

# **Mine Subsidence Insurance**

## **Frequently Asked Questions**

### **Questions Frequently Asked by Consumers**

#### **Q1: What is Mine Subsidence Insurance?**

A1: For purposes of the Indiana Mine Subsidence Fund, mine subsidence is defined as the collapse of inactive, underground coal mines abandoned before August 3, 1977, resulting in damage to a structure. As of January 1, 2017, the term applies to all underground coal mines, regardless of their status as active, inactive, occupied, or abandoned. Damage from mine subsidence does NOT include earthquake, landslide, volcanic eruption, or collapse of storm or sewer drains. A structure means any dwelling, building, or fixture permanently fixed to real property. The term does not include land, trees, crops, or other plants.

#### **Q2: How do I obtain mine subsidence insurance?**

A2: Due to the nature of the damage, standard property insurance policies do not cover mine subsidence claims. For protection, you must purchase mine subsidence insurance as an addition to your current policy. Mine subsidence insurance can be added to your property coverage (such as a homeowners or commercial property policy) at any time. If you live in one of the following Indiana counties, you may contact your insurance company or agent to ask about purchasing mine subsidence coverage.

Clay	Owen
Crawford	Parke
Daviess	Perry
Dubois	Pike
Fountain	Posey
Gibson	Putnam
Greene	Spencer
Knox	Sullivan
Lawrence	Vanderburgh
Martin	Vermillion
Monroe	Vigo
Montgomery	Warren
Orange	Warrick

**Q3: What if I live near an abandoned surface mine?**

A3: The Mine Subsidence Fund does not reinsure risks from surface mines. Contact your insurance company or agent for insurance coverage needs. Contact the Indiana Department of Natural Resources Division of Reclamation at 800-772-6463 for assistance with land restoration.

**Q4: What if I live over an active mine?**

A4: You will be able to obtain mine subsidence insurance coverage beginning January 1, 2017.

**Q5: Is coverage available for the cost of living outside my home while repairs are being made?**

A5: Yes. Beginning January 1, 2017, policyholders can purchase up to \$15,000 of additional living expense coverage on a dwelling.

**Q6: If I buy mine subsidence insurance for my house, is my detached garage covered?**

A6: No. Separate buildings like detached garages and silos must be separately insured. Speak with your insurance agent to be sure you have appropriate coverage.

**Q7: How do I file a claim?**

A7: Contact your insurance company or agent. Be ready to provide the following details:

- Your full name and policy number
- The start and end date of your policy
- The address of the insured property(ies)

**Q8: Are buildings under construction covered by the Indiana Mine Subsidence Insurance Fund?**

A8: Buildings under construction are NOT covered by the Indiana Mine Subsidence Insurance Fund.

**Q9: When can I make repairs?**

A9: Permanent repairs cannot be made until movement has ceased. The residence must be monitored until there is non-movement for a period of three months.

## **Questions Frequently Asked by Insurers**

### **Q10: What reporting obligations do insurers have after entering into a reinsurance agreement?**

A10: Insurers must report the amounts of premiums collected for the Mine Subsidence Insurance Fund on a quarterly basis. The Insurer must also present an itemized list of losses paid, including the policy number and the location of the structures, semiannually by August 15 for the period ending June 30 and by February 15 for period ending December 31. Mine subsidence reports must be submitted in electronic format to a dedicated e-mail address, [MineSub@idoi.IN.gov](mailto:MineSub@idoi.IN.gov), which is to be used by all companies for submission of mine subsidence reports. Please review the document titled "MS Instructions," located at <https://secure.in.gov/idoi/2575.htm>, for detailed guidance and reporting schedules.

### **Q11: Who do I make the check out to when submitting the quarterly mine subsidence policy Summary Report?**

A11: Please make checks out to the Indiana Mine Subsidence Insurance Fund

### **Q12: What is the distinction between a dwelling structure and a non-dwelling structure?**

A12: "Dwelling Structures" includes residences, including farm residences, of up to four family units.

"Non-Dwelling Structures" are structures other than residences, including appurtenant structures, commercial buildings, public buildings, government buildings or residential housing consisting of more than four family units.

Please note that these definitions mean that the mine subsidence rating for a typical homeowners policy covering a single family home with appurtenant structures would consist of premium based on a dwelling rate for the house and premium based on non-dwelling rate(s) for the appurtenant structure(s).

