

ATTACHMENT 1

DRAFT MINUTES

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

January 13, 2022

A meeting of the Coal and Clay Mine Subsidence Insurance (MSI) Board (Board) was called to order at 10:00 a.m. on January 13, 2022, via Microsoft Teams and in person at the Rachel Carson State Office Building, 400 Market Street, Harrisburg, Pennsylvania.

Board members present at the meeting were William Allen (in person), Bureau of Mining Programs, Department of Environmental Protection (DEP), Designated Chair for Patrick McDonnell, Secretary of DEP; Mark Lersch, Director, Bureau of Property and Casualty Insurance, Designated Representative for Board Member Jessica K. Altman, Commissioner of Insurance; and Jennifer Langan, Deputy Chief Counsel, Designated Representative for Board Member Stacy Garrity, State Treasurer.

Also, in attendance were Mike Kondrack, Cash Management and Investments, State Treasury; Andy Cameron, Jamie Jerosky, and Alfredo Rivera, Comptroller Operations, Office of the Budget, Robert Blanch and Stephanie Clark, Ex BAFM General Accounting Division; Insurance Commission, Greg Schwartz (in person). The following DEP employees were also in attendance: from Active and Abandoned Mine Operations, Amy Berrios; Christopher Minott, Esq. Assistant Counsel; Drew Frost and Matthew Cavanaugh, District Mining Programs; and from Bureau of Mining Programs, Wendy Taylor, Administrative Officer, Jim Charowsky (in person), MSI Program Administrator, Rebecca Savidge, Management Technician, Seth Pelepko, Environmental Program Manager, Keith Previc (in person), Mineral Resource Program Specialist, and Cheryl Miller-Laatsch, Clerical Support.

Following are issues discussed and actions taken at the meeting:

Approval of the MSI Board Meeting Minutes

The Board reviewed and unanimously approved as final the draft minutes of the January 14, 2021 MSI Board Meeting.

Program Reports

The Board reviewed reports provided by DEP staff that demonstrated the operational and financial performance of the MSI Fund over the most recent ten fiscal years (FY). The reports showed that there continued to be moderate growth to most of the fundamental program measures during the FY 2020 (July 1, 2020 through June 30, 2021), like the performance demonstrated during the nine previous years in the report. During FY 2020, the number of subscriptions declined slightly from 63,333 to 62,889. The average policy value rose from about \$216,254 to about \$219,838 and the underwritten value of all the policies in force rose from about \$13.7 billion to about \$13.8 billion, while the average premium continued to be very affordable at about 27 cents per \$1,000 of coverage. The number of mine subsidence damage claims filed increased from 190 to 238 in the prior FY. Additionally, the number of total supported claims declined from 14 to 11. The value of paid claims

declined, but they are a snapshot in time because it takes time to get bids/estimates and pay the claims. The numbers will go up during the FY like they did in 2019. For that period, the report had \$1,095,356 and ended up being \$2,009,727. So far in this FY there is \$324,318, or about \$40,359 per claim.

Financial Reports

Financial reports provided by the Office of Comptroller Operations demonstrated that the financial position of the MSI Fund continued to be sound during FY 2020. Balance Sheet assets show the Temporary Investments of \$133.3 million increased nearly \$5.1 million, or 4%, compared to previous fiscal year. There was not a big change in liabilities. Total Fund Equity of \$133.4 million increased \$5.2 million, or 4.2%, compared to previous fiscal year. Within the equity, the Unreserved Fund Balance increase by \$79,000. The Reserve for Catastrophes increased \$337,000 and an increase of \$4.8 million to the Reserved in Lieu of Re-insurance was reported. The Cash Flow Statement show premiums collected of \$6.7 million with a decrease of a little over \$140,000, or 3.2%, compared to prior fiscal year. Within the sources of cash, the investment income of \$3.1 million decreased \$604,000, or 19% drop, compared to the previous year. Total Uses of Cash of \$4.8 million is an increase of \$1,000,000, or 26%, compared to the prior year mostly because of the amount of claims paid; but even with this increase in Total Uses of Cash, the Net Change In Cash and Investments increased from \$128 million to \$133 million, or a \$5 million increase.

Investment Reports

The Coal and Clay Fund participate in Pool 198 and Pool 99. Pool 198 started at the beginning of the fiscal year with market value of just a little over \$132 million. It ended the fiscal year with just over \$142 million. The net asset value per share increased over the fiscal year from \$1.38 per share to \$1.45. The shares varied over the FY but ended higher. The fund earned interest in the amount of \$3.291 million, or 3.38%.

Pool 99 Short Term Fund market value beginning of FY 2020 was \$26.8 million and ended up at \$28.8 million. In Pool 99, the NAVPS started and ended at \$1.00. The fund earned just over \$43,000, or 0.16%.

Routine Business

After the review of the operational and financial performance of the MSI Program and Fund, the Board considered the routine business required for the administration of the MSI Fund and unanimously established the following:

1. A policy coverage Inflation Factor of 18.5% percent would be established;
2. No change to the Policy Premium Rates;
3. Claim Payment Deductibles would remain at \$0;
4. The Incidental Costs calculations would remain unchanged;
5. The existing insurance Producer Commission Rates would be maintained;
6. The maximum coverage amount remains \$1,000,000;
7. The formula used to calculate the Loan and Grant Funding Limit for grants and loans to improve the MSI Program would remain unchanged;
8. The formula to calculate the Reserves In lieu of Reinsurance would remain unchanged;
9. A Premium Distribution to subscribers was not proposed by the Board;
10. Claim Report: California District Mining Office reported that there were 238 claims opened in FY 2020. Of the 238 claims opened, 189 were denied and 11 were supported. Seven claims are ongoing, and 24

claims were abandoned by the policyholder. Seven claims were withdrawn by the policyholder. About 9.5% of claims were supported, which is average over the year;

11. Marketing Mine Subsidence Insurance: Because of COVID, this notification process was suspended. Hopefully when COVID numbers decrease this notification process will start up again.

Reimbursement for Program Costs

The Board reviewed estimated costs of the MSI Program for FY 2022 and considered a reimbursement to DEP for expenditures it may make as it administers the MSI Program. The estimate includes contingent spending for costs associated with claims and policy applications that would be more than normally anticipated levels so that funding is available to provide uninterrupted service. The Board then unanimously approved an expenditure of up to \$3,720,303 from the MSI Fund to reimburse DEP for the administrative costs of the MSI Program during FY 2022.

Other Business, Next Meeting, and Adjournment

The Corporate Governance Annual Disclosure (CGAD) form required by the Insurance Commission was submitted to the Insurance Commission through Board Member Mark Lersch. Mine Subsidence Insurance was notified that if there are no changes to CGAD, only a letter stating such is required instead of the complete CGAD.

The Board established that the next regular meeting of the MSI Board will be held at 10:00 a.m. on January 12, 2023 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 approximately 10:55 a.m.

KEY OBLIGATION: DEP will revise program systems to provide a coverage inflation option of 18.5%.