

Executive Summary

- The Florida State Risk Management Trust Fund 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 income of this trust fund is calculated mainly based on information provided by the Division of Risk Management, Department of Financial Services.
- On the expenditure-side, the most critical item of the Risk Management Trust Fund is 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. Starting from FY 2010-11 on, the total payments of these casualty losses are separated into two parts: (1) loss payments; (2) the payments for contracted services, contracted legal services--Attorney General, and contracted legal services--private attorneys (the latter part of the total payment is recategorized into the Operating Expenditures of the program). Projected loss payment costs are \$141.5 million in FY 2011-12, \$164.3 million in FY 2012-13, \$155.1 million in FY 2013-14, \$163.1 million in FY 2014-15, and \$171.2 million in FY 2015-16.
- For the current fiscal year and the future years in this forecast period, only non-hurricane property loss payments are forecasted. The property loss payment is estimated to be \$0.5 million for the current fiscal year and each of the future fiscal years.
- 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. For FY 2011-12 and future fiscal years, the total operating expenditures mainly reflect the appropriated amount for FY 2011-12. Experience-to-date has not suggested a significant revision to these numbers.
- During the period FY 2004-05 to FY 2006-07, the Budget Stabilization Fund loaned the Risk Management Trust Fund a total of \$22,813,741 to cover catastrophic hurricane loss claims. The Risk Management Trust Fund has repaid \$20,772,120.55 as of September 20, 2011, with a remaining balance of \$2,041,620.45. Beginning in FY 2009-10, s. 215.32(3), F.S., required repayment to the BSF to be made in equal installments of \$1,756,330.20 for five fiscal years. Based on the amounts paid to date, the remaining annual payments are as follows: \$285,290.25 for FY 2012-13 and \$1,756,330.20 for FY 2013-14.

- From FY 2012-13 on, the ending balances are projected to be negative, and annual legislative actions have been assumed to eliminate these shortfalls. Accordingly, the beginning balances for the subsequent years are zero.

RISK MANAGEMENT TRUST FUND
Revenue Estimating Conference (October 07, 2011)

