

DRAFT MINUTES

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

January 12, 2023

A meeting of the Coal and Clay Mine Subsidence Insurance (MSI) Board (Board) was called to order at 1:00 p.m. on January 12, 2023, 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 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.

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 13, 2022 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 2021. During FY 2021, the number of subscriptions declined slightly from 62,889 to 62,101. The average policy value rose from about \$219,838 to about \$244,652 and the underwritten value of all the policies in force rose from about \$13.8 billion to about \$15.1 billion. Premium amounts per \$1000 of coverage sank to 25 cents, reflective of the premium reduction of July 2021. The number of mine subsidence damage claims filed decreased from 238 to 198, and the number of total supported claims increased from 12 to 15. At the time of the report, the total value of paid claims was about \$461,000, and the average paid claim was roughly \$38,000.

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 2021. Balance Sheet assets show the Temporary Investments of \$136.2 million increased nearly 2.9 million or 2.2% compared to previous fiscal year. There was a significant change in liabilities, from \$3 million in FY 2020 to \$1.8 million in FY 2021. Total Fund Equity of \$134.5 million increased 4 million or 3.1% compared to previous fiscal year. Within the fund equity, the Unreserved Fund Balance increased by \$38,000. The Reserve for Catastrophes increased \$194,000 and an increase of 4.2 million to the Reserved in Lieu of Re-insurance. Since the premium reduction of FY2021, the amount of premiums collected reduced from \$6.7 million in FY 2020 to \$3.9 million in FY 2021. The Cash Flow Statement shows premiums collected of \$3.8 million. Within the sources of cash, the investment income of 3.2

million increased \$158,000. Total Uses of Cash decreased to \$4.2 million, \$536,000 from the prior year. The Net Change In Cash and Investments increased from \$128 million to \$133 million, a \$5 million increase.

Investment Reports

The Coal and Clay Fund participate in the Long Term Pool 998 and Short Term Pool 999. Pool 998 did not perform well in FY 2021. It started at the beginning of the fiscal year with market value of nearly \$143 million. It ended the fiscal year with just over \$129 million. The net asset value per share decreased over the fiscal year from \$1.45 per share to \$1.29. The shares showed a gradual downward turn through the FY especially after January 2022 went the Feds increased interest rates and inflation. Many of the investments had a negative return. The fund earned interest in the amount of \$3.02 million, or 3.04%.

Pool 999 Short Term Fund market value beginning of FY 2021 was \$28.8 million and ended up \$28.4 million. In Pool 999 the NAVPS started and ended at \$1.00. The fund earned just over \$62,000, or 0.22%. Most of these earnings were in the last two months of the FY, totaling about \$40,000 in the months of May and June of 2022. The other months average \$3,000 earnings. However, projections for FY 2023 look positive and earnings are expected to be much better.

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 14.5% 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 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 198 claims opened in FY 2021. Of the 198 claims opened, 154 were denied and 15 were supported, about 9% of all investigated claims. One claim was ongoing at the time of the meeting, and 24 claims were abandoned by the policyholder. Four claims were withdrawn by the policyholder. Of the 154 denied claims, 153 were denied because the damage was not caused by mine subsidence and the one remaining claim was damaged caused by a previous claim but was not repaired. All claims are investigated by licensed professional engineers. Question was raised if denied claims can be appealed and the answer is yes. The appeal clause is in every claim denial letter. Claimants may appeal to the Environmental Hearing Board. It was requested that the next report include the number of appealed denied claims.
11. Legislature Report FY 2021: 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.

Reimbursement for Program Costs

The Board reviewed estimated costs of the MSI Program for FY 2023 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 \$3,278,250 from the MSI Fund to reimburse DEP for the administrative costs of the MSI Program during FY 2023.

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 17, 2024 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 14.5%.
Address the appeals of claims in the next Evaluation of MSI Claim Report.