



GOBIERNO DE PUERTO RICO

Administración de Compensaciones por Accidentes de Automóviles

Resumen Presupuesto AF-2021 ACAA

Resumen Presupuesto ACAA AF-2021

Programa	Prioridad	Propuesta Interna de la Agencia	+/- Ajustes	Baseline de la Junta
Nomina y Costos Relacionados	1	24,315		24,315
Facilidades y Pagos Por Servicios Públicos	3	936	(804)	132
Servicios Comprados	6	7,325		7,325
Donativos, Subsidios y Distribuciones	10	1,858		1,858
Gastos de Transportación	5	137		137
Servicios Profesionales	4	1,838		1,838
Otros Gastos Operacionales	2	33,494		33,494
Compra de Equipo	7	1,052		1,052
Materiales y Suministros	8	158		158
Anuncios y Pautas en Medios	9	51		51
Sub total		46,849	(804)	46,045
Pay as You Go		13,000	(13,000)	-
Total		84,164	(13,804)	70,360

Nota:

1- Ajuste de Pagos Por Facilidades y Servicios Públicos se le elimina a la propuesta de la agencia el gastos de Agua y Luz (PREPA PRASA) según instrucciones presupuestarias.

2- Pay as You Go estimado por 13 millones y no incluido para propositos del baseline de la junta.

ITEM 4

La Administración de Compensaciones por Accidentes de Automóviles ACAA provee compensaciones a las víctimas de accidentes de automóviles. Actualmente ACAA tiene dos fuentes principales de ingresos que son las siguientes:

- **Ingresos Primas-** Las primas son pagadas por los clientes a cambio de cubierta medica básica, cubierta medica extendida y beneficios financieros que cubren a beneficiarios en caso de muerte, incapacidad y desmembramiento
- **Ingresos Intereses-** Intereses devengados de la cartera de inversiones de la ACAA

Otra fuente de ingresos reconocida por ACAA son los recobros por desembolsos erróneos a lesionados no cubiertos e ingresos por renta de espacios.

Estimación de ingreso de primas para el año fiscal 2021 se basó en el costo por vehículo asegurado de \$35. Para proyectar los vehículos utilizados se encomendó a la firma actuarial Integrum a hacer un análisis con el censo de

Puerto Rico para los cambios poblacionales y el impacto en la prima de ACAA (véase documento completo en el formulario E Revenue forecast Fiscal Year 2020-2021). Por otro lado en dicho documento se incluye a su vez el estimado de intereses de la cartera de Inversiones de la ACAA basado en el retorno de inversión por clase según J.P. Morgan 2019 Capital Market Assumption y la proyección anualizada de rendimiento basada en 36 meses históricos. Por último los ingresos de recobros son basados en el cash recibido por la agencia y el ingreso por concepto de Rentas de Espacios de alquiler en el Edificio Central de ACAA es basado en los contratos de alquiler vigentes.

ITEM 17

Diferencias Significativas dentro del Presupuesto AF 2020 vs. 2021 ACAA

Nómina y Costos Relacionados

Aumento AF 2021 \$4.212M

Descripción	Impacto
Ajuste en escala retributiva gerencial y unionada	\$ 700
Ajuste Costo de Vida	\$1,153
Vacantes a presupuestar, 40 puestos	\$1,709
Calculo de vacaciones regulares a 30 días anual	\$650

Donativos y Subsidios

- Eliminación presupuesto de ahorros Ley 3 \$5.329 millones debido a déficit de la agencia en su "balance sheet" de los estados financieros auditados al 30 de junio del año fiscal 2017 por la cantidad de \$140 millones de dólares.

Reclamaciones

- Reducción en el gasto de reclamaciones a asegurados por la cantidad de \$2.6M. Informe de INBR para al 30 de junio de 2019 ubica el gasto total de reclamaciones en 32.3M. Esto como resultado de los proyectos de eficiencia en el área médica para reducir los gastos, según el plan de implementación establecido.

