

---

CELEBRATING  
45 YEARS OF  
MISSION  
DRIVEN  
EXCELLENCE

---

2024  
ANNUAL REPORT



ILLINOIS MINE  
SUBSIDENCE  
INSURANCE FUND

# Our Mission

The Illinois Mine Subsidence Insurance Fund is a taxable enterprise created by Statute to operate as a private solution to a public problem.

The purpose of the Fund is to assure financial resources are available to owners of property damaged by mine subsidence. The Fund fills a gap in the insurance market for the benefit of Illinois property owners at risk of experiencing mine subsidence damage.

The Fund does this by: providing reinsurance to insurance companies for damage caused by mine subsidence, conducting geotechnical investigations to determine if mine subsidence caused the damage, supporting and sponsoring mine subsidence related research and initiatives consistent with the public interest, and educating the public and the industry about mine subsidence and related issues.



# Table of Contents

## Company News:

Letters from the Chairman of the  
Board and the President & CEO p. 03

---

IMSIF Board of Directors and Staff p. 07

---

Building for the Next 45 Years-The  
Caseyville Office Completion p. 11

---



## IMSIF in the Industry:

Mine Subsidence in the News p. 15

---

Forward Focus - Research p. 17

---

Education & Outreach p. 18

---



## Financial Statements

p. 21



# Letter from the Chairman of the Board

---

**“Looking ahead, the Fund is more forward-focused than ever.”**



A handwritten signature in dark ink, appearing to read "Frederick M. Strauss".

Frederick M. Strauss  
Chairman of the  
Board

2024 was a year of both challenge and transformation. As our communities faced the impacts of mine subsidence, the Fund remained steadfast in its mission to support and serve.

Internally, we experienced significant transitions. We bid farewell to our Chicago Office and honored the retirements of our Chicago colleagues. Amid these changes, we welcomed new team members and celebrated the opening of our new Caseyville Office. Our small but focused staff is energized and ready to meet the future. We were also pleased to work alongside John Pintozzi in his first full year on the Board and are grateful for Bob Gibson's continued service.

With the successful launch of our new website, we are embracing a technology-driven future, with continuous enhancements already underway.

In closing, I extend my heartfelt gratitude to our Board members. Your commitment makes our Mission possible and our Vision achievable.



# Letter from the President & CEO

---

**“Looking back on 2024, I’m filled with both accomplishment and gratitude. The past two years have been nothing short of transformational—a time of bold beginnings, hard-earned progress, and meaningful milestones.”**

We set out with a vision: to build a space that truly supports our work, to reimagine how we function as a team, and to position ourselves for a more technologically advanced future. I can confidently say—we’ve delivered. Our new building isn’t just a workplace. It’s a place of energy and connection, where we come together as our best selves to fulfill the vital mission of the Fund. But our transformation goes far beyond bricks and mortar.

We’ve restructured our corporate support team to better reflect how we need to work today—more streamlined, more collaborative, and more agile. This wasn’t change for the sake of change. It was a deliberate response to our reality: a small but mighty team tasked with delivering big results.

Looking ahead to 2025, we’re poised for another leap forward with the activation of a fully integrated Enterprise Resource Planning (ERP) system. This system will centralize our data, enhance collaboration, and provide real-time insights—unlocking new levels of visibility, efficiency, and decision-making.



*Heidi M. Weber*

Heidi Weber  
President & CEO

# Spotlight On – John Pintozzi

---



In 2024, we had the pleasure of welcoming John Pintozzi to our Board of Directors.

John Pintozzi retired from Allstate the same year, where he had served as Controller and Chief Accounting Officer since 2019. His responsibilities included overseeing external financial reporting, property liability claims reserves, and corporate financial systems. He also led Allstate's Finance Transformation initiative, implementing S4 HANA.

His journey with Allstate began in 2002. He held key roles such as Chief Financial Officer for Allstate's Life, Health, & Annuity businesses starting in 2005, and later for Allstate Investments from 2012. In these positions, he managed strategic and financial planning, financial reporting, and capital management. Additionally, John championed Allstate's employee resource groups for over a decade.

John holds an MBA from the University of Chicago's Booth Graduate School of Business and a bachelor's degree in accounting from Northern Illinois University. He is actively involved in the community, serving as Life Trustee of the Chicago Architecture Center, Trustee of the Goodman Theatre, and previously the Boys & Girls Club of Chicago. He is a member of the Economic Club of Chicago and the American Institute of Certified Public Accountants.

IMSIF is excited to learn more about Mr. Pintozzi and the unique perspectives he brings to our team.



# Saying Goodbye – Remembering John Farnetti

---

In 2024, IMSIF said goodbye to John Farnetti. John leaves behind a legacy of integrity, leadership, and devotion. An experienced property claims adjuster, he was hired as IMSIF's claim manager in 1992, where he became instrumental in shaping the organization's claim handling. He oversaw geotechnical investigations and, in 2001, after a considerable amount of time training Primary Insurance adjusters in mine subsidence damage estimating, he pioneered the Designated Adjuster program—an innovative solution that ensured claims were handled by knowledgeable, industry-savvy experts.

John retired in 2016 after a career marked by respect, innovation, and sincere camaraderie. Known as both a good boss and a great man, he balanced professional excellence with a deep love for golfing, fishing, and spending treasured time with his wife of nearly 50 years and his beloved family. His presence enriched the lives of those who knew him, and his legacy continues to guide those who follow in his footsteps.



# Our Board of Directors

The Fund is overseen by a dynamic eleven-member Board of Directors, each serving a three-year term. This diverse group includes six directors elected by the insurance industry, four public members, and one licensed insurance producer.

The public members as well as the insurance producer are appointed by the Director of Insurance, ensuring a balanced representation of both industry professionals and public interests.



**Frederick M. Strauss**

Chairman  
Independent Industry  
Consultant  
Director since 2007



**Paul O'Grady**

Vice-Chairman  
Attorney-Peterson,  
Johnson & Murray  
Director since 2014



**Dorothy Even**

Secretary  
Retired Executive  
Insurance Investments  
Director since 2010



**Nancy Bufalino**

Retired Executive  
Insurance & Education  
Director since 2019



**Robert D. Gibson**

Retired Geologist  
Office of Surface Mining  
Reclamation & Enforcement  
Director since 2022



**Charles M. Hill, Sr.**

Retired Executive  
Banking  
Director since 1983



# Our Board of Directors



**Corinne R. Kruse, JD**

Vice President,  
Ceded Reinsurance Claims  
Everest Insurance  
Director since 2022



**Robert Ostgulen**

Retired Executive  
Insurance  
Director since 1999



**John Pintozzi**

Retired Executive  
Insurance  
Director since 2024



**Richard A. Sauget, Jr.**

Mayor - Sauget, IL  
Director since 2006



**Richard A. Sedlak**

Insurance Producer  
Schmale Insurance  
Director since 2009

# Since 1979..



78

The Illinois Mine Subsidence Act, drafted by Deputy Director Ken Smith from the Illinois Department of Insurance, was signed into law by Governor James Thompson on September 1, 1978.



