

Risk Management Trust Fund

July 27, 2022

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 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 based on information provided by the Division of Risk Management, Department of Financial Services. Overall income for FY 2021-22 totaled \$205.8 million. This amount was slightly above the estimate made in December 2021 because the gain in Subrogations/TTD Refunds more than offset a small loss in Investment Income.

The Conference lowered the casualty premium revenue estimate for FY 2022-23 from the original projection of \$183.7 million to \$177.6 million. The final allocation of premiums among agencies in FY 2022-23 was heavily influenced by the FY 2020-21 COVID-19 claims data. As a result, the Department of Corrections' premium cost grew by \$10.2 million in FY 2022-23. This amount exceeded the FY 2022-23 appropriation from General Revenue by \$6.1 million. The COVID-19 claims data will also impact the FY 2023-24 and FY 2024-25 agency casualty premium allocations; however, the Conference assumed the agencies' casualty premiums will be fully funded in the future. For FY 2023-24 through FY 2027-28, trust fund income is expected to remain at the prior estimate of \$204.6 million.

Non-operating expenditures totaled \$152.6 million in FY 2021-22, \$7.9 million below the prior estimate of \$160.5 million. The difference was primarily attributed to lower than expected losses for WC Indemnity and Federal Civil Rights. The losses for WC Indemnity totaled \$39.8 million, which was \$3.4 million below the prior estimate. For Federal Civil Rights, the final number was \$4.1 million below the expected \$15.3 million, but several large claims have now shifted into FY 2022-23. All of the other non-operating categories were within \$1 million of the prior estimates.

The Conference increased the forecast for non-operating expenditures to \$151.1 for FY 2022-23. This expenditure level is \$7.7 million above the prior forecast. WC Medical was increased by \$2.9 million to incorporate a large expected payout of a medical claim in FY 2022-23. Both General Liability and Automotive Liability were increased to reflect FY 2021-22 data that suggests the average payout per claim will be higher than previously thought. Federal Civil Rights was increased by \$2.9 million to address the payouts that shifted from FY 2021-22 to FY 2022-23. Both Property Losses and WC Indemnity remained the same. For FY 2023-24, the non-operating expenditure total is forecasted to drop to \$145.9 million, before stabilizing at \$146.2 million for each of the remaining years.

Annual operating expenditures are expected to stay at \$76.7 million for the entire forecast.

The ending cash balance for FY 2021-22 was \$54.9 million. The balance is projected to remain positive until FY 2024-25 when it turns negative. This matches the outlook adopted as part of the prior forecast. Implicit in the results is the assumption that the Legislature will address any deficits in the year in which they appear. See the table on the following page for details.

	Dec 2021 Ending Cash Balance	July 2022 Ending Cash Balance	Difference
2022-23	\$17.6	\$25.7	\$8.1
2023-24	\$0.7	\$7.7	\$7.0
2024-25	(\$16.9)	(\$10.5)	\$6.4
2025-26	(\$17.5)	(\$18.3)	(\$0.8)
2026-27	(\$17.5)	(\$18.3)	(\$0.8)
2027-28		(\$18.3)	

RISK MANAGEMENT TRUST FUND
Revenue Estimating Conference (July, 2022)

0

1 (In millions)

