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	U.S. DEPARTMENT OF THE INTERIOR OFFICE OF SURFACE MINING RECLAMATION AND ENFORCEMENT DIRECTIVES SYSTEM	Subject Number: REG-16 Transmittal Number: 373 Date: August 28, 1987

Subject:
Bond Insolvency Reports

Approval: /signed/ Title: Director

1. Purpose. This directive establishes reporting requirements for the Office of Surface Mining Reclamation and Enforcement's (OSMRE) Field Offices concerning surety company failures associated with performance bonds. This directive reduces the frequency of such reports to a quarterly basis with immediate reporting of any surety failures occurring during the quarter.

2. Definitions. None.

3. Policy/Procedures.

a. Background. Following the failure of several sureties in 1985, OSMRE decided to closely monitor the status of companies that are providing performance bond coverage to coal mining operations under interim and permanent program permits. In January 1986, Field Office Directors were requested to submit to Headquarters a monthly bond insolvency report that lists, by State, all insolvent sureties and certain related information. After receipt of several reports, it is apparent that the status of sureties change little or not at all from month-to-month and there is little need to continue reporting monthly.

b. Procedures.

(1) Within ten working days after the end of each quarter (quarter ending December 31, March 31, June 30 or September 30), each Field Office Director shall submit to the Chief, Branch of Environmental and Economic Analysis, a "Quarterly Bond insolvency Report." The report shall include the information contained in the sample "Bond Insolvency Report" (attached as Appendix A) and be submitted in that format. Instructions for completing the report are attached as Appendix B.

(2) If there is no change from the previous quarterly report, the Field Office Director may file an oral report by contacting the Chief, Branch of Environmental and Economical Analysis, at (202) 343-5150.

(3) If a surety fails during the quarter, the Field Office shall immediately notify the Chief, Branch of Environmental and Economic Analysis by telephone. Follow-up shall occur by reporting on the next quarterly report.

(4) The reports will be summarized by the Branch of Environmental and Economic Analysis and sent to the Deputy Director, Operations and Technical Services, and Assistant Directors, Field Operations.

4. Reporting Requirements. As described above.

5. References. None

6. Effect on Other Documents: This directive supersedes the memorandum of January 29, 1986, from the Deputy Director, Operations and Technical Services, to the Assistant Directors, Field Operations, regarding bond insolvency reports.

7. Effective Date: Upon Issuance

8. Contact: Chief, Branch of Environmental and Economic Analysis, 343-5150.

Attachments

BOND INSOLVENCY REPORT

Appendix A

TATE:	CONTACT:	OSMRE OFFICE:	DATE:

art 1

ame Insolvent urety or Guarantor	Companies Affected	Permits with Current Coal Production				Permits with No Production	
		Number	Acreage	Total Last Annual Production (000's)	Total Bond Amount ($000)	Number	Acreage

rt 2

me Insolvent urety or Guarantor	Actions Taken in Reports Period		Comments
	Permit Bonds Replaced	Ceased Prod.	

Appendix B

Instructions for Completing Bond Insolvency Report

State

A separate report should be completed for each State unless permits in a State are not affected by any surety insolvency. In such a case, no form need be submitted for that State.

Contact

List the name and phone number of the person in your office who can be contacted to answer questions about the information contained in the form.

OSMRE Office

Identify the Field Office reporting.

Date

Use the date on which the form was completed, but note the period of time the report covers.

Part I

Name of Insolvent Surety or Guarantor

Identify each insolvent company which is the guarantor for surface coal mining permits in the State. Many States have a lengthy review process before a surety is declared insolvent. The first stage of that process is usually suspending a surety's license to write new bonds, then performing a State audit. List all companies that have been officially declared to be insolvent by a court or a State insurance authority. Also list and indentify with an asterisk all surety companies that have lost their licenses, that are in conservatorship, receivership, rehabilitation or companies undergoing non-routine State audits. If a bank which guarantees a letter of credit or collateral for a mine operator is experiencing financial difficulties, it should be listed in the same way as a surety.

Companies Affected

List the total number of different coal mining companies with outstanding permits which had the insolvent surety listed in column one as the underwriter for one or more surety bonds.

Permits With Current Coal Production

Provide the total number of permits and acres within the State from which there was production in the current calendar year and which were affected by the surety company identified in column one. The acreage listed should be permitted acreage or, in the case of underground mines, surface affected. The permits listed should be for permanent program permits.

Total Last Annual Production

List the total annual State production for all permits identified in column three and affected by the surety company listed in column one. Use the latest reported full year's production and identify the year in parentheses. It is not necessary to identify the data source; however, be prepared to provide the reference on request. Note unit is in thousands of short tons.

Permits With No Production

For each surety listed in column one provide the total number of permits and acres, for which there was no coal production in the current year.

Total Bond Amounts

List the amount of bonds guaranteed by the company for all permanent permits.

Part II

Name of Insolvent Surety

List the names of sureties in the same order they appear in Part I of this form.

Actions Taken in the Report Period

List the actions taken in terms of either bond replacement or cessation of production. At the end of the bond replacement period, in most cases, the permittee will either have to cease production or replace the bond. If the bond replacement is inadequate, it should still be included in the number reported under the Permit Bonds Replaced column, but it can then be noted in the comment column that the bond is inadequate.

Comments

For each surety listed, all figures can be highlighted with an asterisk and explained by a short note in the comment column, whenever necessary.

Dropping a Surety or Guarantor

When a surety of other guarantor has been liquidated with payments to claimants, it should be dropped from the list. When bonds are replaced, those companies should be dropped from the next report.