79

The Illinois Mine Subsidence Insurance Fund, created in 1979 to provide insurance for property damaged caused by mine subsidence, was designed and implemented by Edward Murphy, the Assistant General Manager of the Illinois Coal and Allied Association. Through his dedication and extensive research, Mr. Murphy developed an innovative framework that secured the program's long-term success, promoting vital protection for Illinois homeowners.



80



State subsidence bill signed

78

Illinois Representative Carlos Brann dedicated three years to diligently advocating for mine subsidence legislation, ultimately securing insurance coverage for homeowners.





# IMSIF Staff

**Heidi M. Weber**

President & Chief Executive Officer

**Brandon R. Raimondi**

Vice President & Chief Financial Officer

**Marc C. Lovrak**

Vice President of Reinsurance Operations

**Jessicca E. Varacalli**

Industry Relations &  
Consumer Education Manager

**Patricia F. Bednarek**

Human Resources & Compliance Manager

**Andrea Payton**

Claims Information Specialist

**Samantha Stanek**

Accountant

**Geotechnical  
Investigations:**

Michael A. Anderson  
Ethan Andis  
Rin Dakai  
Kevin Daut  
Gregory J. Gollaher  
Colin Graham  
Bryce Kaemmerer  
Rance Olliges  
David J. Owens  
Collin Pierce  
Joe Robertson  
Brent Shelton

**Independent Auditors**  
**Johnson Lambert LLP**  
Park Ridge, Illinois

**Independent Actuaries**  
**Milliman, Inc.**  
Chicago, Illinois

**Investment Managers**  
**Conning & Company**  
Hartford, Connecticut

**General Counsel**  
**Todd S. Schenk**  
Tressler LLP



Building on 45  
years of  
growth...

The Caseyville  
Office  
Completion





In 2024, we reaffirmed our commitment to better serve our community and stakeholders by consolidating all staff into a single, state-of-the-art office in Caseyville, IL. Located less than 15 miles northeast of downtown St. Louis, Caseyville sits in the heart of St. Clair County - home to the highest volume of mine subsidence claims in Illinois, and just a few minutes from Belleville, the birthplace of our mine subsidence statute.

The property adjacent to our existing office was purchased in August of 2021. Plan development, demolition of the existing structures, and land preparation proved to be the longest part of the development process. Groundbreaking took place in September of 2023, and construction was completed in March of 2024.

The new 6,700 square foot facility was built in just six months at a total construction cost of \$1.9 million. It accommodates all full-time staff, provides flexible workspaces for part-time employees, stores all survey and geotechnical equipment, and includes over 800SQ FT of meeting and conference space.

Including the value of the old office, land acquisition, and related construction costs, IMSIF's new office asset totals \$2,241,490.

Well planned in both space and technological capabilities, the new Caseyville office provides room to grow, positions us to enhance our educational outreach, and allows us to strengthen our industry relationships for years to come.







# Caseyville Open House





In September we had the honor of welcoming over eighty members of our community to celebrate the grand opening of our new Caseyville office. Among our guests were local representatives, former employees, and valued industry partners.

More than just a celebration of a new space, it was a moment to reflect on our shared history and look forward to the future. Guests enjoyed hors d'oeuvres and a taco truck while reconnecting on the moments that have built our organization.

We are deeply grateful to everyone that was able to join us for this new chapter. Their presence reminded us of the fantastic community that continues to support our mission, and we look forward to many more milestones together.



# Making Headlines

## *Albers, Alton and Carrier Mills*

2024 presented a series of significant mine subsidence events that tested our resilience and reaffirmed our mission.

The year began with a major subsidence event on the west side of Albers – an area that had already been impacted by several previous events. A section of mine sank approximately 2-3 feet, damaging homes and roads in the small towns of New Baden and Albers. A town hall meeting was held with Mayor Steve Shomaker, Representative Charlie Meier, IMSIF staff, and the community of Albers. This session provided guidance on filing claims, set expectations for the investigation process, and offered a space for residents to voice their concerns.

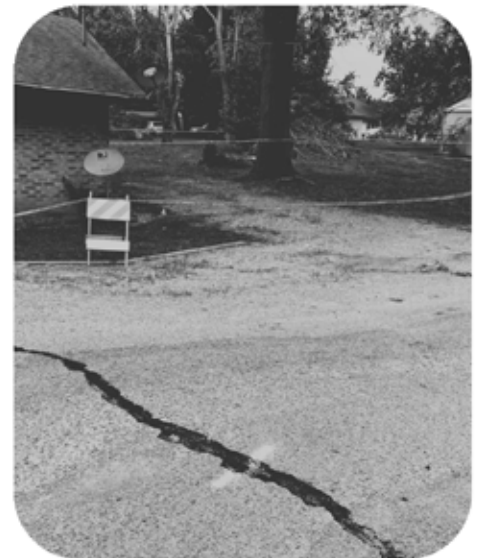




In June, a dramatic limestone subsidence event occurred on a soccer field in Alton, swallowing a set of bleachers, a light pole, and approximately one hundred feet of turf. The event, captured on video, quickly went viral and was covered by news organizations all over the world. Although no structures were damaged in this sudden collapse, and therefore not directly involving the Fund, this prompted a flood of inquiries from concerned residents and media outlets, highlighting the importance and critical need for a proactive media response plan and a more robust online presence to address public concerns.

Only a few short months later, several residents in Carrier Mills were forced to evacuate after a subsidence event. While it received less media attention, the damage was substantial. The Illinois Department of Natural Resources stepped in to repair infrastructure, including water and sewer lines, fixing roads and filling land voids. This incident served as a reminder that southern Illinois remains vulnerable to subsidence events.

The events of 2024 underscored that, even in the absence of a direct impact on our claim volume, Illinoisans continue to regard IMSIF as a trusted source of leadership, information, and guidance. This confidence reaffirms our commitment to transparent communication, meaningful community engagement, and enhanced preparedness as we look toward 2025 and beyond.



# Forward Focus: Research

---

From the desk of Rin Kirby:

Keeping with our corporate goals, IMSIF began developing a geographic information technology framework to use the power of geospatial intelligence with the hope that we will be able to better understand and serve our communities. IMSIF maintains a vast repository of geospatial data. We've collaborated with outside experts to catapult IMSIF's modernization into the future. This organization-wide project, dubbed "GIS Enhancement Planning," focuses on three fundamental elements: spatial awareness, enhanced decision-making, and data visualization. Our roadmap to success focuses on field operations, data architecture, and aggressive analytical potential. Field operations include real-time digitization of survey data using mobile instruments and GPS tools to empower our field personnel. This data mobilization requires a robust and innovative approach to harness the power of GIS. Therefore, the development of a geospatial database (GDBS) is in the works. This GDBS will house IMSIF's extensive data, providing increased analytical processing capabilities for our investigations team and reducing redundancy in day-to-day activities.

We are looking forward to these updates providing our team with easy access to data in remote locations and strengthening our investigative arsenal.

Rin Kirby (formerly Dakai) has been IMSIF's Geopsatial Analyst since 2021. A graduate of Southern Illinois University- Edwardsville with a Bachelor of Science in Integrative Studies, Rin's education included a special focus on Environmental Science and Geography. Her special interests include GIS applications, remote sensing, and imagery. She is currently pursuing her Masters in Geographic Information Technology at Penn State.





