

FISCAL RESEARCH DIVISION

A Staff Agency of the North Carolina General Assembly

State Property Fire Insurance Fund

Joint Meeting of the House and Senate Appropriations Committees
on General Government

March 4, 2025

Outline

- State Property Fire Insurance Fund Overview
 - Recent Budget History
 - SPFIF Implementation
- Public School Insurance Fund
- SPFIF and PSIF Challenges
- H.B. 263 Proposal



NC State University Substation Fire, April 2021

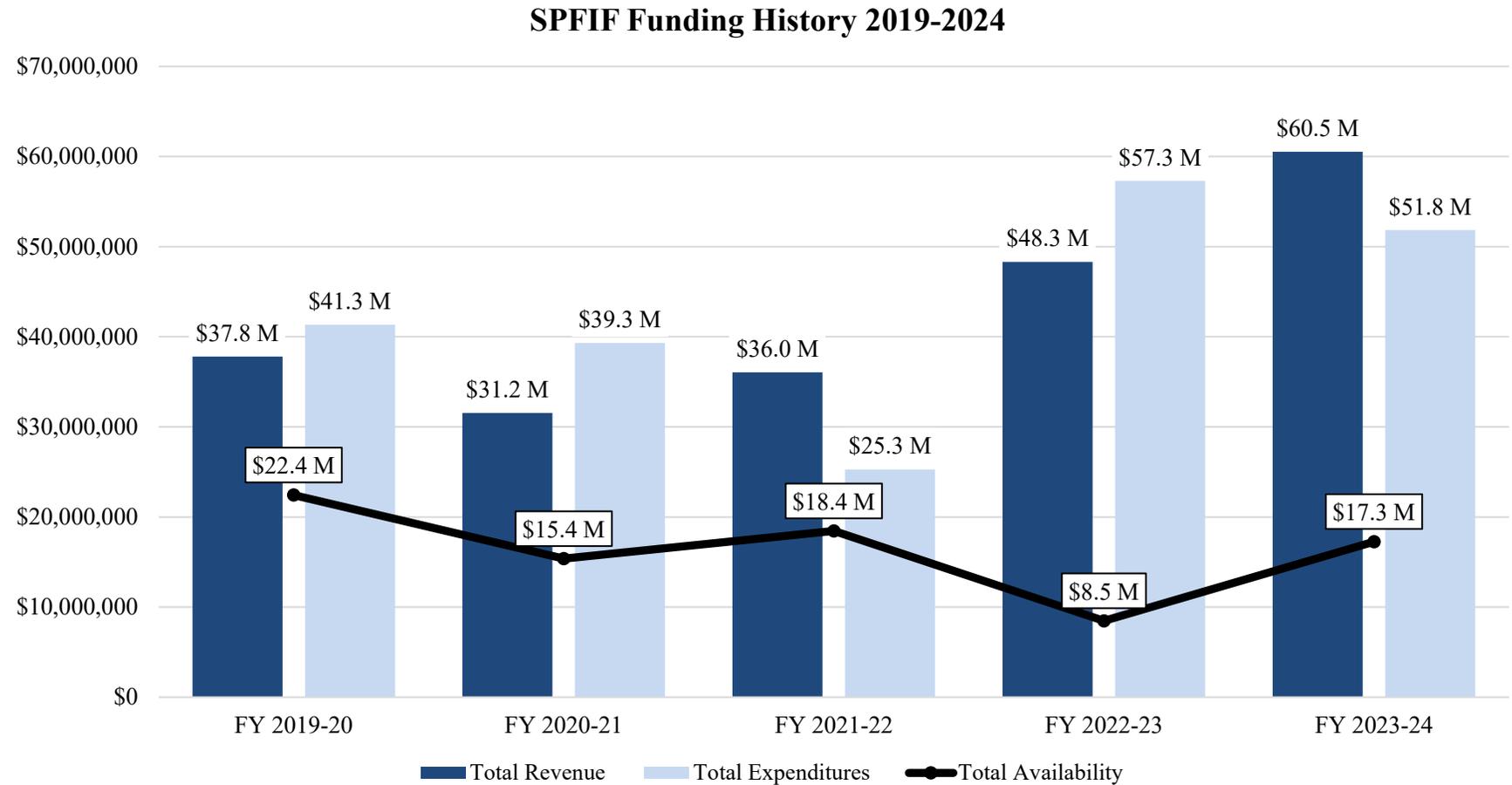
State Property Fire Insurance Fund (SPFIF)

