

**ATTACHMENT 1**

**DRAFT MINUTES**

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

**December 10, 2014**

A meeting of the Mine Subsidence Insurance (MSI) Board (Board) was called to order at 10:00 a.m. on December 10, 2014, in the 12<sup>th</sup> Floor Conference Room of the Rachel Carson State Office Building, 400 Market Street, Harrisburg, Pennsylvania.

Board members present at the meeting were as follows: Paul Pocavich, Bureau of Mining Programs (BMP), for Thomas Callaghan, Director, BMP, Designated Chair for Dana K. Aunkst, Acting 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 Kathryn Cerulli, Assistant Counsel, Designated Representative for Board Member Robert McCord, State Treasurer.

Also attending the meeting were Anne Salem, Assistant Manager of Financial Analysis, Cash Management and Investments, State Treasury, and the following DEP employees: Laura Edinger, Office of Policy, 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 11, 2013 MSI Board Meeting Minutes

The Board reviewed the draft minutes of the meeting, and unanimously approved the minutes of the December 11, 2013 MSI Board Meeting.

Program Measures and Financial Reports (Operational Reports)

DEP staff presented reports depicting the MSI Fund's operational performance and financial position. During State Fiscal Year (FY) 2013, the MSI Fund experienced moderate growth, typical of its performance in the past. During FY 2013, the underwritten value of policies in force climbed from about \$9.5 billion to about \$10.3 billion dollars as the average policy value rose from about \$168,000 to about \$175,000. At the same time, the average premium per \$1,000 of insured value fell from about 55 cents to about 50 cents. At the close of FY 2013, there were 16 supported claims, the same number as in the previous FY. However, the cost of claims rose from about \$660,550 to \$804,325, increasing the average claim payment from about \$44,000 to about \$50,000.

Financial Reports

The financial reports provided by the Office of Comptroller's Operations demonstrated that during FY 2013 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. The average monthly book value of the longer-term funds (Pool 198) invested by the Treasury for the MSI Fund during FY 2013 rose from \$73,506,018 to \$75,167,018. The value of short-term funds (Pool 99) invested by the Treasury during FY 2013 increased from \$18,887,460 to \$20,801,495.

### Routine Business

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

1. A 2.0 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 2014;
2. The existing policy premium and insurance producer commission rates would be continued during State Fiscal Year (FY) 2015 (July 1, 2015 through June 30, 2016);
3. The existing maximum coverage amount of \$500,000 would be continued during FY 2014;
4. The deductible for residential and non-residential policies will be set at \$0.00;
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; and,
6. A distribution of premiums back to subscribers would not be provided in FY 2015.

### Reimbursement for Program Costs

The Board reviewed estimated costs for the administration of the MSI Program during FY 2015 and unanimously approved an expenditure of up to \$3,913,335 from the MSI Fund to reimburse DEP for the administrative costs of the MSI Program during FY 2015.

### Other Business, Next Meeting and Adjournment

To provide time for all fiscal year ending documents to be produced and reconciled between the Office of the Comptroller, State Treasury, DEP Fiscal Operations and the MSI Program and to accommodate for the holiday season, the Board established that the MSI Annual Board Meeting will occur on the second Thursday of January each year. The next annual meeting will be held on January 14, 2016. The meeting was adjourned at 10:25 a.m.

### KEY OBLIGATIONS:

- 1) DEP will revise program documents to reflect the new deductibles of \$0.00.
- 2) DEP will adjust the coverage inflation factor to 2.0 percent on January 1, 2015.