# Education & Outreach



A new office and the addition of newly hired Industry Relations & Consumer Education Manager, Jessica Varacalli, brought a renewed focus on education and outreach.

Based in Caseyville, Jessica uses her extensive industry experience to bring a unique perspective to our education and outreach strategy. Throughout 2024, she collected data from phone calls, emails, and website inquiries to gain a comprehensive understanding of the public's needs.

To gauge public interest, she seized every opportunity to connect, taking a holistic approach to education and industry relations.

In July, at the request of Shelter Insurance, Marc Lovrak and Jessica Varacalli traveled to Springfield, IL to provide a presentation on mine subsidence, the role of the Fund, and claims handling expectations.

With a high demand for speaking engagements, and in an effort to address frequently asked questions, 2025 has been slated for a series of presentations tailored specifically to the needs of homeowners, insurance agents, and realtors.

In October, Heidi Weber and Jessica Varacalli attended the 125th anniversary of Big I Illinois. This organization supports independent insurance agents of Illinois, and we have been in attendance to show our support for many years.

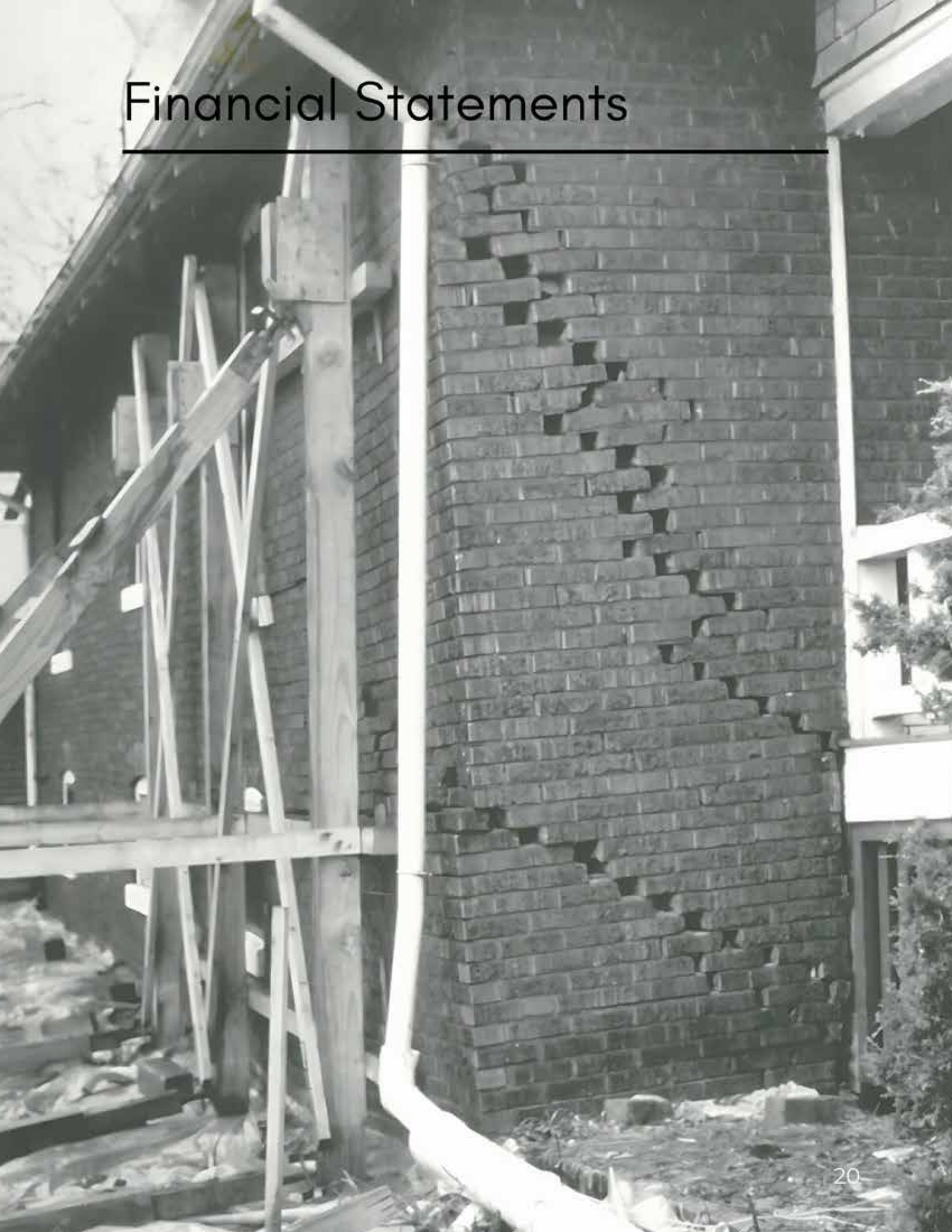
Acknowledging the unique challenges of mine subsidence, we also spent a considerable amount of time re-establishing our contacts with other mine subsidence programs across the country. We anticipate further meetings to address the challenges of reinsuring mine subsidence and to share best practices. With a data-driven foundation, we look forward to a productive and laser-focused 2025.





# Financial Statements

---



# Illinois Mine Subsidence Insurance Fund

## Audited Financial Statements - Statutory

*Years ended December 31, 2024 and 2023*  
*with Report of Independent Auditors*



Illinois Mine Subsidence Insurance Fund

Audited Financial Statements - Statutory

Years ended December 31, 2024 and 2023

Contents

Report of Independent Auditors.....	1 - 3
-------------------------------------	-------

Audited Financial Statements - Statutory

Balance Sheets - Statutory.....	4
Statements of Income - Statutory.....	5
Statements of Changes in Surplus - Statutory.....	6
Statements of Cash Flows - Statutory.....	7
Notes to Statutory Financial Statements.....	8 - 29

## Report of Independent Auditors

Board of Directors  
Illinois Mine Subsidence Insurance Fund

### ***Opinions***

We have audited the accompanying individual and combined statutory financial statements of the Residential and Commercial Sub-Funds of the Illinois Mine Subsidence Insurance Fund (the "Fund"), which comprise the individual and combined balance sheets - statutory as of December 31, 2024 and 2023, and the related individual and combined statements of income - statutory, changes in surplus - statutory, and cash flows - statutory for the years then ended, and the related notes to the statutory financial statements.

### ***Unmodified Opinion on Regulatory Basis of Accounting***

In our opinion, the accompanying statutory financial statements present fairly, in all material respects, the admitted assets, liabilities, and surplus of the individual and combined Residential and Commercial Sub-Funds of the Illinois Mine Subsidence Insurance Fund as of December 31, 2024 and 2023, and the results of their operations and their cash flows for the years then ended, in accordance with the basis of accounting described in Note 2.

### ***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the statutory financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the individual and combined Residential and Commercial Sub-Funds of the Illinois Mine Subsidence Insurance Fund as of December 31, 2024 and 2023, or the results of their operations or their cash flows for the years then ended.

### ***Basis for Opinions***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 2 to the statutory financial statements, the Fund prepared these statutory financial statements using accounting practices prescribed or permitted by the Illinois Department of Insurance, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the statutory financial statements of the variances between these statutory accounting practices described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.



