



STATE OF NORTH CAROLINA
OFFICE OF STATE BUDGET AND MANAGEMENT



Employment First State for Individuals with Disabilities

ROY COOPER
GOVERNOR

CHARLES PERUSSE
STATE BUDGET DIRECTOR

August 3, 2022

MEMORANDUM

TO: Joint Legislative Commission on Governmental Operations

FROM: Charles Perusse *Charles Perusse*

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 2021-22 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 \$22,758,529. 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 account 532919 - Other Insurance in the amount of \$8,252,852 and account 535252001 - Claims-All Risk in the amount of \$141,153. 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 Forms for more details.

If you have questions or concerns, please contact budget analyst, Mercidee Benton, to Mercidee.Benton@osbm.nc.gov.

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

1. Department

Enter the department/agency name.

2. Fiscal Year

Enter the current fiscal year.

3. Date

Enter the current date.

4. Budget Revision #

Enter the budget revision number for the overexpenditure request from the IBIS system.

5. Budget Code

Enter all of the agency budget codes for the requested fund type only (general fund, special fund, etc.)

6. Certified Requirements

Enter the current certified requirements for the budget code as reflected on the BD 701 report.

7. 3% Deviation Threshold

This is calculated as 3% of the Certified Requirements. These figures will be calculated automatically for each budget code.

8. Amount of the Overexpenditure Request

Enter the amount of the overexpenditure request. This figure should represent the amount requested on the budget revision.

9. Amount Over Deviation Threshold

This is the total amount of the current request over the 3% Threshold. This figure will be calculated automatically. If the figure is not greater than zero, no consultation is required.

10. Submit the completed form to your Budget Analyst in the Office of State Budget and Management for consultation with the Joint Legislative Commission on Governmental Operations.

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

(b1) Prior consultation with Governmental Operations is required when the overexpenditure 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 overexpenditures.

DEPARTMENT: Insurance
FISCAL YEAR: 2021 -2022
Date: 7/29/2022
Budget Revision #: 12-0016

GASB 2717 Budget Code	Certified Requirements	3% Deviation Threshold	Amount of the Overexpenditure Request	Amount the Request Exceeds the Deviation Threshold
63903	\$ 25,203,226	\$ 756,097	\$ 8,394,003	\$ 7,637,906
	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -
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	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -
Fund Type Total	\$ 25,203,226	\$ 756,097	\$ 8,394,003	\$ 7,637,906

JUSTIFICATION FOR REQUEST:

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

Budget Revision 12-0016 requested using overrealized receipts to budget for over spent account 532919 - Other Insurance in the amount of \$8,252,852 and overspent account 535252001 -Claims-All Risk in the amount of \$141,153. The overspent account 532919 - Other Insurance has caused the department's total requirements for BC 63903 to exceed the department's certified budget by 3%. The Department's Certified budget for account no. 532919 - Other Insurance was \$15,493,315 for FY 2022 and the total reinsurance premiums paid for FY 2022 was \$24,374,262. In the previous fiscal year the total premiums paid for reinsurance was \$18,500,000. The premium for the reinsurance has gone up due to significant losses to state property as a result of Hurricane Florence. The reinsurance being paid is for excess property coverage and Hurricane Florence has resulted in a combined loss of over \$150 million dollars to the state of North Carolina.

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

1. Department

Enter the department/agency name.

2. Fiscal Year

Enter the current fiscal year.

3. Date

Enter the current date.

4. Budget Revision #

Enter the budget revision number for the overexpenditure request from the IBIS system.

5. Budget Code

Enter all of the agency budget codes for the requested fund type only (general fund, special fund, etc.)

6. Certified Requirements

Enter the current certified requirements for the budget code as reflected on the BD 701 report.

7. 3% Deviation Threshold

This is calculated as 3% of the Certified Requirements. These figures will be calculated automatically for each budget code.

8. Amount of the Overexpenditure Request

Enter the amount of the overexpenditure request. This figure should represent the amount requested on the budget revision.

9. Amount Over Deviation Threshold

This is the total amount of the current request over the 3% Threshold. This figure will be calculated automatically. If the figure is not greater than zero, no consultation is required.

10. Submit the completed form to your Budget Analyst in the Office of State Budget and Management for consultation with the Joint Legislative Commission on Governmental Operations.