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Ohio Sunset Review Commission Testimony
On behalf of
Ohio Mine Subsidence Insurance Governing Board
Jillian Froment, Deputy Director
Ohio Department of Insurance
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Chairman Brown, Vice Chair Jordan, and members of the Sunset Review Committee - on behalf of the Ohio Mine Subsidence Underwriting Association, thank you for the opportunity to address the committee today. My testimony today will address the items outlined in O.R.C. 101.86.

Board's primary purpose and its various goals and objectives

Mine subsidence occurs when an underground mine experiences movement or collapse and damages the integrity of a building constructed above it. Ohio has a rich history of underground mining and therefore an extensive amount of abandoned and aging underground mines. In order to protect Ohioans from damages that may occur as a result of subsidence, the Ohio Legislature in 1985 established the Ohio Mine Subsidence Insurance Underwriting Association, the Mine Subsidence Insurance Governing Board ("the Board"), and the Mine Subsidence Insurance Fund. Generally, insurers who write policies for family dwellings in the eligible counties of Ohio are required to become members of the association and offer this coverage to all eligible applicants. This policy is required in 26 counties and 11 optional counties around the state. (See attachment for list of counties.)

The Mine Subsidence Insurance Fund is administered by the governing board. The duties of the Board consists of defining the limits and type of coverage and premium amount. The Board has contracted with the Ohio FAIR Plan Underwriting Association ("Ohio Fair Plan") for administrative and claims services and has developed a Plan of Operations as well as the necessary forms for the implementation of this program.

In the last five years (2009-2014) alone, the Mine Subsidence Insurance Program has received 312 claims. The claims have covered costs associated with investigation and remediation and have ranged from the low of $2,500 to the high of $200,000. All claims are paid on a replacement cost basis and is limited to the amount of insurance being provided on the dwelling structure, or $300,000 whichever is less.

Board's past and anticipated workload, number of staff required to complete workload, and total number of staff

The Board consists of three state employees and one employee of a member insurance company. The Board is required to meet twice a year, however, has at times met more often. The Ohio Department of Natural Resources (ODNR) serves as the chair of the Board and handles administrative functions of the Board including issuing meeting notices as well as the taking meeting minutes. Additional ODNR employees are present at board meetings for this purpose. The Ohio Department of Insurance and the Ohio Treasurer of State are also members of the Board. Workload includes the preparation for and attendance of all meetings, as well as any additional tasks or functions that may be assigned. The Treasurer's designee acts as the custodian of the fund and may present interest rates and investment proposals to the board. The Ohio Attorney General's office attends board meetings as designated

counsel for the Board. The Board contracts with the Ohio FAIR Plan as the administrator of the Mine Subsidence Insurance Program and is responsible for producing and presenting a majority of the reports for the Board's use. Annual state employee hours required to complete the workload is estimated at 100-200 hours.

Board's past and anticipated budgets and its sources of funding

The work of the Board is funded by the Mine Subsidence Insurance Fund. This fund collects premiums for reinsurance assumed by the Mine Subsidence Insurance Underwriting Association on policies written by its members. The premium is established by the Board and is then submitted to the Ohio Department of Insurance for review and approval (similar to that of any other insurer operating in Ohio.)

The 2015 budget was set at $1,567,979.00 with $524,500.00 allocated for general expenses and $1,043,479.00 for claims & adjustment expenses.

Number of members of its governing board or other governing entity and their compensation, if any

The Board consists of (4) members: the Director of Natural Resources or designee as chairperson, the Superintendent of Insurance or designee, the Treasurer of State or designee which acts as the custodian of the fund, and one (1) representative from an Ohio domiciled member company, elected every three years by members of the association. Board members are not compensated for board duties. However, state employees participate as part of their state employment.

The Board may employ, compensate, and prescribe the duties and powers of such employees and consultants as are necessary to carry out sections 3929.50 to 3929.61 of the Revised Code, and is authorized to enter into a contract with the Ohio Fair Plan for administrative and claims adjusting services.

Potential Enhancement

The Ohio Department of Insurance ("the Department") is charged with regulating the insurance market in the state of Ohio, including the regulatory oversight of over 1600 insurance companies, 192,000 insurance agents and multiple insurance related organizations and funds created under the Ohio Revised Code. This oversight extends to the Ohio Mine Subsidence Insurance Underwriting Association, the Board, and the Mine Subsidence Insurance Fund. The same code sections that establish the association, board and fund also establish regulatory oversight by the Department. As such, the Department is concerned about the potential for conflict of interest in carrying out the duties of both the Department and the duties as a member of the Board. The Department respectfully requests your consideration of the removal of the Department as a member of the Governing Board. The resulting structure will closely align with the structure of other insurance related organizations (e.g., insurance guaranty funds, Ohio Fair Plan, etc.) while maintaining the Department's customary oversight over rates, forms, plans of operation and other consumer protections related to these organizations.

Conclusion

The Ohio Mine Subsidence Insurance Governing Board oversees an important reinsurance program that provides homeowner protection due to damages that may occur as a result of mine subsidence. On behalf of the Ohio Department of Insurance, I respectfully request your consideration of the continuance of this board and the potential enhancement outlined in my testimony.

This concludes my testimony. I would be happy to answer questions at this time.

Attachment

Required coverage counties:

Athens, Belmont, Carroll, Columbiana, Coshocton, Gallia, Guernsey, Harrison, Hocking, Holmes, Jackson, Jefferson, Lawrence, Mahoning, Meigs, Monroe, Morgan, Muskingum, Noble, Perry, Scioto, Stark, Trumbull, Tuscarawas, Vinton, Washington

Optional coverage counties:

Delaware, Erie, Geauga, Lake, Licking, Medina, Ottawa, Portage, Preble, Summit, and Wayne