December 13, 2019

Dra. Margarita Nolasco
ACAA — Executive Director
249 Arterial Hostos, Esquina Chardón
San Juan, Puerto Rico 00918

**Administración de Compensaciones por Accidentes de Automóviles
Revenue Forecast for Fiscal Year 2020-21**

INTRODUCTION

Integrum, LLC (Integrum) was engaged by the Administración de Compensaciones por Accidentes de Automóviles (ACAA) to provide a detailed budget of revenues for fiscal year 2020-21. The purpose of this memorandum is to summarize the results, most important assumptions and methods of estimations used to develop revenue estimates.

ACAA provides compensation to victims of automobile accidents. Currently, ACAA recognizes two main revenue streams in its financial statements, as described below:

- **Premium Income:** Premium paid by customers in exchange for (1) basic medical insurance, covering the treatment of an injury sustained in an automobile accident for the first two years following the accident; (2) extended medical insurance, covering medical services and equipment after the basic medical coverage has ceased; and (3) financial benefits paid to beneficiaries in the event of death, disability, or dismemberment.
- **Interest Income:** Interest earned from ACAA's investment portfolio.

Other revenue streams recognized by ACAA include recoveries of erroneous disbursements on expired or canceled policies and rent revenue from real estate owned by ACAA.

DATA

In developing our revenue estimates, we relied upon data supplied by ACAA's Finance department. The data was reviewed for reasonableness and consistency, but it was not audited or otherwise checked for accuracy. To the extent that the data provided is inaccurate, the results of this analysis may need to be revised.

The following data files provided by ACAA were used to develop revenue estimates:

- **Premium Earned:** Daily financial report for fiscal year 2018-19 dated 6/27/2019, which includes information such as year-to-date collected premium. A PDF file showing monthly premium income going back to FY 2002-03.
- **Covered Vehicles:** Historical list of covered vehicles broken down by fiscal year.
- **Investment Portfolio Yield Detail:** Daily manager mix report dated 11/21/2019, which includes a breakdown of ACAA's investment portfolio by asset class and yield.
- **Other Revenue:** A spreadsheet showing recoveries for erroneous disbursements on expired or canceled policies and rent revenue for the past three years.

Additionally, we relied upon data from the Puerto Rico census to estimate demographic trends.

KEY FACTORS IMPACTING REVENUE ESTIMATES

There are a number of key factors that could impact ACAA revenue estimates. Some of these risk factors are listed below:

Covered Vehicles: Our estimate of covered vehicles is influenced by hard-to-measure interactions with a number of socioeconomic factors such as population and economic growth, employment rates, acquisition power of the population base, and even other low frequency-large impact events such as the occurrence of natural disasters.

Market Risk: Fluctuations on market returns affect our interest revenue estimates. There is uncertainty on how events such as the 2018 market correction might impact yield of the various asset classes.

Operational Risk: Disruptions in operations can difficult the task of projecting revenue, as was recently seen in the wake of hurricanes Irma and María, when premium collection slowed down significantly. Other examples of operational risk include reporting issues arising from high employee turnover.

Legislative Risk: Pursuant to Act No. 69 of July 14, 2016 ACAA made a temporary investment of \$50 million in Puerto Rico Commonwealth Tax and Revenue Anticipation Notes (TRANS), which represented 33% of ACAA's investment portfolio and was recently written off of ACCA's balance sheet. The enactment of similar laws in the future can have a severe impact on our interest revenue projections.

PREMIUM INCOME

Premium income is \$35 per covered vehicle. To project covered vehicles for fiscal year 2020-21, we analyzed data from the Puerto Rico census to uncover trends and shifts in the population pyramid. The analysis indicated it was more adequate to project covered vehicles as a ratio of population aged 18 or more, as a result of the rapid growth of this population segment when compared to others.

As expected, total population has continued its downward trend, at a rate accelerated following the passing of hurricane María. The assumptions and methodology used for forecasting the population aged 18 or more for fiscal year 2020-21 are consistent with those of our previous revenue projections, but were updated to reflect recent data. Finally, the number of vehicles per 1,000 population aged 18 or

more has increased in recent years, indicating a higher elasticity to economic factors than was previously anticipated. The increase in the vehicles per 1,000 ratio partially offsets projected decreases in collected premium due to lower projected population.