***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these statutory financial statements in accordance with the accounting practices prescribed or permitted by the Illinois Department of Insurance. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of statutory financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the statutory financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for one year after the date that the statutory financial statements are issued.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the statutory financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the statutory financial statements.

In performing an audit in accordance with GAAS, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the statutory financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the statutory financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the statutory financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

A handwritten signature in black ink that reads "Johnson Lambert LLP". The signature is written in a cursive, flowing style.

Park Ridge, Illinois  
May 30, 2025





# Illinois Mine Subsidence Insurance Fund

## Balance Sheets - Statutory

December 31, 2024 and 2023

	Residential Sub-Fund		Commercial Sub-Fund		Combined	
	2024	2023	2024	2023	2024	2023
<b>Admitted Assets</b>						
Cash and invested assets						
Bonds	\$ 209,656,640	\$ 199,308,947	\$ 86,225,966	\$ 80,125,857	\$ 295,882,606	\$ 279,434,804
Common stocks	6,643,928	5,802,613	2,713,717	2,370,082	9,357,645	8,172,695
Cash and cash equivalents	7,832,968	3,533,259	2,027,429	3,247,145	9,860,397	6,780,404
Real estate	1,713,144	1,169,001	487,540	334,064	2,200,684	1,503,065
Total cash and invested assets	225,846,680	209,813,820	91,454,652	86,077,148	317,301,332	295,890,968
Premiums receivable	7,537,610	8,402,896	1,924,919	1,829,395	9,462,529	10,232,291
Investment receivable	85	269	31	106	116	375
Accrued investment income	1,732,765	1,563,986	707,749	638,811	2,440,514	2,202,797
Income tax recoverable	-	488,825	-	157,195	-	646,020
Net deferred tax asset	950,505	866,458	351,556	320,471	1,302,061	1,186,929
Other	3,077	3,077	919	919	3,996	3,996
Total Admitted Assets	\$ 236,070,722	\$ 221,139,331	\$ 94,439,826	\$ 89,024,045	\$ 330,510,548	\$ 310,163,376
<b>Liabilities and Surplus</b>						
<b>Liabilities</b>						
Loss and loss adjustment expense	\$ 73,646,158	\$ 71,280,594	\$ 18,600,903	\$ 18,724,349	\$ 92,247,061	\$ 90,004,943
Unearned premium	15,807,718	15,154,327	3,772,041	3,734,871	19,579,759	18,889,198
Commissions payable	1,130,641	1,260,434	384,984	365,879	1,515,625	1,626,313
Income tax payable	888,063	-	388,557	-	1,276,620	-
Accrued expenses	1,243,443	1,923,032	359,507	550,321	1,602,950	2,473,353
Total Liabilities	92,716,023	89,618,387	23,505,992	23,375,420	116,222,015	112,993,807
<b>Surplus</b>	143,354,699	131,520,944	70,933,834	65,648,625	214,288,533	197,169,569
Total Liabilities and Surplus	\$ 236,070,722	\$ 221,139,331	\$ 94,439,826	\$ 89,024,045	\$ 330,510,548	\$ 310,163,376

See accompanying notes to the statutory financial statements



# Illinois Mine Subsidence Insurance Fund

## Statements of Income - Statutory

Years Ended December 31, 2024 and 2023

	Residential Sub-Fund		Commercial Sub-Fund		Combined	
	2024	2023	2024	2023	2024	2023
<b>Underwriting</b>						
Premiums earned	\$ 30,158,382	\$ 29,615,536	\$ 7,585,912	\$ 7,802,955	\$ 37,744,294	\$ 37,418,491
Less underwriting expenses						
Loss and loss adjustment expense	15,178,448	21,350,989	1,458,549	753,498	16,636,997	22,104,487
Commissions	4,413,824	4,573,754	1,524,616	1,539,784	5,938,440	6,113,538
State income tax expense	1,588,366	761,776	691,461	756,689	2,279,827	1,518,465
Other underwriting expenses	1,843,170	2,357,039	598,802	619,875	2,441,972	2,976,914
Total underwriting expenses	<u>23,023,808</u>	<u>29,043,558</u>	<u>4,273,428</u>	<u>3,669,846</u>	<u>27,297,236</u>	<u>32,713,404</u>
Underwriting gain	7,134,574	571,978	3,312,484	4,133,109	10,447,058	4,705,087
<b>Investment Income</b>						
Net investment income	7,419,445	6,329,800	3,026,337	2,603,546	10,445,782	8,933,346
Net realized capital gains (losses), net of tax	<u>89,506</u>	<u>(160,778)</u>	<u>36,559</u>	<u>(65,670)</u>	<u>126,065</u>	<u>(226,448)</u>
Net investment gain	<u>7,508,951</u>	<u>6,169,022</u>	<u>3,062,896</u>	<u>2,537,876</u>	<u>10,571,847</u>	<u>8,706,898</u>
Net income before federal income tax expense	14,643,525	6,741,000	6,375,380	6,670,985	21,018,905	13,411,985
Federal income tax expense	<u>2,946,129</u>	<u>1,450,236</u>	<u>1,283,173</u>	<u>1,415,554</u>	<u>4,229,302</u>	<u>2,865,790</u>
Net income	<u>\$ 11,697,396</u>	<u>\$ 5,290,764</u>	<u>\$ 5,092,207</u>	<u>\$ 5,255,431</u>	<u>\$ 16,789,603</u>	<u>\$ 10,546,195</u>

See accompanying notes to the statutory financial statements

# Illinois Mine Subsidence Insurance Fund

## Statements of Changes in Surplus - Statutory

Years Ended December 31, 2024 and 2023

	Residential Sub-Fund		Commercial Sub-Fund		Combined	
	2024	2023	2024	2023	2024	2023
Beginning Surplus	\$ 131,520,944	\$ 126,213,975	\$ 65,648,625	\$ 60,361,721	\$ 197,169,569	\$ 186,575,696
Net income	11,697,396	5,290,764	5,092,207	5,255,431	16,789,603	10,546,195
Change in unrealized capital gains, net of tax	508,036	179,047	207,508	73,132	715,544	252,179
Change in pension liability	31,674	301,614	91,879	91,059	123,553	392,673
Change in net deferred tax asset	94,316	(2,124)	33,982	(11,685)	128,298	(13,809)
Change in non-admitted assets	(497,667)	(462,332)	(140,367)	(121,033)	(638,034)	(583,365)
Ending Surplus	<u>\$ 143,354,699</u>	<u>\$ 131,520,944</u>	<u>\$ 70,933,834</u>	<u>\$ 65,648,625</u>	<u>\$ 214,288,533</u>	<u>\$ 197,169,569</u>

