

DRAFT MINUTES

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

January 17, 2024

A meeting of the Coal and Clay Mine Subsidence Insurance (MSI) Board (Board) was called to order at 10:00 a.m. on January 17, 2024, via Microsoft Teams and in person at the Rachel Carson State Office Building, 400 Market Street, Harrisburg, Pennsylvania.

Board members present at the meeting in the were in attendance, either virtual or in person: Nathan Houtz, Bureau of Mining Programs, Department of Environmental Protection (DEP), Designated Chair for Jessica Shirley, Acting Secretary of DEP; Shannon Logue, Deputy Insurance Commissioner, Office of Product Regulation, Designated Representative for Board Member Michael Humphreys, Commissioner of Insurance; and Jennifer Langan, Deputy Chief Counsel, Designated Representative for Board Member Stacy Garrity, State Treasurer.

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 12, 2023, 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 2022. During FY 2022, the number of policies in force declined from 62,101 to 61,201. The average policy value rose from \$244,652 to \$279,829 and the underwritten value of all the policies in force rose from about \$15.1 billion to about \$17.1 billion. Premium amounts per \$1000 of coverage remained the same from the prior year at 25 cents. The number of mine subsidence damage claims filed decreased from 198 to 185, and the number of total supported claims increased from 15 to 24, with the expectation that the number of claims would increase for FY 23. For FY 22, the total value of paid claims was about \$2,746,000, and the average paid claim was roughly \$119,000. Because of the number of policies taking advantage of the increased coverage limit, the MSI program requested an increase to the allotted \$2 million for funds to pay claims, which was approved for a new maximum of \$5 million.

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 2022. Balance Sheet assets show the Temporary Investments of \$139 million increased nearly 2.9 million or 2.1% compared to previous fiscal year. There was a slight increase in liabilities, from \$1.8 million in FY 2021 to \$1.9 million in FY 2022. Total Fund Equity of \$137.2 million increased 2.8 million or 2.1% compared to previous fiscal year. Within the fund equity, the Unreserved Fund Balance increased by \$200,000. The Reserve for Catastrophes increased to \$213,817 and the Reserved in Lieu

of Re-insurance increased from \$124.4 million to \$124.6 million. The amount of premiums collected increased from \$3.8 million in FY 2021 to \$4.2 million in FY 2022. The Cash Flow Statement shows premiums collected of \$4.2 million. Within the sources of cash, the investment income increased from \$3.2 million in FY 2021 to \$4.4 million in FY 22. Total Uses of Cash increased to \$5.8 million, \$1.5 million more than the prior year. The Net Change In Cash and Investments increased from \$136 million to \$139 million, a \$3 million increase.

Investment Reports

The Coal and Clay Fund participate in the Long-Term Pool 998 and Short-Term Pool 999. Pool 998 showed significant improvement in FY 2022. It started at the beginning of the fiscal year with market value of nearly \$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 fund earned interest in the amount of \$3.29 million, or 3.38%.

Pool 999 Short-Term Fund market value beginning of FY 2022 was \$26.8 million and ended up \$28.8 million, with the NAVPS starting and ending 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 approved Items 1 through 9:

1. A policy coverage Inflation Factor of 0.0% 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 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 185 claims opened in FY 2022. Of the 185 claims opened, 134 were denied and 24 were supported, about 15% of all investigated claims. Two claims were ongoing at the time of the meeting, and 21 claims were abandoned or withdrawn by the policyholder. The 134 denied claims were denied because the damage was not caused by mine subsidence. No claims were appealed.
11. Legislature Report FY 2022: The Board was provided an informational copy of the Annual Report, and will be provided with copies upon completion in future years.
12. Corporate Governance Annual Disclosure (CGAD): The annual CGAD will be submitted to the Insurance Department.
13. House Bill 589: Mr. Charowsky informed the Board of PA House Bill 589, which as proposed would add coverage for landslides into the existing MSI Program. The Bill has since been removed from consideration.

Reimbursement for Program Costs

The Board reviewed estimated costs of the MSI Program for FY 2024 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 \$3.7 million from the MSI Fund to reimburse DEP for the administrative costs of the MSI Program during FY 2024.

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 15, 2025 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 10:40 a.m.

KEY OBLIGATION:

DEP will revise program systems to reflect a coverage inflation option of 0.0%.