PROJECTED COVERED VEHICLES
Fiscal Year 2020-21

Fiscal Year	Total Population	Population Aged 18 or More	Vehicles per 1,000 (Aged 18 or More)	Covered Vehicles
2016-17	3,337,177	2,715,400	832.9	2,261,543
2017-18	3,195,153	2,599,838	856.2	2,226,017
2018-19	3,139,295	2,554,388	876.9	2,239,954
2019-20	3,084,414	2,509,732	893.9	2,243,342
2020-21	3,030,492	2,465,857	907.7	2,238,212

Current premium per covered vehicle is not expected to change for fiscal year 2020-21. The \$35 premium per covered vehicle includes a 5% transaction fee, which is charged at the point of sale. Based on our covered vehicles estimate, we are projecting \$78.3 million in premium for fiscal year 2020-21. Revenue was adjusted by monthly seasonality factors, which were estimated based upon data from the past 15 years.

TABLE 2
PROJECTED PREMIUM INCOME
Fiscal Year 2020-21

Month	Premium	Seasonality Factor
July	5,827,299	0.89
August	6,756,859	1.04
September	5,612,539	0.86
October	6,584,324	1.01
November	5,646,233	0.86
December	8,010,130	1.23
January	7,120,004	1.09
February	6,073,740	0.93
March	6,238,099	0.96
April	6,990,400	1.07
May	6,070,895	0.93
June	7,406,905	1.13
Total	78,337,427	1.00

INTEREST REVENUE

ACAA's investment portfolio had a \$120.9 million valuation as of 11/21/2019. This valuation excludes the temporary investment of \$50 million in TRANS, which was established pursuant to Act No. 69 of July 14, 2016. As per our discussions with ACAA upper management, the \$50 million investment in TRANS was recently written off of ACAA's books. ACAA's investment portfolio consists of a mix of asset classes

including private equity, debt and fixed income securities, cash and cash equivalents, real estate, and other alternative investments. The annualized yield for ACCA's investment portfolio has been 8.8% for the 9-month period from 3/13/2019 through 11/21/2019, and a 6.5% annualized yield for the most recent 36-month period.

TABLE 3
ACAA INVESTMENT PORTFOLIO YIELD BY ASSET CLASS
 As of 11/21/2019

Asset Class	Ending Value as of 11/21/2019	% of Portfolio	Average Annualized Yield (36-months)
Real Estate	22,206,049	18%	14.1%
Equity	39,291,053	33%	11.2%
Fixed Income	52,714,734	44%	0.4%
Cash/Other	6,097,489	5%	3.2%
Total	120,309,325	100%	6.5%

Because of the high degree of uncertainty involved in projecting market returns, two approaches were used in developing our interest revenue estimates. One approach was to rely upon long-term expected returns by asset class, as per J.P Morgan's 2019 Capital Market Assumptions. This was the approach used in our previous revenue projection. The second approach was to project interest revenue by using the average annualized return rates over a 36-month period. Both approaches yielded almost identical results. We will not be adjusting interest revenue by seasonality factors. The table below shows our projected valuation of the ACAA investment portfolio.

TABLE 4
INTEREST REVENUE PROJECTION
 Fiscal Year 2020-21

Asset Class	Ending Value as of 11/21/2019	Ending Value as of 6/30/2020	Ending Value as of 6/30/2021	Annualized Yield	Interest Revenue
Real Estate	22,206,049	24,058,275	27,445,396	14.1%	3,387,121
Equity	39,291,053	41,906,063	46,589,201	11.2%	4,683,138
Fixed Income	52,714,734	52,827,460	53,013,321	0.4%	185,862
Cash/Other	6,097,489	6,216,624	6,417,578	3.2%	200,955
Total	120,309,325	125,008,421	133,465,497	6.5%	8,457,075

OTHER REVENUE

Other revenue recognized by ACAA includes recoveries of erroneous disbursements on expired or canceled policies and rent revenue from real estate owned by ACAA. Revenue from recoveries has historically ranged from \$2.0 million to \$4.5 million in the past. However, recent changes in the bookkeeping methodology have caused a reduction in management's anticipated recoveries income, which is now expected to be \$1.2 million for fiscal year 2020-21. Finally, rent revenue is expected to be \$480,000 for fiscal year 2019-20, approximately a \$300,000 increase with respect to current rent revenue.

