

Risk Management Trust Fund

December 5, 2016

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 of the forecast, 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. In total, projected casualty losses were \$149.1 million in FY 2016-17, \$139.7 million in FY 2017-18, \$143.3 million in FY 2018-19, \$147.3 million in FY 2019-20, and \$146.7 million each in the 2020-21 and 2021-22 fiscal years. These estimates are based on an updated actuarial report and the new triangle data supplied by the Department of Financial Services.

The property loss payment estimate for FY 2016-17 is \$6.4 million, \$2.8 million higher than the prior year's actual. \$5.7 million of the estimate accounts for damage relating to the two hurricanes, Matthew and Hermine. For FY 2017-18 and onward, covered property losses are projected to be \$0.6 million each year.

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 all fiscal years, the total annual operating expenditures are expected to be \$71.5 million.

For FY 2016-17 and FY 2017-18, the ending balances are projected to be positive but diminishing. In FY 2018-19, the balance turns negative 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:

- FY 2016-17... +38.1 million
- FY 2017-18... +18.6 million
- FY 2018-19... (4.5) million
- FY 2019-20... (27.1) million
- FY 2020-21... (26.5) million
- FY 2021-22... (27.1) million

An anticipated NCCI rate increase resulting from recent Florida Supreme Court rulings and medical fee schedule changes will likely alter this trust fund outlook. While projections have been included in a separate note for informational purposes, they are believed to more likely reflect the fund's maximum exposure rather than the probable result and, therefore, were not included at this time.

RISK MANAGEMENT TRUST FUND
Revenue Estimating Conference (December 5, 2016)

	History			2016-17		2017-18		2018-19		2019-2020		2020-21		2021-22	
	13-14 Actual	14-15 Actual	15-16 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
(In millions)															
Beginning Cash Balance	49.0	67.1	76.5	73.0	73.0	49.1	38.1	34.5	18.6	16.0	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	175.6	175.6	175.6	175.6	175.6	175.6
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
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
Subrogations/TTD refunds/Others	3.4	3.7	3.7	3.4	3.9	3.4	3.9	3.4	3.9	3.4	3.9	3.4	3.9	3.4	3.9
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
Investment Income	1.3	2.3	2.1	2.1	2.1	2.2	2.2	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
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
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	0.0	0.0
Total Income	192.4	193.8	193.6	193.3	193.8	193.4	193.9	193.5	194.0	193.5	194.0	193.5	194.0	193.5	194.0
Expenditures															
Non-operating Expenditures															
Casualty Losses															
WC Indemnity (2)	37.8	39.6	39.2	39.2	40.8	39.6	41.4	39.8	41.8	40.1	42.2	40.1	42.6	40.1	42.9
WC Medical (2)	63.7	66.9	70.8	74.8	74.8	77.8	77.8	81.1	81.1	84.3	84.3	84.3	84.3	84.3	84.3
Total WC Payments	101.5	106.5	110.0	114.0	115.6	117.4	119.2	120.9	122.9	124.4	126.5	124.4	126.9	124.4	127.2
General Liability	4.7	5.4	5.7	5.3	5.8	5.1	6.2	5.2	6.6	5.3	7.0	5.3	7.5	5.3	7.8
Automotive Liability	3.1	2.9	3.6	3.2	3.2	3.2	3.2	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3
Federal Civil Rights	6.4	6.5	7.2	21.0	24.5	8.6	11.0	9.1	10.5	9.5	10.5	9.5	9.1	9.5	9.0
Total Casualty Losses	115.6	121.3	126.5	143.6	149.1	134.3	139.7	138.4	143.3	142.4	147.3	142.4	146.7	142.4	147.3
Property Losses	0.2	1.7	3.5	0.6	6.4	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Total Payment of Losses	115.8	123.0	130.1	144.1	155.5	134.9	140.3	139.1	144.0	143.1	147.9	143.1	147.4	143.1	147.9
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
Transfer to ATF- DFS Admin Spt	0.9	1.3	1.4	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Refunds	0.0	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	0.1
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
Total Non-operating Expenditures	118.2	124.4	131.5	145.8	157.1	136.6	141.9	140.7	145.6	144.7	149.6	144.7	149.0	144.7	149.6
Operating Expenditures:															
Salaries & Benefits	5.3	5.7	5.7	6.6	6.7	6.6	6.7	6.6	6.7	6.6	6.7	6.6	6.7	6.6	6.7
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
Expenses	0.7	0.7	3.9	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2
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
Contracted Services	14.9	4.4	3.7	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2
Contracted Legal - Attorney General	4.8	5.5	4.9	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6
Contracted Legal - Private Attorneys (2)	16.4	20.4	21.4	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0
Contracted Medical Services	0.0	10.8	13.3	15.3	15.3	15.2	15.3	15.2	15.3	15.2	15.3	15.2	15.3	15.2	15.3
Excess Insurance & Claim Service															
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
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
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
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
Risk Management Information Claims Sys	0.0	1.1	0.9	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Risk Management Insurance	0.1	0.1	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
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
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
Total Operating Expenditures	56.4	60.0	65.7	71.5	71.5	71.4	71.5	71.4	71.5	71.4	71.5	71.4	71.5	71.4	71.5
Total Expenditures	174.6	184.4	197.1	217.2	228.6	207.9	213.4	212.0	217.1	216.1	221.1	216.1	220.5	216.1	221.1
Net Income	17.8	9.5	(3.5)	(24.0)	(34.9)	(14.5)	(19.5)	(18.6)	(23.1)	(22.6)	(27.1)	(22.6)	(26.5)	(22.6)	(27.1)
Ending Cash Balance	66.8	76.5	73.0	49.1	38.1	34.5	18.6	16.0	(4.5)	(6.6)	(27.1)	(22.6)	(26.5)	(22.6)	(27.1)

Notes:

(1) The Department of Financial Services has submitted a budget amendment for \$4.8 million regarding Hurricane Matthew loss payments and contracted claims adjusting service expenditures. If the budget amendment is approved, Hurricane Matthew property loss payments up to \$4.5 million will be transferred from the non-operating property losses category into a special operating category established for expenditures related to Hurricane Matthew. Contracted claims adjustment service expenditures up to \$300,000 will be transferred from the contracted services category into the special operating category.

(2) Estimates do not include the NCCI rate increase resulting from recent Florida Supreme Court rulings and medical fee schedule changes. The potential impact of rate increases on estimates affect Workers' Compensation Indemnity and Medical Non-Operating Casualty Losses and Contracted Legal - Private Attorney Operating Expenditures. Estimated total impact, by fiscal year, is 8.5 million in 2016-2017, 9.3 million in 2017-2018, 10.0 million in 2018-2019, 10.9 million in 2019-2020, 11.7 million in 2020-2021, and 11.7 million in 2021-2022. Based upon final impact estimates, budget action may be required no later than fiscal year 2018-2019 to address the deficit cash balance.