- [Chapter 58, Article 31](#) established the SPFIF in 1945
 - Provides insurance for buildings, structures, and business property owned by the State as administered by the Office of State Fire Marshal (OSFM)
 - Covers all State property for losses caused by fire and lightning
 - Authorizes the purchase of extended property insurance coverage if agencies choose to pay a premium
 - Allows OSFM to purchase reinsurance with available funds



Recent Budget History

- Self-insurance funding model dependent upon premiums paid by State agencies, along with interest that accrues to the Fund
- Received a \$20 m NR appropriation in FY 2023-24 to cover a budget gap



SPFIF Implementation

Average SPFIF Revenues and Expenditures 2019-2024		
		Average
1	Premiums Received	\$28,494,303
2	Losses Paid by Reinsurance	\$9,938,145
3	Interest Income	\$415,113
4	Total Revenue	\$38,847,560
5	Losses Paid by SPFIF	\$15,907,039
6	Reinsurance Premium Paid	\$27,239,638
7	Administration	\$2,424,628
8	Total Expenditures	\$45,571,305
9	Revenue less Expenditures	(\$6,723,745)

- All agencies are covered for fire and lightning, but may choose to pay premiums for All Other Peril (AOP) coverage
- Those premiums pay for the administration of the program as well as the first \$10 million on any claim
- Any claim larger than \$10 million is made against the State's reinsurance policy
- Payouts from the reinsurance policy offer a NR source of funding for SPFIF



Public School Insurance Fund (PSIF)

- [S.L. 2019-176](#) transferred the Public School Insurance Fund (PSIF) to the Department of Insurance (DOI) from the Department of Public Instruction (DPI)
- [Chapter 58, Article 31A](#) says public education boards may insure all public education property through PSIF as implemented by OSFM
- Current participation includes:
 - 74 of the 124 Local Education Agencies (LEAs)
 - 1 of the 210 public charter schools
 - 31 of the 58 community colleges

Average PSIF Revenue and Expenditures 2019-2024		
		Average
1	Premiums Received	\$13,841,755
2	Losses Paid by Reinsurance	\$7,497,517
3	Interest Income	\$1,482,966
4	Total Revenue	\$22,822,238
5	Losses Paid by PSIF	\$11,082,114
6	Reinsurance Premium Paid	\$24,929,809
7	Administration	\$478,215
8	Total Expenditures	\$36,490,138
9	Revenue less Expenditures	(\$13,667,900)