	10-11 Actual	2011-12		2012-13		2013-14		2014-2015		2015-16	
		Current REC Estimate	New REC Estimate	Current REC Estimate	New REC Estimate	Current REC Estimate	New REC Estimate	Current REC Estimate	New REC Estimate	Current REC Estimate	New REC Estimate
(In millions)											
Beginning Cash Balance	4.9	25.3	25.3	17.6	16.7	7.4	0.0	0.0	0.0	0.0	0.0
Income											
Premiums											
Casualty	175.6	175.6	175.6	175.6	175.6	175.6	175.6	175.6	175.6	n/a	175.6
Property	12.2	12.2	12.2	12.2	12.2	12.2	12.2	12.2	12.2	n/a	12.2
Law Vehicles	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	n/a	0.0
Subrogations/TTD refunds/Others	7.2	3.6	3.6	4.9	4.9	4.9	4.9	3.1	3.1	n/a	3.1
Transfer from BSF	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	n/a	0.0
Investment Income	2.3	2.3	2.3	2.6	2.6	2.9	2.9	2.9	2.9	n/a	2.9
Trust fund Loan (1)	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	n/a	20.0
Additional Funding from BOB of GAA	2.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	n/a	0.0
Total Income	219.9	213.7	213.7	215.3	215.3	215.6	215.6	213.8	213.8	n/a	213.8
Expenditures											
Non-operating expenditures											
Casualty Losses											
WC Indemnity	40.5	39.6	40.5	40.0	41.4	40.4	42.1	40.8	42.7	n/a	43.4
WC Medical	71.4	70.7	77.6	74.9	83.3	79.4	89.4	84.2	95.6	n/a	101.9
Total WC Payments	112.0	110.3	118.1	114.9	124.7	119.8	131.5	125.0	138.3	n/a	145.2
General Liability	5.3	7.4	7.2	7.8	7.6	8.2	7.9	8.5	8.4	n/a	9.0
Automotive Liability	3.1	3.1	3.4	3.2	3.6	3.2	3.8	3.3	3.9	n/a	4.0
Federal Civil Rights	4.1	19.5	12.7	16.9	28.4	18.3	11.9	19.0	12.5	n/a	13.0
Total Casualty Losses	124.4	140.3	141.5	142.8	164.3	149.5	155.1	155.8	163.1	n/a	171.2
Property Losses	0.2	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	n/a	0.5
Total Payment of Losses	124.6	140.8	142.0	143.3	164.8	150.0	155.6	156.3	163.6	n/a	171.7
Transfer to BSF (2)	4.2	0.2	0.1	1.8	0.3	1.8	1.8	0.0	0.0	n/a	0.0
Transfer to ATF- DFS Admin Spt	1.3	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	n/a	1.4
Refunds	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	n/a	0.1
Trust Fund Loan	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	n/a	20.0
Total Non-operating Expenditures	150.1	162.6	163.6	166.6	186.6	173.3	178.9	177.8	185.1	n/a	193.2
Operating Expenditures:											
Salaries & Benefits	5.1	5.6	5.5	5.6	5.5	5.6	5.5	5.6	5.5	n/a	5.5
Other Personal Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	n/a	0.0
Expenses	0.7	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	n/a	0.9
Operating Capital Outlay	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	n/a	0.0
Contracted Services	11.6	15.2	15.2	15.2	15.2	15.2	15.2	15.2	15.2	n/a	15.2
Contracted Legal - Attorney General	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	n/a	4.3
Contracted Legal - Private Attorneys	16.1	19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0	n/a	19.0
Excess Insurance & Claim Service											
Excess Property Insurance	8.9	9.3	9.3	9.3	9.3	9.3	9.3	9.3	9.3	n/a	9.3
DWC Assessments	2.3	3.8	3.7	3.8	3.7	3.8	3.7	3.8	3.7	n/a	3.7
Broker Fees/RMIS Spt Fees	0.2	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	n/a	0.6
Total Excess Insurance	11.5	13.7	13.7	13.7	13.7	13.7	13.7	13.7	13.7	n/a	13.7
Risk Management Insurance	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	n/a	0.1
HR Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	n/a	0.0
Total Operating Expenditures	49.4	58.9	58.7	58.9	58.7	58.9	58.7	58.9	58.7	n/a	58.7
Total Expenditures	199.5	221.5	222.3	225.5	245.3	232.2	237.6	236.7	243.9	n/a	252.0
Net Income	20.4	(7.8)	(8.6)	(10.2)	(30.0)	(16.6)	(22.0)	(22.9)	(30.1)	n/a	(38.1)
Ending Cash Balance (3)	25.3	17.6	16.7	7.4	(13.3)	(9.2)	(22.0)	(22.9)	(30.1)	n/a	(38.1)

Notes:

- (1) The Trust Fund Loan is a safety measure in case the SRMTF ending balance for a fiscal year is less than \$20m. The SRMTF monthly expenditures vary from \$11.9m to \$23.6m and average \$16.6m. If the SRMTF does not have enough funds to start a fiscal year until such time that premiums can be collected, the SRMTF would have to stop paying claims until sufficient premiums were collected. This situation could lead to severe fines and penalties. The Trust Fund Loan is only drawn down if necessary, allows the SRMTF to operate until the premiums are collected, and is repaid within the same fiscal year that the Loan is taken out.
- (2) During the period FY0405 to FY0607, the BSF loaned the State Risk Management Trust Fund a total of \$22,813,741 to cover catastrophic hurricane loss claims. As of September 20, 2011, the SRMTF has repaid \$20,772,120.55 with a remaining balance of \$2,041,620.45. Beginning in FY0910, 215.32(3) F.S. required repayment to the BSF to be made in equal installments of \$1,756,330.20 for five fiscal years. Based on the amount paid to date, the remaining annual payments are as follows: FY1213 - \$285,290.25, and FY1314 - \$1,756,330.20. The BSF is reimbursed with FEMA funds from the hurricanes. FEMA funds are paid to Agencies for claims on these catastrophic hurricane losses & the funds are then passed by the Agencies to the SRMTF to re-pay the BSF loan. Due to FEMA denying Agencies' claims or Agencies not submitting a FEMA claim, the SRMTF will be responsible for paying approximately \$900,000 of the outstanding BSF loan.
- (3) When the ending balance is a deficit for a fiscal year, it is assumed that legislative action will be taken to eliminate the shortfalls. The shortfall is not carried into the next fiscal year.