	2022-2023		2023-24		2024-25		2025-26		2026-2027		2027-2028					
	16-17 Actual	17-18 Actual	18-19 Actual	19-20 Actual	20-21 Actual	21-22 Actual	Curr Est	New Est	Curr Est	New Est	Curr Est	New Est	Curr Est	New Est		
2 Beginning Cash Balance	73.0	64.0	34.4	52.7	67.0	64.8	33.0	54.9	17.6	25.7	0.7	7.7	0.0	0.0	0.0	0.0
3 Income																
4 Premiums																
5 Casualty	175.6	175.1	176.0	175.6	183.7	183.7	183.7	177.6	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
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
8 Subrogations/TTD refunds/Others	3.4	5.9	7.0	6.6	14.7	9.0	6.5	7.0	6.5	7.0	6.5	7.0	6.5	7.0	6.5	7.0
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	1.0	2.3	1.7	2.3	1.7	2.3	1.7	2.3	1.7	2.3	1.7
11 Other Non Operating Receipts/Settlement	5.8	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
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
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	0.0	0.0	0.0	0.0	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	205.8	204.6	198.6	204.6	204.6	204.6	204.6	204.6	204.6	204.6	204.6
16 Expenditures																
17 Non-operating Expenditures																
18 Casualty Losses																
19 WC Indemnity	40.4	40.7	37.1	38.4	45.8	39.8	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	80.6	77.0	79.9	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	120.3	116.2	119.1	117.5	117.6	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	7.6	5.9	6.8	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	6.7	6.2	6.5	6.3	6.5	6.5	6.5	6.5	6.5	6.5	6.5
24 Federal Civil Rights	17.5	10.8	12.6	7.1	11.7	11.2	9.9	12.8	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	124.5	142.2	145.9	138.3	145.2	139.8	140.1	140.5	140.4	140.5	140.5	140.5	140.5
26 Property Losses (2)	3.8	19.9	30.0	19.9	9.1	5.0	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
27 Total Payment of Losses	140.6	159.3	166.9	144.4	151.3	150.8	140.8	147.7	142.3	142.6	143.0	142.9	143.0	143.0	143.0	143.0
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
29 Transfer to ATF- DFS Admin Spt	1.2	1.4	1.6	1.7	1.2	1.7	2.5	3.2	2.5	3.2	2.5	3.2	2.5	3.2	2.5	3.2
30 Refunds	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.2	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
32 Total Non-operating Expenditures	141.8	160.8	168.5	146.1	152.5	152.6	143.4	151.1	144.9	145.9	145.6	146.2	145.6	146.2	145.6	146.2
33 Operating Expenditures:																
34 Salaries & Benefits	6.3	6.8	6.6	6.8	7.0	6.4	8.2	8.2	8.2	8.2	8.2	8.2	8.2	8.2	8.2	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
36 Expenses	4.2	3.8	2.9	2.2	2.0	2.1	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
38 Contracted Services	3.5	3.5	3.5	3.9	4.0	3.7	4.7	4.8	4.7	4.8	4.7	4.8	4.7	4.8	4.7	4.8
39 FLAIR System Replacement						0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
40 Contracted Legal - Attorney General	5.4	4.1	4.0	4.6	4.3	3.7	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6
41 Contracted Legal - Private Attorneys	20.0	17.9	18.6	17.4	18.3	18.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0
42 Contracted Medical Services	14.6	15.5	15.8	16.1	15.5	17.7	18.2	18.2	18.2	18.2	18.2	18.2	18.2	18.2	18.2	18.2
43 Excess Insurance & Claim Service																
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
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
46 Broker Fees/RMS 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
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
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
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
50 Risk Management Insurance	0.0	0.1	0.1	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
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
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
53 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
54 Total Operating Expenditures	66.0	64.7	65.2	62.8	62.7	63.2	76.6	76.7	76.6	76.7	76.6	76.7	76.6	76.7	76.6	76.7
55 Total Expenditures	207.8	225.5	233.8	208.9	215.17	215.8	220.0	227.8	221.5	222.6	222.2	222.8	222.2	222.9	222.2	222.9
56 Net Income	(9.1)	(29.6)	18.3	14.2	(2.16)	(9.92)	(15.4)	(29.2)	(16.9)	(18.0)	(17.5)	(18.2)	(17.5)	(18.3)	(17.5)	(18.3)
60 Ending Cash Balance	64.0	34.4	52.7	67.0	64.8	54.9	17.6	25.7	0.7	7.7	(16.9)	(10.5)	(17.5)	(18.3)	(17.5)	(18.3)

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 FY 2020-21, WC Indemnity paid out \$8.6M in COVID-19 claims and WC Medical paid out \$8.1M in COVID-19 claims. In FY 2021-22, WC Indemnity paid out \$2.2M in COVID-19 claims and WC Medical paid out \$7.3M in COVID-19 claims. Indemnity and medical benefits related to COVID-19 will continue to be paid in FY 2022-23 for workers' compensation claims determined to be compensable under the Directive for illnesses originating within the covered period.

(2) FY 2022-2023 property loss estimate includes \$22K in Tropical Storm Alex losses. Paid Hurricane losses for FY 2021-2022 included \$1.2M for Hurricane Elsa, \$836K for Hurricane Sally, \$46K in Tropical Storm Eta losses, and \$43K in Hurricane Michael losses.

(3) FY 2022-2023 casualty premiums revenue estimates were reduced from the projected \$183.7 million to \$177.6 million. The agency casualty premiums allocation for FY 2022-2023 reflects the impact of FY 2020-2021 COVID-19 claims data. The agency most impacted by this was the Department of Corrections, which is funded by General Revenue (GR). The aggregate casualty premium increase for the agency was \$10.2 million for FY 2022-2023 compared to FY 2021-2022. This exceeded the FY 2022-2023 GR appropriation by \$6.1 million and created a deficit in FY 2022-2023 casualty premium funding. The FY 2020-2021 COVID-19 data will also impact the FY 2023-2024 and FY 2024-2025 agency casualty premium allocations.