$3.4)	(\$11.6)
2025-26	(\$7.3)	(\$17.2)	(\$9.9)
2026-27	(15.5)	(\$17.2)	(\$1.7)

RISK MANAGEMENT TRUST FUND

Revenue Estimating Conference (August, 2021)

0	0						2021-	2022	2022	2-23	2023	3-24	202	4-25	2025-	2026	2026-	2027
		16-17	17-18	18-19	19-20	20-21	Curr	New	Curr	New								
1	(In millions)	Actual	Actual	Actual	Actual	Actual	Est	Est	Est									
2	Beginning Cash Balance	73.0	64.0	34.4	52.7	67.0	64.8	64.8	52.0	45.5	38.7	30.4	23.8	13.8	8.2	0.0	0.0	0.0
3	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
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	5.9	7.0	6.6	14.7	5.6	6.5	5.6	6.5	5.6	6.5	5.6	6.5	5.6	6.5	5.6	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
10	Investment Income	1.8	2.2	2.3	4.2	2.4	2.7	2.3	2.7	2.3	2.7	2.3	2.7	2.3	2.7	2.3	2.7	2.3
11 12	Other Non Operating Receipts/Settlement Trust fund Loan	5.8 0.0	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
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
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
15	Total Income	198.8	195.9	252.1	223.2	213.0	204.1		204.1				204.1	204.7	204.1	204.7	204.1	204.7
16 Expenditures																		
17	Non-operating Expenditures																	
18	Casualty Losses																	
19	WC Indemnity	40.4	40.7	37.1	38.4	45.8	39.2	39.2	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	75.8	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	114.9	119.0	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	5.8	5.8	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	5.6	5.6	6.0	6.0	6.1	6.1	6.3	6.3	6.3	6.3	6.3	6.3
24	Federal Civil Rights	17.5	10.8	12.6	7.1	11.7	11.1	11.1	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 30.0	124.5	142.2	137.5	141.5 3.3	138.1	138.1	139.6	139.6 2.5	140.3	140.3 2.5	140.3	140.3 2.5	140.3	140.3
26 27	Property Losses (2) Total Payment of Losses	3.8 140.6	19.9 159.3	166.9	19.9 144.4	9.1 151.3	1.7 139.2	144.8	1.7	2.5	1.7	142.1	1.7	142.8	1.7 142.0	142.8	1.7	2.5 142.8
28	Transfer to BSF	0.0	0.0	0.0	0.0	101.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
29	Transfer to BOT Transfer to ATF- DFS Admin Spt	1.2	1.4	1.6	1.7	1.2	1.5	2.5	1.5	2.5	1.5	2.5	1.5	2.5	1.5	2.5	1.5	2.5
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
32	Total Non-operating Expenditures	141.8	160.8	168.5	146.1	152.5	140.8	147.4	141.4	143.2	142.9	144.7	143.6	145.4	143.6	145.4	143.6	145.4
33	Operating Expenditures:																	
34	Salaries & Benefits	6.3	6.8	6.6	6.8	7.0	8.1	8.2	8.1	8.2	8.1	8.2	8.1	8.2	8.1	8.2	8.1	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
36	Expenses	4.2	3.8	2.9	2.2	2.0	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
38	Contracted Services	3.5	3.5	3.5	3.9	4.0	4.4	4.7	4.4	4.7	4.4	4.7	4.4	4.7	4.4	4.7	4.4	4.7
39	FLAIR System Replacement			4.0	4.0	4.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
40 41	Contracted Legal - Attorney General	5.4 20.0	4.1	4.0	4.6	4.3	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6 22.0	6.6	6.6	6.6	6.6
41	Contracted Legal - Private Attorneys Contracted Medical Services	14.6	17.9 15.5	18.6 15.8	17.4 16.1	18.3 15.5	22.0 18.2	18.2	22.0 18.2	22.0 18.2	22.0 18.2	22.0 18.2						
43	Excess Insurance & Claim Service	14.0	13.3	13.0	10.1	10.0	10.2	10.2	10.2	10.2	10.2	10.2	10.2	10.2	10.2	10.2	10.2	10.2
44	Excess Property Insurance	10.9	10.9	10.8	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
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
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
47	Total Excess Insurance	10.9	10.9	10.8	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
48	Risk Management Information Claims Sys	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	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
50	Risk Management Insurance	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	0.1
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
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
53 54	53 HR Services Total Operating Expenditures		0.0 64.7	0.0 65.2	0.0 62.8	0.0 62.7	0.0 76.1	76.6	76.1	76.5	76.1	76.5	76.1	76.5	0.0 76.1	0.0 76.5	76.1	76.5
55			04.7	00.2	02.0	02.7	70.1	10.0	70.1	70.5	70.1	10.5	70.1	70.5	70.1	10.5	70.1	70.3
56	Total Expenditures	207.8	225.5	233.8	208.9	215.17	216.9	224.0	217.5	219.7	219.0	221,3	219.7	221.9	219.7	221.9	219.7	221.9
58	Net Income	(9.1)	(29.6)	18.3	14.2	(2.16)	(12.8)	(19.3)		(15.1)		(16.6)	(15.5)	(17.2)	(15.5)	(17.2)	(15.5)	(17.2)
60	Ending Cash Balance	64.0	34.4	52.7	67.0	64.81	52.0	45.5	38.7	30.4	23.8	13.8	8.2	(3.4)	(7.3)	` '	(15.5)	(17.2)
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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 FY2020-21, 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 FY2021-22 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 \$179K in Hurricane Michael losses, \$3K in Hurricane Irma losses, \$226K in Hurricane Sally losses, \$98K in Tropical Storm Eta losses, and \$256K 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.