See accompanying notes to the statutory financial statements



# Illinois Mine Subsidence Insurance Fund

## Statements of Cash Flows - Statutory

Years Ended December 31, 2024 and 2023

	Residential Sub-Fund		Commercial Sub-Fund		Combined	
	2024	2023	2024	2023	2024	2023
<b>Cash From Operations</b>						
Premiums collected	\$ 31,677,137	\$ 28,888,742	\$ 7,527,563	\$ 7,770,259	\$ 39,204,700	\$ 36,659,001
Less underwriting expenses paid	(12,830,413)	(16,611,838)	(1,586,938)	(1,858,868)	(14,417,351)	(18,470,706)
Loss and loss adjustment expenses paid	(4,751,573)	(4,333,320)	(1,505,511)	(1,554,058)	(6,257,084)	(5,887,378)
Commissions	(2,694,852)	(2,037,110)	(857,565)	(563,117)	(3,552,417)	(2,600,227)
Other	7,370,979	6,065,712	3,006,541	2,486,416	10,377,520	8,552,128
Net investment income	(3,181,400)	(3,611,538)	(1,438,600)	(1,452,750)	(4,620,000)	(5,064,288)
Federal income taxes paid						
Net cash from operations	15,589,878	8,360,648	5,145,490	4,827,882	20,735,368	13,188,530
<b>Cash From Investments</b>						
Proceeds from bonds sold, matured, or repaid	19,815,118	23,917,780	8,093,498	9,778,105	27,908,616	33,695,885
Proceeds from common stocks sold	1,830,677	1,341,299	747,742	547,855	2,578,419	1,889,154
Cost of bonds acquired	(30,196,035)	(29,397,914)	(14,160,122)	(12,007,598)	(44,356,157)	(41,405,512)
Cost of common stocks acquired	(2,163,956)	(1,299,234)	(883,870)	(530,673)	(3,047,826)	(1,829,907)
Cost of real estate acquired	(575,973)	(907,974)	(162,454)	(256,095)	(738,427)	(1,164,069)
Net cash used in investments	(11,290,169)	(6,346,043)	(6,365,206)	(2,468,406)	(17,655,375)	(8,814,449)
Net change in cash and cash equivalents	4,299,709	2,014,605	(1,219,716)	2,359,476	3,079,993	4,374,081
Cash and cash equivalents, beginning of year	3,533,259	1,518,654	3,247,145	887,669	6,780,404	2,406,323
Cash and cash equivalents, end of year	<u>\$ 7,832,968</u>	<u>\$ 3,533,259</u>	<u>\$ 2,027,429</u>	<u>\$ 3,247,145</u>	<u>\$ 9,860,397</u>	<u>\$ 6,780,404</u>

See accompanying notes to the statutory financial statements

# Illinois Mine Subsidence Insurance Fund

## Notes to Statutory Financial Statements

Years ended December 31, 2024 and 2023

### **Note 1 - Organization and Nature of Operations**

Illinois Mine Subsidence Insurance Fund was established by Illinois statute and is governed by Article XXXVIII A (the "Article") of the Illinois Insurance Code. The purpose for establishing the Fund was to create a private reinsurer that offered mine subsidence reinsurance coverage to insurers doing business within the State of Illinois. The Fund was divided into two separate sub-funds (the "sub-funds") effective January 1, 1994. The Residential Sub-Fund provides reinsurance for mine subsidence losses arising from residential and living unit coverage. The Commercial Sub-Fund provides reinsurance for mine subsidence losses arising from commercial coverage.

According to the Article, the assets of the Residential Sub-Fund shall not be used to reimburse insurers for losses for commercial coverage and, likewise, the assets of the Commercial Sub-Fund shall not be used to reimburse insurers for losses for residential or living unit coverage.

By law, all insurance companies authorized to write basic property insurance in Illinois are required to offer mine subsidence insurance coverage. A mine subsidence loss is defined as a loss resulting from lateral or vertical ground movement, caused by a failure at the mine level, of man-made underground mines. Such insurance companies must further enter into reinsurance agreements with the Fund in which each company agrees to cede 100% of residential and commercial mine subsidence insurance to the Fund. In consideration for the ceding commission retained by such companies, they also agree to undertake adjustment of losses, payment of premium taxes and certain other expenses related to the sale of policies and certain aspects of the administration of the mine subsidence program.

Under the terms of the reinsurance agreements, the sub-funds will reimburse the ceding company for each claim, up to \$750,000 per commercial building for policies issued or renewed on or after July 1, 2011 (\$350,000 prior to July 1, 2011) and up to \$750,000 per residential structure for policies issued or renewed on or after April 1, 2008 (\$350,000 prior to April 1, 2008). Additionally, in accordance with Article, Section 806.1b of the Illinois Insurance Code, ceding insurers are not required to pay any claim for losses resulting from mine subsidence except to the extent that the amount available in the respective sub-fund is sufficient to reimburse the insurer.

Each ceding company is required to report the results of mine subsidence premium transactions and remit ceded premiums to the Fund on a quarterly basis. Such reports are due no later than 45 days after the close of each calendar quarter. Each ceding company is also required to report mine subsidence claim activity as it is reported by its policyholders.

## Illinois Mine Subsidence Insurance Fund

### Notes to Statutory Financial Statements (Continued)

#### **Note 2 - Summary of Significant Accounting Policies**

##### *Basis of Reporting*

These statutory financial statements have been prepared in accordance with accounting practices prescribed or permitted by the Illinois Department of Insurance ("SAP"), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America ("GAAP"). Prescribed accounting practices include a variety of publications of the National Association of Insurance Commissioners ("NAIC"), including the NAIC Accounting Practices and Procedure Manual, as well as state laws, regulations and general administrative rules. Permitted statutory accounting practices encompass all accounting practices that are not prescribed; such practices differ from state to state, may differ from company to company within a state, and may change in the future. There are no differences with respect to the Fund's statutory financial statements between SAP and the NAIC basis accounting practices.

The more significant variances between SAP and GAAP that affect the Fund are as follows:

- a. *Investments:* Investments are valued in accordance with methods prescribed by the NAIC as set forth in Notes 2 and 3. Under SAP, bonds are generally carried at amortized cost or fair value based on rating received from the NAIC. Under GAAP, investments in bonds, other than those intended to be held-to-maturity, are recorded at fair value, with unrealized gains and losses recorded as either a separate component of accumulated other comprehensive income, net of tax (for bonds classified as "available-for-sale"), or as a direct charge to net income (bonds classified as "trading" securities). Under SAP, unrealized gains and losses on investments in equity securities are generally recorded as a direct credit or charge to surplus, net of the adjustment for deferred federal income taxes. Under GAAP, unrealized gains and losses on equity securities are reported directly in net income. The impairment and credit loss model is different for SAP and GAAP purposes.
- b. *Policy Acquisition Costs:* Acquisition costs, such as commissions and other costs related to acquiring new business, are expensed as incurred under SAP; under GAAP, those costs related to successful contract acquisition, to the extent recoverable, are deferred and amortized as the related premiums are earned.
- c. *Deferred Income Taxes:* Under SAP, the net deferred tax asset is computed for federal income taxes only and is subject to certain admissibility limitations based on prescribed rules. Changes in deferred taxes are reflected in surplus. Under GAAP, deferred taxes are provided for federal and state income taxes with changes generally reflected in the statements of income.
- d. *Non-admitted Assets:* Non-admitted assets are excluded through a charge against surplus under SAP; under GAAP, non-admitted assets are reinstated to the balance sheet, net of any valuation allowance.



