

**Risk Management Trust Fund**  
**July 11, 2013**  
**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 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 SRMTF 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 and (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 \$158.0 million in FY 2013-14, \$144.2 million in FY 2014-15, \$147.9 million in FY 2015-16, \$151.4 million in FY 2016-17, 158.3 million in FY 2017-18, and \$158.3 in FY 2018-19.

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 \$0.8 million in FY 2013-14 and FY 2014-15, \$0.9 million FY 2015-16 and FY 2016-17, and \$1.0 million in FY 2017-18 and FY 2018-19.

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. Beginning FY 2013-14 and continuing through the forecast, contracted services and contracted legal expenditures are projected to remain stable at a total combined amount of \$38.5 million per year.

During the period FY 2004-05 to FY 2006-07, the Budget Stabilization Fund (BSF) loaned the SRMTF a total of \$22,813,741 to cover catastrophic hurricane loss claims. As of July 11, 2013, the SRMTF has repaid \$21,359,987.19 with a remaining balance of \$1,453,753.81. Beginning in FY 2009-10, Florida Statutes [s. 215.32(3), F.S.] required repayment to the BSF in equal installments of \$1,756,330.20 for five fiscal years. Based on the amount paid to date, the remaining \$1,453,753.81 will be paid in FY 2013-14. Prior payments have come from FEMA funds paid to agencies for claims related to the catastrophic hurricane losses, with those funds then further transmitted by the agencies to the SRMTF to repay the BSF loan. The forecast assumes that all of the remaining obligation to the BSF will come directly from SRMTF revenues.

In FY 2013-14 and FY 2014-15, the ending balances are projected to be positive; however, each of the subsequent years has a negative ending balance. The forecast assumes that annual legislative actions will eliminate those shortfalls. Accordingly, the beginning balances for the subsequent years are zero.

