

**Executive Summary**  
**Risk Management Trust Fund**  
July 11, 2012

- 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; (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 \$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 2012-13 and future fiscal years, the total operating expenditures mainly reflect the appropriated amount for FY 2012-13. 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 (BSF) loaned the SRMTF a total of \$22,813,741 to cover catastrophic hurricane loss claims. As of June 30, 2012, the SRMTF has repaid \$20,814,160.40 with a remaining balance of \$1,999,580.60. 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 annual payments are as follows: FY 2012-13 - \$300,000.00 and FY 2013-14 - \$1,699,580.60. FEMA funds are paid to agencies for claims related to catastrophic hurricane losses, and the funds are then transmitted by the agencies to the SRMTF to repay the BSF loan.

- From FY 2013-14 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 (July 11, 2012)

(In millions)	11-12 Actual	2012-13		2013-14		2014-15		2015-2016	
		Current REC Estimate	New REC Estimate						
<b>Beginning Cash Balance</b>	<b>25.3</b>	<b>16.7</b>	<b>37.6</b>	<b>0.0</b>	<b>7.7</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Income</b>									
Premiums									
Casualty	176.6	175.6	175.6	175.6	175.6	175.6	175.6	175.6	175.6
Property	11.3	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
Subrogations/TTD refunds/Others	3.1	4.9	4.9	4.9	4.9	3.1	3.1	3.1	3.1
Transfer from BSF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investment Income	2.4	2.6	2.6	2.9	2.9	2.9	2.9	2.9	2.9
Trust fund Loan (1)	0.0	20.0	0.0	20.0	0.0	20.0	0.0	20.0	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
<b>Total Income</b>	<b>193.3</b>	<b>215.3</b>	<b>195.3</b>	<b>215.6</b>	<b>195.6</b>	<b>213.8</b>	<b>193.8</b>	<b>213.8</b>	<b>193.8</b>
<b>Expenditures</b>									
Non-operating expenditures									
Casualty Losses									
WC Indemnity	38.7	41.4	41.4	42.1	42.1	42.7	42.7	43.4	43.4
WC Medical	73.8	83.3	83.3	89.4	89.4	95.6	95.6	101.9	101.9
<b>Total WC Payments</b>	<b>112.5</b>	<b>124.7</b>	<b>124.7</b>	<b>131.5</b>	<b>131.5</b>	<b>138.3</b>	<b>138.3</b>	<b>145.2</b>	<b>145.2</b>
General Liability	4.1	7.6	7.6	7.9	7.9	8.4	8.4	9.0	9.0
Automotive Liability	2.4	3.6	3.6	3.8	3.8	3.9	3.9	4.0	4.0
Federal Civil Rights	8.4	28.4	28.4	11.9	11.9	12.5	12.5	13.0	13.0
<b>Total Casualty Losses</b>	<b>127.4</b>	<b>164.3</b>	<b>164.3</b>	<b>155.1</b>	<b>155.1</b>	<b>163.1</b>	<b>163.1</b>	<b>171.2</b>	<b>171.2</b>
Property Losses	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
<b>Total Payment of Losses</b>	<b>127.9</b>	<b>164.8</b>	<b>164.8</b>	<b>155.6</b>	<b>155.6</b>	<b>163.6</b>	<b>163.6</b>	<b>171.7</b>	<b>171.7</b>
Transfer to BSF (2)	0.1	0.3	0.3	1.8	1.7	0.0	0.0	0.0	0.0
Transfer to ATF- DFS Admin Spt	1.1	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Refunds	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Trust Fund Loan (1)	0.0	20.0	0.0	20.0	0.0	20.0	0.0	20.0	0.0
<b>Total Non-operating Expenditures</b>	<b>129.2</b>	<b>186.5</b>	<b>166.6</b>	<b>178.9</b>	<b>158.8</b>	<b>185.1</b>	<b>165.1</b>	<b>193.2</b>	<b>173.2</b>
Operating Expenditures:									
Salaries & Benefits	5.0	5.5	5.4	5.5	5.4	5.5	5.4	5.5	5.4
Other Personal Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Expenses	0.7	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Operating Capital Outlay	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contracted Services	10.7	14.2	14.2	14.2	14.2	14.2	14.2	14.2	14.2
Contracted Legal - Attorney General	4.9	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3
Contracted Legal - Private Attorneys	14.9	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0
Excess Insurance & Claim Service									
Excess Property Insurance	11.7	9.3	9.3	9.3	9.3	9.3	9.3	9.3	9.3
DWC Assessments	3.3	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7
Broker Fees/RMIS Spt Fees	0.3	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
<b>Total Excess Insurance</b>	<b>15.3</b>	<b>13.7</b>	<b>13.7</b>	<b>13.7</b>	<b>13.7</b>	<b>13.7</b>	<b>13.7</b>	<b>13.7</b>	<b>13.7</b>
Risk Management Insurance	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	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
HR Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Operating Expenditures</b>	<b>51.8</b>	<b>58.7</b>	<b>58.7</b>	<b>58.7</b>	<b>58.7</b>	<b>58.7</b>	<b>58.7</b>	<b>58.7</b>	<b>58.7</b>
<b>Total Expenditures</b>	<b>181.0</b>	<b>245.3</b>	<b>225.3</b>	<b>237.6</b>	<b>217.5</b>	<b>243.9</b>	<b>223.9</b>	<b>252.0</b>	<b>231.9</b>
<b>Net Income</b>	<b>12.3</b>	<b>(30.0)</b>	<b>(30.0)</b>	<b>(22.0)</b>	<b>(21.9)</b>	<b>(30.1)</b>	<b>(30.0)</b>	<b>(38.1)</b>	<b>(38.1)</b>
<b>Ending Cash Balance (3)</b>	<b>37.6</b>	<b>(13.3)</b>	<b>7.7</b>	<b>(22.0)</b>	<b>(14.3)</b>	<b>(30.1)</b>	<b>(30.0)</b>	<b>(38.1)</b>	<b>(38.1)</b>

Notes:

(1) The Trust Fund Loan shown in the Current REC column was a safety measure in case the SRMTF ending balance for the prior fiscal year was less than \$20m. The SRMTF monthly expenditures vary from \$11.9m to \$23.6m and average \$16.6m. When the SRMTF has insufficient funds to make payments at the beginning of a fiscal year, the SRMTF has to cease paying claims until sufficient premiums are collected. This situation could lead to severe fines and penalties. The Trust Fund Loan is only requested as necessary to allow the SRMTF to operate until the premiums are collected and is repaid within the same fiscal year that the loan is received. This action is no longer necessary for FY 2012-13.

(2) During the period FY 2004-05 to FY 2006-07, the BSF loaned the State Risk Management Trust Fund a total of \$22,813,741 to cover catastrophic hurricane loss claims. As of June 30, 2012, the SRMTF has repaid \$20,814,160.40 with a remaining balance of \$1,999,580.60. 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 annual payments are as follows: FY 2012-13 - \$300,000.00 and FY 2013-14 - \$1,699,580.60. FEMA funds are paid to agencies for claims related to catastrophic hurricane losses, and the funds are then transmitted by the Agencies to the SRMTF to re-pay the BSF loan.

(3) Beginning FY1213 the GAA added \$14,031 for category 105281.