## Illinois Mine Subsidence Insurance Fund

### Notes to Statutory Financial Statements (Continued)

#### **Note 2 - Summary of Significant Accounting Policies (Continued)**

- e. *Comprehensive Income:* Comprehensive income and its components are not presented in the statutory financial statements, which is required under GAAP.
- f. *Realized Gains or Losses:* Under SAP, realized gains or losses are reported net of related federal income taxes while, under GAAP, such gains or losses are reported gross of tax.
- g. *Statements of Cash Flows:* Cash and cash equivalents in the accompanying statutory statements of cash flows represent cash balances and investments with initial maturities of one year or less. Under GAAP, the corresponding caption cash and cash equivalents would include cash balances and investments with initial maturities of three months or less. Under GAAP, presentation of a reconciliation of net income to cash from operations is required. No such reconciliation is required under SAP.

The effects of the foregoing variances between SAP and GAAP have not been determined, but are presumed to be material.

#### *Accounting by the Sub-Funds*

Premiums are credited and claim and claim adjustment expense is charged, net of related subrogation, to the Residential Sub-Fund or Commercial Sub-Fund based upon the nature of the insured property. The sub-funds' investment balances reflect their pro rata, undivided interests in the investment portfolio and are based on each sub-fund's respective cumulative investing activity. Investment income and expenses are allocated based upon the sub-fund's respective ownership of the investment portfolio, which is determined on a quarterly basis. Realized capital gains and losses are allocated based upon each sub-fund's respective share of the proceeds from the related sales. Other underwriting expenses are allocated to each sub-fund by formula, based on written premium. For the years ended December 31, 2024 and 2023, the allocation percentage was 78% and 22% for the Residential Sub-Fund and Commercial Sub-Fund, respectively. The Fund's income taxes are allocated between the sub-funds based on their pretax income.

#### *Premium Revenue*

Insurance premiums, as reported by ceding companies, are deferred as unearned premiums and earned on a pro rata basis over the terms of the policies. Premiums receivable relate to amounts due from ceding companies related to premiums collected on behalf of the Fund.

#### *Loss and Loss Adjustment Expense Reserves*

The reserve for loss and loss adjustment expense is the estimated amount necessary to settle both reported and unreported claims of reinsured losses based on (a) case basis estimates for losses reported by third-party ceding companies, adjusted in the aggregate for ultimate loss expectations, (b) estimates of unreported losses based upon past experience and (c) estimates of future expenses to be incurred in the settlement of losses (see Note 5).

## Illinois Mine Subsidence Insurance Fund

### Notes to Statutory Financial Statements (Continued)

#### **Note 2 - Summary of Significant Accounting Policies (Continued)**

##### *Loss and Loss Adjustment Expense Reserves (continued)*

In establishing the liability for loss and loss adjustment expenses, the Fund performs an independent calculation, comparing the findings to an independent consulting actuary. The choice of reserving methodology utilized by the actuary considers the number of years of experience, and the age of the accident year being developed. The following methods were used to evaluate ultimate retained losses for the Fund: Incurred plus Adjusted Case Reserve Development Method, Paid Loss Development Method, Bornhuetter-Ferguson using Earned Premiums and Adjusted Incurred Loss Method, Bornhuetter Ferguson using Earned Premiums and Paid Loss Method, Frequency and Severity Method, and Adjusted Frequency and Severity Method. In 2024, the following methods were also used to evaluate ultimate retained losses for the Fund: Incurred plus Confirmed Case Reserve Development, and Bornhuetter-Ferguson using Earned Premiums and Confirmed Incurred Loss Method.

##### *Commissions*

For the years ended December 31, 2024 and 2023, third-party ceding companies retain 15% of the Residential and 20% of the Commercial premiums remitted to the Fund as commission, respectively.

##### *Cash and Cash Equivalents*

Cash and cash equivalents consist primarily of cash on deposit in bank accounts and money market funds. As of December 31, 2024 and 2023, qualifying money market funds are considered to be cash equivalents. At times, cash and cash equivalents may exceed Federal Deposit Insurance Corporation ("FDIC") insurance levels or may not be covered by FDIC insurance. The Fund believes it is not exposed to any significant credit risk on cash.

##### *Investments*

Investments are carried at values prescribed by the NAIC. Bonds are carried at values based on categories established by the NAIC that are primarily influenced by credit ratings. Bonds are carried at amortized cost or, for lower credit ratings, at the lower of amortized cost or NAIC fair value.

Common stocks are reported at fair value and the related net unrealized capital gain or loss is charged or credited directly to surplus, net of income tax.

Investment income consists primarily of interest and dividends and is recognized on an accrual basis. Realized capital gains and losses, resulting from sales of investments, represent the difference between the net proceeds and the cost or amortized cost of investments sold, determined on a specific-identification basis.

## Illinois Mine Subsidence Insurance Fund

### Notes to Statutory Financial Statements (Continued)

#### **Note 2 - Summary of Significant Accounting Policies (Continued)**

##### *Investments (continued)*

The Fund reviews its investment portfolio for factors that may indicate that a decline in the fair value of any investment is other than temporary impairment ("OTTI"). These declines in fair value are computed on a specific-identification method and are reflected in the statements of income - statutory in the period in which the decline was determined to be other than temporary. Where a decline in value has occurred, that is, other than temporary, investments will be written down to their estimated realizable value, generally fair value. The Fund did not record any other than temporary write downs in investments for the years ended December 31, 2024 and 2023, respectively.

##### *Real Estate*

Real estate represents Fund-owned and occupied office space which is depreciated on a straight-line basis over 39 years, the estimated life of the property.

##### *Electronic Data Processing Equipment and Software*

Nonoperating system software are carried at cost, less accumulated depreciation and are recorded as nonadmitted assets.

##### *Pension and Other Post Retirement Plans*

Any underfunded defined benefit pension and other post retirement plan amounts, are recognized as a liability and included in accrued expenses. Benefits expected to be earned by unvested participants are included in the calculation of net periodic pension cost and the projected benefit obligation is used to determine the related liabilities.

##### *Use of Estimates*

The preparation of financial statements in conformity with statutory accounting principles requires management to make estimates and assumptions that affect the amounts reported in the statutory financial statements and accompanying notes. The most significant estimates include reserves for loss and loss adjustment expense. Actual results could differ from those estimates.

##### *Risks and Uncertainties*

The Fund invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, liquidity, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities may occur in the near term and those changes could materially affect the amounts reported on the statutory balance sheets.

##### *Subsequent Events*

The Fund evaluated subsequent events for recognition and disclosure through May 30, 2025, the date the statutory financial statements were available to be issued, and has not noted any events or transactions requiring recognition or disclosure.