### **Q13: What policy activity should be reported in a quarterly report?**

A13: Any policy that has mine subsidence written premium activity during the quarter should be included. This activity may consist of policies that are written, reinstated, cancelled, or have otherwise changing exposure such as mid-term increases or decreases in mine subsidence limits. Please review the document

titled "Policy Detail," located at <https://secure.in.gov/idoi/2575.htm>, for further guidance on what should be reported.

**Q14: What is new on the new reporting spreadsheets?**

A14: We have begun asking for a report of incurred losses, to help the Department manage cash flow by better anticipating claims reported but not yet paid.

**Q15: What are appropriate values to input for "Limit of Insurance" in column (7) of the Policy Detail Report in scenarios with a) more than one dwelling or non-dwelling structure on a single policy or b) structures in more than one location on a single policy?**

A15: Each separately rated structure must be entered on its own row of the Policy Detail Report spreadsheet. Therefore, the proper entry is the insured limit for that structure.

**Q16: What "Limit of Insurance" should be input in column (7) for a structure that has an insurance amount of \$750,000 but a mine subsidence limit of \$500,000?**

A16: \$500,000 -- Note that this answer is a change from previous guidance.

**Q17: How should premium in column (9) be recorded when a policy has refunded premium?**

A17: Example: Mine subsidence coverage for a single dwelling structure was written on an annual policy effective 02/15/2016 for \$100. It was cancelled on 05/15/2016 with a refunded premium of \$75.

- Q1 2016 Report:
  - Adjusted Gross Written Premium: \$100
- Q2 2016 Report:

Adjusted Gross Written Premium: -\$75

**Q18: If mine subsidence coverage on an in-force policy is increased or decreased mid-term, how should these changes be reported for Limits and Premium?**

A18: (1) If the change involves adding a new structure or cancelling a currently insured structure, include the limit and the Adjusted Gross Written Premium for that structure.

(2) If the change is an increase or decrease to the limit on a currently insured structure, include the new limit and the Adjusted Gross Written Premium for that structure.

**Q19: How should column (10), which requires knowledge of whether there is exposure to a specific mine, be reported?**

A19: The IDOI understands that this information is not needed to determine mine subsidence premium, and we do not expect insurers to do any additional work to capture and enter this data. Therefore, in cases where this information is not readily known, this column should be left blank. However, if a reporting insurer knows that an insured structure has exposure to a specific mine, it should enter information based on the following criteria:

- If the mine is an active mine, enter "Active"
- If the mine is an inactive mine, and the date of abandonment is known, enter the abandonment date.
- If the mine is an inactive mine, and the date of abandonment is NOT known, leave this field blank.

**Q20: In determining which losses are reported, does IDOI want the date of loss, claim report date, or paid loss date to fall within the reporting period?**

A20: Within a reporting period, the company should report:

- (1) All claims with a "Claim Report Date" during the period
- (2) All claims with a "Paid Loss Date" during the period. If a claim has been reported but has not been resolved (i.e. no payment has been made), the "Paid Loss Date" and "Paid Loss Amount" should be left blank.

Example: A company reports a potential mine subsidence claim to the IDOI on 02/01/2017. After going through proper procedures, mine subsidence is determined to be the cause of loss and three loss payments are subsequently made by the company as shown in the table below

		Incurred Amount	
<u>Paid Loss</u>	<u>Paid</u>	<u>Reporting</u>	<u>As of Reporting</u>
<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Date</u>
2/1/2017	\$0	6/30/2017	\$30,000
10/1/2017	\$10,000	12/31/2017	\$40,000
2/15/2018	\$5,000	6/30/2018	\$35,000
4/15/2018	\$20,000	6/30/2018	\$35,000

This claim should be reported three times to reflect claim activity in the following reports:

- Q1/Q2 2017 (policy's claim is reported to IDOI),
- Q3/Q4 2017 (claim is updated with paid loss of \$10,000 on 10/1/2017),
- Q1/Q2 2018 (claim is updated with additional paid losses \$5,000 on 2/15/2018 and \$20,000 on 4/15/2018). Note that two separate lines are needed for this report because of the two different Paid Loss Dates.
- The Incurred Amounts are the cumulative incurred losses as of the reporting date, which will be either 6/30/XX or 12/31/XX.