**RISK MANAGEMENT TRUST FUND**  
Revenue Estimating Conference (July 11, 2013)

(In millions)	13-Dec	2013-14		2014-15		2015-16		2016-2017		2017-18		2018-19	
		Current REC Estimate	New REC Estimate	Current REC Estimate	New REC Estimate	Current REC Estimate	New REC Estimate	Current REC Estimate	New REC Estimate	REC Estimate	New REC Estimate	REC Estimate	New REC Estimate
<b>Beginning Cash Balance</b>	36.7	49.0	49.0	23.9	19.2	13.6	6.9	0.6	0.0	0.0	0.0	0.0	0.0
<b>Income</b>													
Premiums													
Casualty	175.5	175.6	175.6	175.6	175.6	175.6	175.6	175.6	175.6	175.6	175.6	0.0	175.6
Property	12.3	12.2	12.2	12.2	12.2	12.2	12.2	12.2	12.2	12.2	12.2	0.0	12.2
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
Subrogations/TTD refunds/Others (5)	3.0	4.2	3.0	3.1	3.0	3.1	3.0	3.1	3.0	3.1	3.0	0.0	3.0
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
Investment Income	2.3	2.9	2.3	2.9	2.3	2.9	2.3	2.9	2.3	2.9	2.3	0.0	2.3
Trust fund Loan (1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Additional Funding from BOB of GAA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Income</b>	<b>193.2</b>	<b>194.9</b>	<b>193.2</b>	<b>193.8</b>	<b>193.2</b>	<b>193.8</b>	<b>193.2</b>	<b>193.8</b>	<b>193.2</b>	<b>193.8</b>	<b>193.2</b>	<b>0.0</b>	<b>193.2</b>
<b>Expenditures</b>													
Non-operating expenditures													
Casualty Losses													
WC Indemnity	37.5	37.5	37.5	37.3	37.3	37.2	37.2	37.2	37.2	37.3	37.3	0.0	37.3
WC Medical	71.9	84.0	84.0	87.0	87.0	90.1	90.1	93.3	93.3	100.1	100.1	0.0	100.1
Total WC Payments	109.4	121.5	121.5	124.3	124.3	127.3	127.3	130.5	130.5	137.4	137.4	0.0	137.4
General Liability	5.2	7.0	7.0	6.6	6.6	6.4	6.4	6.4	6.4	6.3	6.3	0.0	6.3
Automotive Liability	3.4	2.7	2.7	2.8	2.8	2.8	2.8	2.9	2.9	3.0	3.0	0.0	3.0
Federal Civil Rights (4)	7.8	26.5	26.8	9.6	10.5	9.4	11.4	10.8	11.6	10.9	11.6	0.0	11.6
Total Casualty Losses	125.9	157.7	158.0	143.3	144.2	145.9	147.9	150.6	151.4	157.6	158.3	0.0	158.3
Property Losses	1.2	0.8	0.8	0.8	0.8	0.9	0.9	0.9	0.9	1.0	1.0	0.0	1.0
Total Payment of Losses	127.1	158.5	158.8	144.2	145.0	146.8	148.8	151.5	152.3	158.6	159.3	0.0	159.3
Transfer to BSF (2)	0.5	1.5	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfer to ATF- DFS Admin Spt	1.1	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	0.0	0.0	0.0	0.0
Refunds	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0
Trust Fund Loan (1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Non-operating Expenditures	128.8	161.3	161.6	145.5	146.3	148.1	150.1	152.8	153.6	158.6	159.3	0.0	159.3
Operating Expenditures:													
Salaries & Benefits	5.0	5.4	5.8	5.4	5.8	5.4	5.8	5.4	5.8	5.4	5.8	0.0	5.8
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
Expenses	0.7	0.9	1.0	0.9	1.0	0.9	1.0	0.9	1.0	0.9	1.0	0.0	1.0
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
Contracted Services	12.5	14.2	14.2	14.2	14.2	14.2	14.2	14.2	14.2	14.2	14.2	0.0	14.2
Contracted Legal - Attorney General	5.2	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	0.0	6.3
Contracted Legal - Private Attorneys	15.2	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	0.0	18.0
Excess Insurance & Claim Service													
Excess Property Insurance	9.7	9.3	9.7	9.3	9.7	9.3	9.7	9.3	9.7	9.3	9.7	0.0	9.7
DWC Assessments	2.9	3.7	2.9	3.7	2.9	3.7	2.9	3.7	2.9	3.7	2.9	0.0	2.9
Broker Fees/RMIS Spt Fees	0.6	0.6	3.3	0.6	1.0	0.6	1.0	0.6	1.0	0.6	1.0	0.0	1.0
Total Excess Insurance	13.3	13.7	15.9	13.7	13.7	13.7	13.7	13.7	13.7	13.7	13.7	0.0	13.7
Risk Management Insurance	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1
Lease or Lease Purchase of Equip (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
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
Total Operating Expenditures	52.1	58.7	61.4	58.7	59.1	58.7	59.2	58.7	59.2	58.7	59.2	0.0	59.2
<b>Total Expenditures</b>	<b>180.8</b>	<b>220.0</b>	<b>223.0</b>	<b>204.2</b>	<b>205.5</b>	<b>206.8</b>	<b>209.2</b>	<b>211.5</b>	<b>212.8</b>	<b>217.3</b>	<b>218.5</b>	<b>0.0</b>	<b>218.5</b>
<b>Net Income</b>	<b>12.3</b>	<b>(25.1)</b>	<b>(29.8)</b>	<b>(10.3)</b>	<b>(12.3)</b>	<b>(13.0)</b>	<b>(16.1)</b>	<b>(17.7)</b>	<b>(19.6)</b>	<b>(23.5)</b>	<b>(25.3)</b>	<b>0.0</b>	<b>(25.3)</b>
<b>Ending Cash Balance (3)</b>	<b>49.0</b>	<b>23.9</b>	<b>19.2</b>	<b>13.6</b>	<b>6.9</b>	<b>0.6</b>	<b>(9.2)</b>	<b>(17.1)</b>	<b>(19.6)</b>	<b>(23.5)</b>	<b>(25.3)</b>	<b>0.0</b>	<b>(25.3)</b>

Notes:

(1) The Trust Fund Loan column is a safety measure in case the SRMTF ending balance for a fiscal year is less than \$20m. The Trust Fund Loan was not needed for the beginning of FY1314. 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 requested if necessary, which will allow 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 July 11th, 2013, the SRMTF has repaid \$21,359,987.19 with a remaining balance of \$1,453,753.81 to be repaid in FY1314. 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. While the \$1,453,753.81 will be repaid from the SRMTF in FY1314, based on current responses from agencies, up to \$704,519.95 may be reimbursed to the agencies by FEMA and subsequently reimbursed to the SRMTF.