## Illinois Mine Subsidence Insurance Fund

### Notes to Statutory Financial Statements (Continued)

#### **Note 3 - Investments**

The Residential and Commercial Sub-Funds have undivided interests in the investment portfolio of approximately 71% and 29% as of December 31, 2024 and 2023, respectively. The amortized cost, or cost for common stock, gross unrealized gains and losses, and fair value of investments in debt securities and common stocks are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
At December 31, 2024				
Corporate bonds	\$ 131,149,372	\$ 448,668	\$ (10,377,489)	\$ 121,220,551
State and municipal bonds	57,971,382	155,584	(3,042,380)	55,084,586
Asset-backed bonds	17,229,181	82,305	(424,238)	16,887,248
Mortgage-backed bonds	89,532,671	59,675	(10,670,097)	78,922,249
Total debt securities	<u>\$ 295,882,606</u>	<u>\$ 746,232</u>	<u>\$ (24,514,204)</u>	<u>\$ 272,114,634</u>
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
At December 31, 2023				
Corporate bonds	\$ 118,847,396	\$ 637,677	\$ (9,457,509)	\$ 110,027,564
State and municipal bonds	65,711,067	290,179	(2,485,047)	63,516,199
Asset-backed bonds	9,189,260	7,361	(628,653)	8,567,968
Mortgage-backed bonds	85,687,081	220,152	(9,904,982)	76,002,251
Total debt securities	<u>\$ 279,434,804</u>	<u>\$ 1,155,369</u>	<u>\$ (22,476,191)</u>	<u>\$ 258,113,982</u>
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
At December 31, 2024				
Common stocks	<u>\$ 8,349,486</u>	<u>\$ 1,252,293</u>	<u>\$ (244,134)</u>	<u>\$ 9,357,645</u>
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
At December 31, 2023				
Common stocks	<u>\$ 7,880,080</u>	<u>\$ 622,510</u>	<u>\$ (329,895)</u>	<u>\$ 8,172,695</u>

Illinois Mine Subsidence Insurance Fund

Notes to Statutory Financial Statements (Continued)

**Note 3 - Investments (Continued)**

The following table shows the fair value and gross unrealized losses aggregated by investment category and length of time securities have been in a continuous unrealized loss position, as of December 31, 2024 and 2023:

	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
At December 31, 2024						
Debt securities:						
Corporate bonds	\$ 14,042,738	\$ (485,253)	\$ 86,250,746	\$ (9,892,236)	\$ 100,293,484	\$ (10,377,489)
State and municipal bonds	7,026,241	(82,361)	40,262,787	(2,960,019)	47,289,028	(3,042,380)
Asset-backed bonds	724,663	(11,393)	5,322,944	(412,845)	6,047,607	(424,238)
Mortgage-backed bonds	16,186,869	(208,128)	56,768,959	(10,461,969)	72,955,828	(10,670,097)
Common stocks	1,468,143	(140,653)	960,616	(103,481)	2,428,759	(244,134)
Total	<u>\$ 39,448,654</u>	<u>\$ (927,788)</u>	<u>\$ 189,566,052</u>	<u>\$ (23,830,550)</u>	<u>\$ 229,014,706</u>	<u>\$ (24,758,338)</u>
At December 31, 2023						
Debt securities:						
Corporate bonds	\$ 3,347,893	\$ (97,239)	\$ 91,770,046	\$ (9,360,270)	\$ 95,117,939	\$ (9,457,509)
State and municipal bonds	3,521,043	(57,138)	41,589,033	(2,427,909)	45,110,076	(2,485,047)
Asset-backed bonds	1,297,317	(13,671)	5,946,469	(614,982)	7,243,786	(628,653)
Mortgage-backed bonds	4,542,210	(53,054)	57,764,311	(9,851,928)	62,306,521	(9,904,982)
Common stocks	306,896	(19,022)	2,700,883	(310,873)	3,007,779	(329,895)
Total	<u>\$ 13,015,359</u>	<u>\$ (240,124)</u>	<u>\$ 199,770,742</u>	<u>\$ (22,565,962)</u>	<u>\$ 212,786,101</u>	<u>\$ (22,806,086)</u>

# Illinois Mine Subsidence Insurance Fund

## Notes to Statutory Financial Statements (Continued)

### Note 3 - Investments (Continued)

The Fund's bond portfolio is sensitive to interest rate fluctuations, which impact the fair value of individual securities. Virtually all unrealized losses on bonds were caused by certain securities with stated interest rates currently below market rates. The Fund does not believe the unrealized losses represent an other-than-temporary impairment as of December 31, 2024 or 2023, and has the intent and ability to hold until maturity or recovery.

The summary of the amortized cost and fair value of the Fund's investment in debt securities at December 31, 2024 by contractual maturity, is shown below:

	Amortized Cost	Fair Value
Years to maturity		
One or less	\$ 12,733,442	\$ 12,662,460
After one through five	68,361,692	66,991,289
After five through ten	48,457,179	44,715,234
After ten	59,568,441	51,936,154
Mortgage and asset-backed securities	106,761,852	95,809,497
Total securities	<u>\$ 295,882,606</u>	<u>\$ 272,114,634</u>

Actual maturities may differ from those scheduled as a result of prepayments by the issuers.

The proceeds from sales and calls of investments and the related gross realized gains (losses) on those sales as of December 31 are as follows:

	2024	2023
Proceeds from sales and calls:		
Bonds	\$ 26,783,616	\$ 31,440,883
Common stocks	2,578,419	1,889,154
Bonds:		
Gross realized gains on sales	35,549	11,167
Gross realized losses on sales	(93,147)	(221,462)
Common stocks:		
Gross realized gains on sales	489,719	121,436
Gross realized losses on sales	<u>(272,545)</u>	<u>(197,784)</u>
Net realized gains (losses) on sales	159,576	(286,643)
Income tax (expense) benefit	<u>(33,511)</u>	<u>60,195</u>
Net realized gains (losses) on sales, net of tax	<u>\$ 126,065</u>	<u>\$ (226,448)</u>



## Illinois Mine Subsidence Insurance Fund

### Notes to Statutory Financial Statements (Continued)

#### **Note 3 - Investments (Continued)**

The Fund had nine bonds sold, disposed, or redeemed in 2024 as a result of a callable feature. Investment income of \$0 was recorded as a result of prepayment penalties and acceleration fees at December 31, 2024. The Fund had fourteen bonds sold, disposed, or redeemed in 2023 as a result of a callable feature. Investment income of \$0 was recorded as a result of prepayment penalties and acceleration fees at December 31, 2023.

Net investment income is composed of the following for the years ended December 31:

	<u>2024</u>	<u>2023</u>
Investment income		
Corporate bonds	\$ 4,846,099	\$ 4,132,011
State and municipal bonds	1,945,285	1,994,875
Asset-backed bonds	718,422	303,595
Mortgage-backed bonds	2,967,874	2,527,089
Common stock	258,457	235,074
Cash and cash equivalents	<u>98,988</u>	<u>90,010</u>
Total investment income	10,835,125	9,282,654
Expenses		
Investment expenses incurred	<u>(389,343)</u>	<u>(349,308)</u>
Net investment income	<u><u>\$ 10,445,782</u></u>	<u><u>\$ 8,933,346</u></u>

Interest income due and accrued was \$2,440,514 and \$2,202,797 as of December 31, 2024 and 2023, respectively. No amounts were nonadmitted.

#### **Note 4 - Fair Value of Financial Instruments**

The Fund follows a three-level hierarchy for fair value measurements that distinguishes between market participant assumptions developed based on market data obtained from sources independent of the reporting entity ("observable inputs") and the reporting entity's own assumptions developed based on the best information available in the circumstances ("unobservable inputs"). The hierarchy level assigned to financial instruments recorded at fair value is based on the Fund's assessment of the transparency and reliability of the inputs used in the valuation of such instrument at the measurement date. The three hierarchy levels are defined as follows:

Level 1 – Valuations based on unadjusted quoted market prices in active markets for identical securities that the Fund has the ability to access.