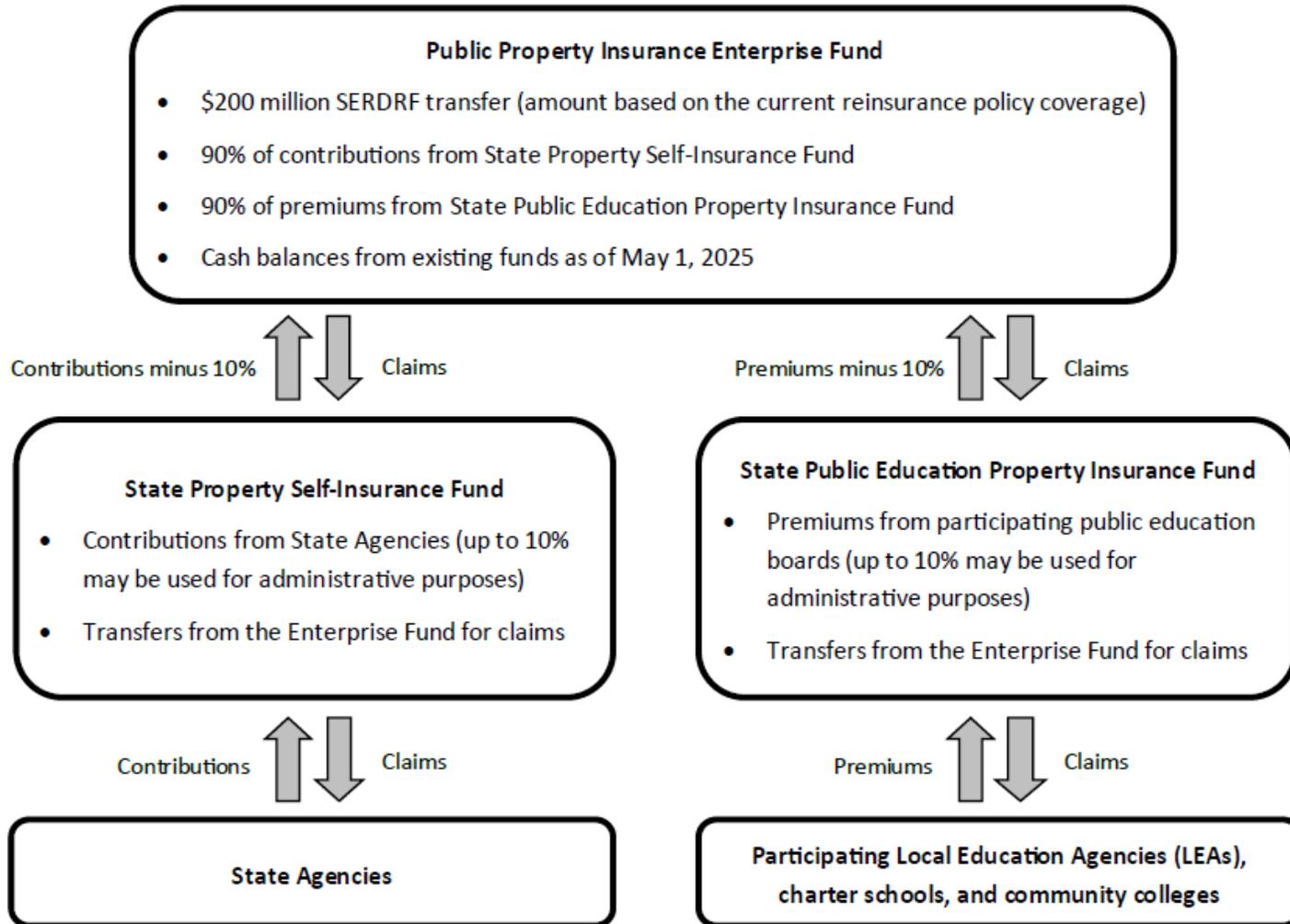


SPFIF and PSIF Challenges

- **Reinsurance policy rates:** the policy rate rose by 23.5% in 2023 as NC has the third largest portfolio in the world
- **Unclear property value:** currently estimated at \$85 billion, but is based on an estimate from the 1990s
- **Increased number of losses:** losses under \$10 million have chipped away at reserves
- **Less than full participation in AOP coverage:** full participation would generate about \$8 million more in revenue each year
- **Less than full participation in PSIF:** full participation would increase revenue significantly



H.B. 263 Proposal



- [H.B. 263](#) would have established the Public Property Insurance Enterprise Fund and amended the existing SPFIF and PSIF by:
 - Moving both programs to DOI
 - Appropriating \$200 million as a reserve
 - Prohibiting the purchase of reinsurance
 - Requiring AOP participation
 - Requiring public education boards to satisfy minimum insurance requirements

Questions?

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Tornado Damage at Springfield Middle School in Wilson County, August 2024



List of Acronyms

Acronym	Meaning
AOP	All Other Perils
DOI	Department of Insurance
DPI	Department of Public Instruction
FY	Fiscal Year
LEAs	Local Education Agencies
NR	Nonrecurring
OSFM	Office of State Fire Marshal
PSIF	Public School Insurance Fund
SERDRF	State Emergency Response and Disaster Relief Fund
SPFIF	State Property Fire Insurance Fund

