

ATTACHMENT 1

DRAFT MINUTES

**DRAFT MINUTES
COMMONWEALTH OF PENNSYLVANIA
COAL AND CLAY MINE SUBSIDENCE INSURANCE FUND BOARD MEETING**

January 14, 2016

A meeting of the Coal and Clay Mine Subsidence Insurance (MSI) Board (Board) was called to order at 10:00 a.m. on January 14, 2016, in the 12th Floor Conference Room of the Rachel Carson State Office Building, 400 Market Street, Harrisburg, Pennsylvania.

Board members present at the meeting were as follows: Thomas Callaghan, Director, Bureau of Mining Programs, Department of Environmental Protection (DEP), Designated Chair for John Quigley, Secretary of DEP; Mark Lersch, Director, Bureau of Property and Casualty Insurance, Designated Representative for Board Member Teresa D. Miller, Commissioner of Insurance; and Christopher Donahue, Assistant Counsel, Designated Representative for Board Member Timothy A. Reese, State Treasurer.

Also attending the meeting were Anne Salem and Kevin Leitenberger, Cash Management and Investments, State Treasury; Jennifer Steigelman, Jeremy Barge and Michael Chiarkas, Office of the Budget, Comptroller Operations; and the following DEP employees: Laura Edinger, Office of Policy, Joseph Iole, Office of Chief Counsel, Janice Repa, Bureau of Fiscal Management; Paul Pocavich, Bureau of Mining Programs, Lawrence Ruane, MSI Program Administrator; Amy Berrios, Administrative Officer; and Nicholle Harman, MSI Board Recording Secretary.

Issues discussed and actions taken at the meeting:

Call to Order/Approval of the December 10, 2014 MSI Board Meeting Minutes

The Board reviewed the draft minutes of the meeting, and unanimously approved the minutes of the December 10, 2014 MSI Board Meeting.

Program Measures and Financial Reports (Operational Reports)

DEP staff presented reports depicting the MSI Fund's operational performance and financial position that demonstrated stability in its operations and moderate growth in its financial position during State Fiscal Year (FY) 2014, which was typical of its performance over the last ten years. During FY 2014, the underwritten value of policies in force climbed from about \$10.3 billion to about \$10.5 billion dollars as the average policy value rose from about \$176,000 to about \$182,000. At the same time, the average premium per \$1,000 of insured value fell from about 50 cents about 47 cents. The number of mine subsidence damage claims and the magnitude of the average loss was about one-half of those experienced in the previous fiscal year. During FY 2014 there were 14 paid claims with an average cost to repair of about \$20,400.

Financial Reports

The financial reports provided by the Office of Comptroller's Operations demonstrated that during FY 2014 the financial position of the MSI Fund continued to be sound. Premium and interest income were sufficient to offset all administrative and claim costs and to also contribute to reserves that offset potential catastrophic losses, including the cost of potential losses that are assumed by the MSI Fund in lieu of the purchase of very costly reinsurance against those losses.

Investment Reports

The investment reports provided by the Pennsylvania Treasury demonstrated that the value of the MSI Fund's investments continued to grow at a rate commensurate with the investments of the Commonwealth. On a cost basis, the value of the longer-term funds (Pool 198) invested by the Treasury for the MSI Fund during FY 2014 rose from \$75,981,393 to \$87,890,692. Although the value of the short-term funds (Pool 99) invested by the Treasury at the end of FY 2014 was \$13,554,641, which was down from \$21,388,389 at the beginning of FY 2014, \$10,000,000 of Pool 99 funds had been transferred to the Pool 198 Fund during FY 2014.

Routine Business

After the review of the operational and financial performance of the MSI Program and Fund, the Board unanimously established that:

1. A policy coverage inflation factor of 0 percent will be established for calendar year 2016;
2. The existing policy premium rates would be maintained during FY 2016.
3. The existing insurance producer commission rates would be maintained during FY 2016;
4. The existing maximum coverage amount of \$500,000 would be maintained during FY 2016 with a deductible for residential and non-residential policies at \$0.00;
5. The maximum amount of funding available for loans and grants to improve the MSI Program during FY 2016 is \$915,524;
6. The Reserves in Lieu of Reinsurance will continue to be calculated using the formula that includes a reserve factor range of \$4.44 to \$12.95 per \$1,000 of Underwritten Coverage, which was established by the Board during the April 10, 2012 Board Meeting; and,
7. A distribution of premiums back to subscribers will not be provided during FY 2016.

Reimbursement for Program Costs

The Board reviewed estimated costs for the administration of the MSI Program during FY 2016 and unanimously approved an expenditure of up to \$3,488,835 from the MSI Fund to reimburse DEP for the administrative costs of the MSI Program during FY 2016.

Claim and Refund Payment Resolution

The Board unanimously approved a motion directing the prompt payment of MSI damage claim and refund invoices and then instructed that the resolution memorializing the directive (Attachment 7) be circulated to the mandated Board members for their signatures.

Other Business, Next Meeting and Adjournment

The Board established that the next regular meeting of the MSI Board will be held at 10:00 a.m. on January 12, 2017, in the 12th Floor Conference Room of the Rachel Carson State Office Building, 400 Market Street, Harrisburg, Pennsylvania. With no further business before the Board, the meeting was adjourned at 10:25 a.m.

KEY OBLIGATIONS:

- 1) DEP will revise program systems and documents to reflect the new deductibles of \$0.0.
- 2) DEP will circulate the claim and refund payment resolution for signatures.