



**STATE OF NORTH CAROLINA
OFFICE OF STATE BUDGET AND MANAGEMENT**



Employment First State for Individuals with Disabilities

ROY COOPER
GOVERNOR

KRISTIN WALKER
STATE BUDGET DIRECTOR

August 8, 2023

TO: Joint Legislative Commission on Governmental Operations

FROM: Kristin Walker

SUBJECT: Deviation Requests from the NC Department of Insurance

Pursuant to G.S. 143C-6-4 (b1) prior consultation with Governmental Operations is required when the over expenditure would cause a department's total requirements for a fund to exceed the department's certified budget for a fiscal year for that fund by more than three percent (3%) prior to authorizing the over expenditures.

The Department of Insurance (DOI) is requesting to deviate in its Public Education Property Insurance (budget code 54625) and Insurance-Trust-Internal Service (budget code 63903) in order to close the 2022-23 fiscal year.

The deviation requests are outlined below:

1. **Budget Code 54625** – Request to utilize over-realized receipts to budget for over expenditures in account 532919 - Other Insurance in the amount of \$17,725,273. The premium for insurance has increased due to significant losses to state property because of Hurricane Florence. The insurance premium being paid is for excess property coverage. Hurricane Florence has resulted in a combined loss of over \$150 million dollars to the state of North Carolina.
2. **Budget Code 63903** – Request to utilize over-realized receipts to budget for over expenditures in several accounts in the amount of \$39,596,975. Specifically in account 532919 - Other Insurance in the amount of \$14,992,081 and account 535252001 - Claims-All Risk in the amount of \$19,997,254. The premium for the reinsurance has increased due to significant losses to state property because of Hurricane Florence. The reinsurance being paid is for excess property coverage. Hurricane Florence has resulted in a combined loss of over \$150 million dollars to the state of North Carolina.

Please see the attached Deviation Exception Request Form for more details.

If you have questions or concerns, please contact budget analyst, Alice Saunders, at Alice.Saunders@osbm.nc.gov.

REQUEST TO DEVIATE UNDER G.S. 143C-6-4:

(b1) Prior consultation with Governmental Operations is required when the over expenditure would cause a department's total requirements for a fund to exceed the department's certified budget for a fiscal year for that fund by more than three percent (3%) prior to authorizing the over expenditures.

DEPARTMENT: Insurance
FISCAL YEAR: 2022-2023
Date: 7/14/2023
Budget Revision #: 12-0019

GASB 2717 Budget Code	Certified Requirements	3% Deviation Threshold	Amount of the Over expenditure Request	Amount the Request Exceeds the Deviation Threshold
54625	\$ 17,302,383	\$ 519,071	\$ 17,725,273	\$ 17,206,202
	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -
Fund Type Total	\$ 17,302,383	\$ 519,071	\$ 17,725,273	\$ 17,206,202

JUSTIFICATION FOR REQUEST:

G.S.143C-6-4.(b1) requires reporting an over expenditure that would cause a department's total requirements for a Fund to exceed the department's certified budget by 3% for a fiscal year.

The Department of Insurance is requesting approval for budget revision 12-0019 to budget over realized receipts and utilize the fund balance to fix the negative authorized balance in account series 532900 in the amount of \$17,725,273. The negative balance in account series 532900 has created the department's total requirements for BC 54625 to exceed the department's certified budget by 3%. The department's certified budget for account series 532900 is \$6,010,000 for fiscal year 2023 and the total reinsurance premiums paid for fiscal year was \$31,062,995. The premiums for the reinsurance has increased due to the significant losses to state owned property as a result of Hurricane Florence. The reinsurance being paid is for the excess property coverage. Hurricane Florence has resulted in a combined loss in excess of \$150 million dollars to the state of North Carolina.

REQUEST TO DEVIATE UNDER G.S. 143C-6-4:

(b1) Prior consultation with Governmental Operations is required when the over expenditure would cause a department's total requirements for a fund to exceed the department's certified budget for a fiscal year for that fund by more than three percent (3%) prior to authorizing the over expenditures.

DEPARTMENT: Insurance
FISCAL YEAR: 2022-2023
Date: 7/14/2023
Budget Revision #: 12-0027

GASB 2717 Budget Code	Certified Requirements	3% Deviation Threshold	Amount of the Over expenditure Request	Amount the Request Exceeds the Deviation Threshold
63903	\$ 22,690,753	\$ 680,723	\$ 39,596,975	\$ 38,916,252
	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -
Fund Type Total	\$ 22,690,753	\$ 680,723	\$ 39,596,975	\$ 38,916,252

JUSTIFICATION FOR REQUEST:

G.S.143C-6-4.(b1) requires reporting an over expenditure that would cause a department's total requirements for a Fund to exceed the department's certified budget by 3% for a fiscal year.

The Department of Insurance is requesting approval for budget revision 12-0027 to budget over realized receipts and utilize the fund balance to fix the negative authorized balance in account series 532900 and 535200. The negative authorized balance has created the department's total requirements for BC 63903 to exceed the department's certified budget by 3%. The certified budget for 532900 and 535200 account series is \$14,687,411 and the total expenditures totaled \$54,717,257. The premiums for the reinsurance has increased due to the significant losses to state owned property as a result of Hurricane Florence. The reinsurance has increased due to the significant losses to state owned property as a result of Hurricane Florence. The reinsurance being paid is for the excess property damage. Hurricane Florence has resulted in a combined loss in excess of \$150 million dollars to the state of North Carolina.