



COALEX STATE INQUIRY REPORT – 96
May 25, 1988

Mike Abbott
Department of Mines, Minerals and Energy
PO Drawer 900
Big Stone Gap, Virginia 24219

TOPIC: MINE SUBSIDENCE INSURANCE (Addendum to STATE INQUIRY REPORT - 67)

INQUIRY: Identify any states which have implemented mine subsidence insurance programs.

SEARCH RESULTS: Mine subsidence insurance was the topic of STATE INQUIRY REPORT - 67, which was issued in October, 1986. At that time, five states (Illinois, Kentucky, Ohio, Pennsylvania, and West Virginia) had implemented mine subsidence insurance programs.

A search was conducted to determine whether any other states had implemented similar programs and whether any of the states previously identified had amended their statutes. The search revealed that, since 1986, Indiana has enacted a mine subsidence insurance program and that Illinois had amended their statute. This Report will discuss these two programs as an update of STATE INQUIRY REPORT - 67.

As was discussed in the previous Report, each of these state programs has the same basic structure. A "mine subsidence insurance fund" is established, which is administered by a board or other authority. The statutes require that every insurance policy written is to include or to make available insurance for losses caused by subsidence damage, with exemptions for structures located in certain counties or areas. Any person authorized to write property insurance in the state may write such a policy, and enter into a reinsurance agreement with the state. For information on the areas in which the state programs differ, please refer to STATE INQUIRY REPORT - 67.

Numerous changes and amendments were made to the Illinois program, most of which pertain to the regulation and maintenance of the program. One major revision to the Illinois program was an increase in the maximum amount of coverage. Prior to October 1, 1985, the value reinsured by the fund could not exceed \$50,000.00. This section was amended to state that, after October 1, 1985, the reinsured value may not exceed \$100,000.00, thus doubling the amount of coverage. (Illinois Revised Statutes, Ch. 73, Sec. 804 (1987))

The Indiana program is similar to the other five programs, but does contain different methods of administration. As with the West Virginia and Kentucky programs, only damage resulting from the collapse of underground coal mines is included in the definition of "mine subsidence". Losses caused by earthquakes, landslides, volcanic eruptions, and collapses of storm or sewer drains are specifically excluded.



Like the Kentucky program, the Indiana statute makes no provision for fiscal appropriations to the insurance fund by the state. Premiums remitted by insurer are to be deposited in the fund, as well as funds obtained from federal grants or from "any other sources" (Ind. Code Sec. 27-7-9-7 (1987)) Insurers are not required to pay any claim for any subsidence damage, should the amount available in the insurance fund become insufficient to reimburse the insurer for the claim.

As with the Kentucky and Ohio programs, the maximum amount to be insured under the Indiana program is \$50,000.00 per structure. The deductible is two percent of the insured value, but is to be no less and \$250.00 and no more than \$500.00.

The most significant difference between the Indiana program and those implemented in the other states is the fact that subsidence insurance coverage is not mandatory. Rather than state that this type of insurance coverage is mandatory in all counties, except those specifically exempted by statute, Indiana's law states that this type of coverage will only be available in certain counties which are within the Illinois Coal Basin or which are underlain by coal-bearing rock formations. It should also be noted that, under the Indiana program, insurers are not required to inform a potential policyholder of the coverage unless a specific inquiry is made.

ATTACHMENTS

- A. COALEX STATE INQUIRY REPORT - 67, with attachments.
- B. Illinois Revised Statutes, Ch. 73, Sec. 801 et seq. (1987).
- C. Indiana Code Sec. 327-7-9-3 et seq. (1987).
- D. Ohio Administrative Rules (1987).