

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

January 14, 2021

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, 2021, via Skype in the Rachel Carson State Office Building, 400 Market Street, Harrisburg, Pennsylvania.

Board members present at the meeting were William Allen, 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 Veronica Hoof, Deputy Chief Counsel, Designated Representative for Board Member Joseph M. Torsella, State Treasurer.

Also, in attendance were Mike Kondrack, Cash Management and Investments, State Treasury; Andy Cameron and Alfredo Rivera, Comptroller Operations, Office of the Budget. The following DEP employees were also in attendance: Kate Cole, Office of Policy; Amy Berrios, Active and Abandoned Mine Operations; Christopher Minott, Esq. Assistant Counsel; Michael Bodnar PE, Drew Frost and Matthew Cavanaugh, District Mining Programs; and from Bureau of Mining Programs, Paul Pocavich, Environmental Program Manager, Wendy Taylor, Administrative Officer, Jim Charowsky, MSI Program Administrator, Rebecca Savidge, Management Technician, 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 9, 2020 MSI Board Meeting and draft minutes of the November 17, 2020 MSI Special 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 2019 (July 1, 2019 through June 30, 2020), like the performance demonstrated during the nine previous years in the report. During FY 2019, the number of subscriptions declined slightly from 63,508 to 63,333. The average policy value rose from about \$208,402 to about \$216,255 and the underwritten value of all the policies in force rose from about \$13.2 billion to about \$13.7 billion, while the average premium continued to be very affordable at about 50 cents per \$1,000 of coverage. The number of mine subsidence damage claims filed declined slightly from 217 to 190 in the prior FY. Additionally, the number of supported claims declined from 19 to 14. The value of paid claims declined from approximately \$1,095,356, or about \$60,853 per claim, to approximately \$487,080, or about \$48,708 per claim. One point of interest made was the number of policies is down slightly from the previous FY. California DMO noted that because of COVID restrictions they have not been sending out notifications as in previous years so this probably lend to the reductions of policies in effect.

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 2019. Balance Sheet assets show the Temporary Investments of

\$128.2 million increased nearly 6.8 million or 5.6% compared to previous fiscal year. There was not a big change in liabilities. Total Fund Equity of \$125.1 million increased 6.9 million or 5.8% compared to previous fiscal year. Within the equity the Unreserved Fund Balance decreased by \$138,000 and this was offset by increases in the Reserve for Catastrophes of \$344,000 and an increase of 6.5 million to the Reserved in Lieu of Re-insurance. The Cash Flow Statement show premiums collected of \$6.9 million with an increased \$212,000 or 3.2% compared to prior fiscal year. Within the sources of cash, the investment income of 3.7 million increased \$138,000 or 3.8% compared to the previous year. Total Uses of Cash of \$3.8 million decreased \$60,000 or 1.6% compared to the prior year and this activity resulted in a Net Change In Cash and Investments of \$6.8 million.

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 \$126 million. It ended the fiscal year with just over \$133 million. The net asset value per share increased over the fiscal year from \$1.35 per share to \$1.38. The shares started out at a steady increase but in February 2020 because of COVID a drastic decrease occurred. Since that time a steady increase continued until the end the fiscal year. The fund earned interest in the amount of \$3.247 million or 3.42%. The fund was affected by PennVest withdrawing \$400 million of the funds out of Pool 198 around April because of COVID.

Pool 99 Short Term Fund market value beginning of FY 2019 was \$23.3 million and ended up \$26.7 million. In Pool 99 the NAVPS started and ended at \$1.00. The fund earned just over \$394,000 or 1.61%.

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 2.0 percent would be established;
2. The existing Policy Premium Rates would be reduced by 50%;
3. Claim Payment Deductibles would remain at \$0;
4. The Incidental Costs calculations would remain unchanged but the table will be adjusted to the new maximum coverage amount;
5. The existing insurance Producer Commission Rates would be maintained;
6. The maximum coverage amount will increase to \$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 169 claims opened in FY 2019. Of the 169 claims opened, 137 were denied and 14 were supported. Four claims are ongoing, and 13 claims were abandoned by the policyholder. One claim was withdrawn by the policyholder. About 10% of claims were supported, which is average over the year;
11. Marketing Mine Subsidence Insurance: MSI mails insurance information to individuals who don't have MSI insurance making them aware of the possible subsidence hazard. In 2019 over 24,000 notifications were mailed out with about 1,000 obtaining 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 2021 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 undisrupted service. The Board then unanimously approved an expenditure of up to \$4,240,420 from the MSI Fund to reimburse DEP for the administrative costs of the MSI Program during FY 2021.

Other Business, Next Meeting, and Adjournment

Corporate Governance Annual Disclosure Form: The Board agreed to review a draft of the CGAD every year and reply with comments. Once the comments are addressed the Department may submit CGAD. No special meeting is required by the Board for the Department to submit the CGAD.

The Board established that the next regular meeting of the MSI Board will be held at 10:00 a.m. on January 13, 2022 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 10:45 a.m.

KEY OBLIGATION: DEP will revise program systems to provide a coverage inflation option of two percent, implement the increased maximum coverage amount, implement the premium rate decrease and revise the incidental costs table to the new maximum coverage amount.