

ATTACHMENT 1

DRAFT MINUTES

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

December 11, 2012

A meeting of the Mine Subsidence Insurance (MSI) Board (Board) was called to order at 10:00 a.m. on December 11, 2012, in the 10th 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 (BMP), Designated Chair for Michael Krancer, Secretary of the Department of Environmental Protection (DEP); Mark Lersch, Director, Bureau of Property and Casualty Insurance, Designated Representative for Board Member Michael F. Consedine, Commissioner of Insurance; and Jennifer Langan, Assistant Counsel, Designated Representative for Board Member Robert McCord, State Treasurer.

Also attending the meeting were John Small, Deputy State Treasurer for Cash Management and Investments, State Treasury, and the following DEP employees: William Cumings, Esq., Assistant Counsel; Janice Repa, Budget Analyst, Bureau of Fiscal Management; Dean Kerstetter, Budget Analyst, Bureau of Fiscal Management; Paul Pocavich, Chief, Division of Environmental Analysis and Support; Lawrence Ruane, MSI Program Administrator; Amy Berrios, BMP Administrative Officer; and Nicholle Harman, MSI Board Recording Secretary.

Issues discussed and actions taken at the meeting:

Call to Order/Approval of the December 14, 2011 and April 10, 2012 MSI Board Meeting Minutes

The Board reviewed the draft minutes of the meetings, made minor revisions to the April 10, 2012 document and unanimously approved the minutes of both meetings.

Business Issues and Actions Taken by the Board

The Board reviewed documents that describe the operational and financial performance of the MSI Program and Fund and unanimously established that:

1. the existing maximum coverage amount of \$500,000 would be continued during State Fiscal Year (FY) 2013-2014;
2. a 3.8 percent coverage inflation factor (a premium option that allows subscribers to maintain coverage at levels that keep pace with inflation) would be provided for calendar year 2013;
3. the existing policy premium and insurance producer commission rates would be continued during FY 2013-2014;
4. a distribution of premiums back to subscribers would not be provided in FY 2013-2014; and,

5. the Unreserved Fund Balance would continue to be maintained at approximately \$1 million through the use of the Reserves in Lieu of Reinsurance, which would continue to be calculated using the factor range (\$4.44 to \$12.95 per \$1,000 of Underwritten Coverage) that was established by the Board during the April 10, 2012 Board Meeting.

Reimbursement for Program Costs

The Board reviewed estimated costs for the administration of the MSI Program during FY 2013 and unanimously approved an expenditure of up to \$3,789,471 from the MSI Fund to reimburse DEP for the administrative costs of the MSI Program during FY 2013.

Other Business, Next Meeting and Adjournment

The Board established that the next annual meeting will be held on December 11, 2013. The meeting was adjourned at 11:20 a.m.

KEY OBLIGATIONS:

DEP will adjust the coverage inflation factor, which is used to calculate a premium option that allows subscribers to maintain coverage at levels that keep pace with inflation, to 3.8 percent on January 1, 2013.