**Q21: What is the definition of "Date of Loss" as shown in the report?**

A21: "Date of Loss"- date of event triggering claim report.

**Q22: What is the definition of "Claim Report Date" as shown in the report?**

A22: "Claim Report Date" – date claim reported to IDOI.

**Q23: What is the definition of "Paid Loss Date" as shown in the report?**

A23: "Paid Loss Date" – date of loss payment.

**Q24: Should the Paid Loss Amount entry include any expense payments?**

A24: The paid loss amount should only include loss payments for which reimbursement is expected from the Indiana Mine Subsidence Insurance Fund. The adjustment of losses, taxes and expenses necessarily incurred by the insurer in the sale of policies and the administration of the mine subsidence program should NOT be included in the paid loss amount; these expenses are borne by the company in exchange for the ceding commission. If the IDOI finds it necessary to review the ceding commission percentage in the future for adequacy, additional expense reporting may be requested or required.

**Q25: What should a company report if more than one payment is made for a single policy on various dates in the reporting period?**

A25: The Company should enter one row of complete data for each unique paid loss date on the same policy.

**Q26: Who is responsible for collecting premiums for the Mine Subsidence Fund?**

A26: The Insurer is responsible for collecting premiums for the Mine Subsidence Fund. After deducting the ceding commission, the Insurer must submit the remaining premium to the commissioner for deposit in the fund. Failure to submit premium will result in an absence of reinsurance.

**Q27: What is the Ceding Commission?**

A27: The ceding commission is the percentage or portion of mine subsidence insurance premiums paid to the Insurer for its administrative expenses in issuing and servicing its statutory mine subsidence insurance coverage, adjusting losses and paying taxes. The current ceding commission is 30% of the premium.

**Q28: Who sets the premium amount for mine subsidence insurance policies?**

A28: The premiums for mine subsidence insurance are established by the commissioner, and deviations from these premiums are NOT allowed. Premiums are designed to (1) satisfy all foreseeable claims on the mine subsidence insurance fund during the period of coverage, giving due consideration to relevant loss or claims experience or trends; (2) cover normal costs of operation of the mine subsidence insurance fund; and (3) provide a reasonable reserve fund for unexpected contingencies. Updated information is available at the IDOI's web site.

**Q29: How do insurers recoup their losses from mine subsidence insurance?**

A29: The Fund's obligations to provide reinsurance and to pay the insurer's losses are conditional upon the insurer's compliance with the following requirements.

- Remittance to the Fund of the mine subsidence insurance premiums collected from its policyholders, less the 30% ceding commission
- Accurate and timely submission of loss reports
- Accurate and timely submission of proofs of reinsured claims
- Assistance to the Fund in the development of loss reserves for reported claims not yet paid or settled.
- Timely submission of status reports on open claims.
- Timely submission of pleadings and other relevant documents regarding claims in litigation.
- Adjustment of insured's loss in the customary manner

**Q30: What does the IDOI need from the insurance company when a mine subsidence claim is made?**

A30: The insurer should send a letter stating that a claim has been made. In the letter, it must include the name, address, and phone number of the insured. The letter must also include the Dec. Page and state whether the company is going to use its own engineer or would like for the IDOI to send an engineer to determine if the damage is covered by the Mine Subsidence Fund.

**Q31: After a loss is incurred and reported, what is the trigger for application of additional living expenses?**

A31: ALE should be paid in accordance with the policy terms, if applicable. If the underlying policy does not provide coverage for ALE, they should be provided only when the dwelling is determined to be uninhabitable and increased costs are incurred to maintain the insured's standard of living.

**Q32: How should an insurer document an insured's declination of mine subsidence coverage?**

A32: A declination of mine subsidence coverage should be documented in a manner determined by a company. The most reliable way to document compliance with the statutory requirement to inform the insured of the availability of mine subsidence coverage is to obtain and maintain a written declination of coverage. However, a written declination is not required, and an insurer can determine for itself how to document its files to verify compliance.

For existing policies, insurers must now offer coverage for additional living expenses. The Department would consider proof that a mailing was made to all existing insureds (for example, at renewal), to inform the insureds of the availability of the ALE coverage, as sufficient to satisfy the requirement for existing insureds.

**Q33: Should an insurer offer additional living expense coverage with landlord policies?**

A33: No. ALE coverage should only be provided on homeowners, condo, and farmowner policies.