



HOUSE BILL 922: Enhance Insurance Coverage/Educ. Buildings.

2019-2020 General Assembly

Committee:		Date:	January 2, 2020
Introduced by:		Prepared by:	Jeremy Ray
Analysis of:	S.L. 2019-176		Staff Attorney

OVERVIEW: *S.L. 2019-176 authorizes a Type I transfer and consolidation of the School Insurance Fund Section of the Department of Public Instruction that oversees the management and operation of a system of insurance for public education property, to the Department of Insurance (DOI), as well as a transfer of the Public School Insurance Fund to the DOI. Local boards of education, regional schools, and community colleges are required to purchase flood insurance for all educational property.*

This act becomes effective July 1, 2020.

CURRENT LAW: Article 38 of Chapter 115C of the General Statutes authorizes the State Board of Education to manage and operate a system of insurance for public school property. The State Treasurer is responsible for managing the Public School Insurance Fund for the School Insurance Fund Section to provide adequate reserves against losses which may be incurred on account of risks insured and to provide payment for such losses incurred by such risks.

All local boards of education and boards of trustees for community colleges, are *required* to insure and keep insured, not less than 75% of the current insurable value of each building against fire, lightning, and other perils, and to insure and keep insured adequately, the equipment and contents of said building. All local boards of education and community colleges *may* insure all property within their units against the direct loss or damage arising from the aforementioned causes by participating in the Public School Insurance Fund, or by purchasing insurance policies directly from companies duly licensed and authorized to sell insurance in this State. A willful failure to comply with these insurance coverage requirements is a Class III misdemeanor violation.

BILL ANALYSIS: S.L. 2019-176 authorizes a Type I transfer¹ and consolidation of the School Insurance Fund Section of the Department of Public Instruction, that oversees the management and operation of a system of insurance for public education property, to the Department of Insurance. It also transfers the requirements related to State insurance of public school property to Chapter 58 (Insurance) and makes technical and conforming changes in those statutes.

S.L. 2019-176 defines "public education board" to mean a local board of education of a local school administrative unit, a board of trustees of a regional school, or a board of trustees of a community college.

¹Under G.S. 143A-6, a Type I transfer means: "the transferring of all or part of an existing agency to a principal department." Further, "[w]hen all or part of any agency is transferred to a principal department under a Type I transfer, its statutory authority, powers, duties, and functions, records, personnel, property, unexpended balances of appropriations, allocations or other funds, including the functions of budgeting and purchasing, are transferred to the principal department." "When any agency, or part thereof, is transferred by a Type I transfer to a principal department...all its prescribed powers, duties, and functions, including but not limited to rule making, regulation, licensing, and promulgation of rules, rates, regulations, and standards, and the rendering of findings, orders, and adjudications are transferred to the head of the principal department into which the agency, or part thereof, has been transferred."

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These educational entities are authorized to use the Public School Insurance Fund, and may elect to continue utilizing the Fund. S.L. 2019-176 now requires a public education board to insure, and keep insured, each building owned by the entity to the extent of not less than 80% of the current insurable value, against loss by an *insurable hazard*, defined as the following: fire, lightning, windstorm, hail, explosion, aircraft or vehicles, riot or civil commotion, smoke, vandalism, sprinkler leakage, sinkhole collapse, volcanic action, falling objects, weight of snow, ice or sleet, and water damage.

Under S.L. 2019-176, a public education board is required to insure and keep insured to the extent of not less than 80% of the current insurable value, for *flood damage* to buildings and their contents, when that property is located, or becomes located in an area identified on the latest Flood Insurance Rate Map produced by the Federal Emergency Management Agency as an area that will be inundated by a flood event having a one percent (1%) chance of being equaled or exceeded in any given year. Under prior law, public education boards could voluntarily elect to provide for flood insurance coverage, which includes coverage made available through the Public School Insurance Fund, and may continue to utilize the Fund to satisfy the new flood insurance coverage requirements of S.L. 2019-176.

If the Commissioner of Insurance determines that any person has willfully failed to comply with the insurance coverage requirements for public education boards, the Commissioner may order, for each separate violation, a civil penalty.

S.L. 2019-176 makes further conforming and technical changes to fully implement the transfer and consolidation of the School Insurance Fund Section of the Department of Public Instruction to the Department of Insurance.

EFFECTIVE DATE: This act becomes effective July 1, 2020.

**Kara McCraw, Staff Attorney with the Legislative Analysis Division, substantially contributed to this summary.*