SUMMARY OF RESULTS AND CONCLUSION

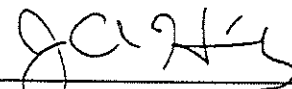
Total estimated revenue for fiscal year 2019-20 is \$88.5 million, of which \$78.3 million correspond to premium income, \$8.5 million to interest revenue, and the balance to other revenue sources. Our \$78.3 million estimate for premium income is a 0.1% decrease from the \$78.4 million recorded for fiscal year 2018-19. Our \$8.5 million interest revenue estimate for fiscal year 2020-21 is a 20% increase from the expected interest revenue for fiscal year 2019-20, and is due to better than expected returns on the market.

**TABLE 5
ACAA PROJECTED TOTAL REVENUE
Fiscal Year 2020-21**

Month	Premium	Interest Revenue	Other Revenue	Total Revenue
July	5,827,299	704,756	140,000	6,672,056
August	6,756,859	704,756	140,000	7,601,616
September	5,612,539	704,756	140,000	6,457,295
October	6,584,324	704,756	140,000	7,429,081
November	5,646,233	704,756	140,000	6,490,989
December	8,010,130	704,756	140,000	8,854,886
January	7,120,004	704,756	140,000	7,964,760
February	6,073,740	704,756	140,000	6,918,496
March	6,238,099	704,756	140,000	7,082,855
April	6,990,400	704,756	140,000	7,835,156
May	6,070,895	704,756	140,000	6,915,651
June	7,406,905	704,756	140,000	8,251,662
Total	78,337,427	8,457,075	1,680,000	88,474,502

It is my opinion that a revenue budget of \$88.5 million for fiscal year 2020-21 is reasonable, and is based on generally accepted actuarial practices.

Please let me know if you have questions,



Javier A. Hernández Muñoz, ASA, MAAA
Integrum Actuarial Services, LLC — Vice President

Premium Income Projected

2020-21	2021-22	2022-23	2023-24	Normalized Seasonality
5,827,299	5,825,044	5,822,789	5,820,535	
6,756,859	6,754,244	6,751,630	6,749,016	0.0744
5,612,539	5,610,366	5,608,194	5,606,024	0.0863
6,584,324	6,581,776	6,579,228	6,576,681	0.0716
5,646,233	5,644,047	5,641,863	5,639,679	0.0841
8,010,130	8,007,029	8,003,930	8,000,832	0.0721
7,120,004	7,117,248	7,114,493	7,111,739	0.1023
6,073,740	6,071,389	6,069,039	6,066,690	0.0909
6,238,099	6,235,684	6,233,271	6,230,858	0.0775
6,990,400	6,987,694	6,984,989	6,982,286	0.0796
6,070,895	6,068,545	6,066,196	6,063,848	0.0892
7,406,905	7,404,038	7,401,172	7,398,308	0.0775
78,337,427	78,307,105	78,276,794	78,246,495	0.0946

0.000 Average growth last two years

Interest Income Projected

	2020-21	2021-22	2022-23	2023-24	Average Yields
TRAN's	0	0	0	0	
Real Estate	27,445,396	27,445,396	27,445,396	27,445,396	0.141
Equity	46,589,201	46,589,201	46,589,201	46,589,201	0.112
Fixed Income	53,013,321	53,013,321	53,013,321	53,013,321	0.004
Cash/Other	6,417,578	6,417,578	6,417,578	6,417,578	0.032
Total	133,465,497	133,465,497	133,465,497	133,465,497	0.065
		0.0709	0.0741	0.0773	
	8,457,075	9,464,448	10,597,656	11,872,696	

Other Income Projected

	2020-21	2021-22	2022-23	2023-24
Rent	480,000	480,000	480,000	480,000
Other	1,200,000	1,200,000	1,200,000	1,200,000
	1,680,000	1,680,000	1,680,000	1,680,000

Summary Income Projected

	2020-21	2021-22	2022-23	2023-24
Premium	78,337,427	78,307,105	78,276,794	78,246,495
Interest	8,457,075	9,464,448	10,597,656	11,872,696
Other	1,680,000	1,680,000	1,680,000	1,680,000
Total	88,474,502	89,451,552	90,554,450	91,799,191

Assumptions

- 0.039% Premium growth (Average of last two year)
- 6.490% Portfolio Yield (Projected)
- 0.000% Other Revenue Growth (No Growth for Projection Period)

