



**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 9, 2024

MEMORANDUM

TO: Joint Legislative Commission on Governmental Operations

FROM: Kristin Walker *Kristin Walker*
State Budget Director

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), Office of State Fire Marshall, is requesting to deviate in Budget Code 63903, Insurance-Trust-Internal Service, Budget Fund 602341, NC Auto Retrospective Adjustment Fund, to close the 2023-24 fiscal year.

The deviation request is outlined below:

The Department of Insurance, Office of State Fire Marshall, administers the Auto Retrospective Adjustment fund. The Travelers Auto Retrospective liability policy consists of three basic elements – premium, collateral to pay claims and claim handling charges. At year-end, there is a “true-up” that covers the most recent years and prior year if there are still open claims. For FY2023-24, the premium was \$5,603,949. Travelers collect a portion of collateral throughout the year to pay for auto losses. Payment for 2022-23 claims shortage was \$3,550,488. The required budget level for this program for FY2023-24 is \$9,154,437. There is a current authorized budget in account 52912000 of \$6,391,534. Therefore, an additional \$2,762,903 is required to meet the needs of this program for FY2023-24. DOI is requesting to use fund balance to cover this difference.

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

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

REQUEST TO DEVIATE UNDER G.S. 143C-6-4(b)(3)(b1):

(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:	<u>Insurance</u>
FISCAL YEAR:	<u>2023-2024</u>
Date:	<u>07-23-2024</u>
Budget Revision #:	<u>12-0015</u>

Budget Code	Certified Requirements	3% Deviation Threshold	Amount of the Over expenditure Request	Amount the Request Exceeds the Deviation Threshold
63903	\$ 45,375,054	\$ 1,361,252	\$ 2,762,903	\$ 1,401,651
	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -
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	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -
Fund Type 27XX Total	\$ 45,375,054	\$ 1,361,252	\$ 2,762,903	\$ 1,401,651

JUSTIFICATION FOR REQUEST:

The Department of Insurance, Office of the State Fire Marshall, administers the Auto Retrospective Adjustment Fund. The current Travelers Auto Retrospective liability policy, consists of three basic elements - premium, collateral to pay claims (the largest component), and claim handling charges. At the end of each year, there is a true-up that covers the most recent years and prior years if there are still open claims. The premium is determined by a vehicle count audit that compares the total vehicle count difference from the beginning of the policy to the end of the policy. For FY 2023-24, the premium was \$5,603,799.

Travelers collects a portion of collateral throughout the year to pay for auto losses. At the true-up, Travelers will compare the incurred auto losses to paid auto losses and collect the difference in additional collateral. This will be used to fund ongoing open claims. Payment for 2022-23 claims shortage was \$3,550,448 which wasn't paid until the current fiscal year.

The Department of Insurance, Office of the State Fire Marshall, has submitted budget revision 12-0015 in budget code 63903 to budget additional funds that will be required to pay the annual premium and claims for the Auto Retrospective Adjustment Fund.

Account 52912000 has a current authorized budget of \$6,391,534. The required budget level for this program for FY 2023-24 is \$9,154,247. Therefore, an additional

\$2,762,903 is required to meet the needs of this program for fiscal year 2023-24

G.S. 143C-6-4 (b1), requires that any authorized budget adjustments that results in an over expenditure that causes 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 percents (3%), the Director shall consult with the Joint Legislative Commission on Governmental Operations prior to authorizing the over expenditure. The 3% deviation threshold for this Fund Type is \$1,361,252; the amount of the estimated over expenditure is \$2,762,903; and the amount the request exceeds the deviation threshold is \$1,401,651.