# Illinois Mine Subsidence Insurance Fund

## Notes to Statutory Financial Statements (Continued)

### Note 4 - Fair Value of Financial Instruments (Continued)

Level 2 – Valuations based on observable inputs (other than Level 1 prices), such as quoted prices for similar assets at the measurement date; quoted prices in markets that are not active; or other inputs that are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement and involve management judgment.

If the inputs used to measure fair value fall in different levels of the fair value hierarchy, the instrument is placed in the hierarchy level based upon the lowest level of input that is significant to the fair value measurement. Fair value estimates are made at a specific point in time based on relevant market information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

#### *Financial Assets Measured at Fair Value*

The tables below present the Fund's investments aggregated by the level in the fair value hierarchy within which those measurements fall.

As of December 31, 2024

Description	Level 1	Level 2	Level 3	Total Fair Value	Admitted Asset Value
Corporate bonds	\$ -	\$ 121,220,551	\$ -	\$ 121,220,551	\$ 131,149,372
State and municipal bonds	-	55,084,586	-	55,084,586	57,971,382
Asset-backed bonds	-	16,887,248	-	16,887,248	17,229,181
Mortgage-backed bonds	-	78,922,249	-	78,922,249	89,532,671
Common stocks	9,357,645	-	-	9,357,645	9,357,645
Total	<u>\$ 9,357,645</u>	<u>\$ 272,114,634</u>	<u>\$ -</u>	<u>\$ 281,472,279</u>	<u>\$ 305,240,251</u>

As of December 31, 2023

Description	Level 1	Level 2	Level 3	Total Fair Value	Admitted Asset Value
Corporate bonds	\$ -	\$ 110,027,564	\$ -	\$ 110,027,564	\$ 118,847,396
State and municipal bonds	-	63,516,199	-	63,516,199	65,711,067
Asset-backed bonds	-	8,567,968	-	8,567,968	9,189,260
Mortgage-backed bonds	-	76,002,251	-	76,002,251	85,687,081
Common stocks	8,172,695	-	-	8,172,695	8,172,695
Total	<u>\$ 8,172,695</u>	<u>\$ 258,113,982</u>	<u>\$ -</u>	<u>\$ 266,286,677</u>	<u>\$ 287,607,499</u>

## Illinois Mine Subsidence Insurance Fund

### Notes to Statutory Financial Statements (Continued)

#### **Note 4 - Fair Value of Financial Instruments (Continued)**

##### *Bonds*

The fair values for bonds are based on NAIC-prescribed market values, where available, or quoted market values. For bonds not actively traded, fair values are estimated using values obtained from independent pricing services that specialize in matrix pricing and modeling techniques for estimating fair values or internal pricing software generally based on market-observable inputs.

##### *Common Stocks*

The fair values for common stocks are based on their quoted market values in actively traded markets.

#### **Note 5 - Reserve for Loss and Loss Adjustment Expense**

As described in Note 2, management establishes reserves for loss and loss adjustment expense ("LAE") on reported and unreported claims for reinsured losses. The establishment of appropriate reserves is an inherently uncertain process. Furthermore, estimation of the ultimate reserve level is difficult due to the lack of industry and Fund historical claim data as a result of the relatively small mine subsidence claim population. Estimation is further complicated by the extended periods of time between the date the loss occurs and the date the loss is reported to the third-party ceding company and ultimately settled. Loss reporting to the Fund may be further delayed because the Fund must rely on the third-party ceding companies to report losses. Reserve estimates are regularly reviewed and updated using the most current information available. Any resulting adjustments, which may be material, are reflected in current operations.

Activity in the reserve for loss and LAE is summarized as follows:

	Residential Sub-Fund		Commercial Sub-Fund	
	2024	2023	2024	2023
Reserves, at January 1	\$ 71,280,594	\$ 66,609,727	\$ 18,724,349	\$ 19,848,746
Add:				
Provision for insured events of current year	21,006,931	15,091,668	3,856,943	2,814,941
(Decrease)/increase in provision attributable to prior year events	(5,810,954)	6,191,037	(2,393,451)	(2,080,470)
Total incurred during the year	15,195,977	21,282,705	1,463,492	734,471
Deduct loss and LAE payments for claims, occurring during:				
Current year	975,464	693,474	171,651	112,823
Prior years	11,854,949	15,918,364	1,415,287	1,746,045
Total paid during the year	12,830,413	16,611,838	1,586,938	1,858,868
Reserves, at December 31	<u>\$ 73,646,158</u>	<u>\$ 71,280,594</u>	<u>\$ 18,600,903</u>	<u>\$ 18,724,349</u>



## Illinois Mine Subsidence Insurance Fund

### Notes to Statutory Financial Statements (Continued)

#### **Note 5 - Reserve for Loss and Loss Adjustment Expense (Continued)**

In 2024, the Fund experienced favorable loss development in the residential sub-fund. The changes are primarily the result of favorable development on the 2023 and 2017 and prior accident years. The Fund experienced favorable loss development in the commercial sub-fund in 2024, primarily as a result of favorable development of accident years 2021-2023. In 2023, the Fund experienced unfavorable loss development in the residential sub-fund. The changes are primarily the result of unfavorable development on the 2022 and 2018 and prior accident years. As it relates to the 2022 accident year, development is driven by several large claims. As it relates to the 2018 and prior accident years, the development is driven by case reserve adjustments made in 2023 as a result of inflation. The Fund experienced favorable loss development in the commercial sub-fund in 2023, primarily as a result of favorable development of accident years 2020-2022.

Reconciliation of incurred loss and LAE:

	<u>Residential Sub-Fund</u>		<u>Commercial Sub-Fund</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Amount included in above table	\$ 15,195,977	\$ 21,282,705	\$ 1,463,492	\$ 734,471
Expense items classified as LAE that do not affect reserves	<u>(17,529)</u>	<u>68,284</u>	<u>(4,943)</u>	<u>19,027</u>
Total	<u>\$ 15,178,448</u>	<u>\$ 21,350,989</u>	<u>\$ 1,458,549</u>	<u>\$ 753,498</u>

Management believes that the reserves for loss and LAE for the Residential and Commercial sub-funds at December 31, 2024 and 2023 are appropriately established in the aggregate and adequate to cover the ultimate net cost of reported and unreported claims arising from losses which had occurred by that date. However, the estimation process is inherently uncertain and actual amounts could vary significantly from amounts estimated.

The reserves for loss and LAE for the Residential sub-fund are recorded net of anticipated subrogation of \$675,000 and \$0 as of December 31, 2024 and 2023, respectively. There was no anticipated subrogation recorded for the Commercial sub-fund as of December 31, 2024 and 2023.

## Illinois Mine Subsidence Insurance Fund

### Notes to Statutory Financial Statements (Continued)

#### **Note 6 - Other Underwriting Expenses**

For the years ended December 31, 2024 and 2023, the allocation percentage for other underwriting expenses was 78% and 22% for the Residential Sub-Fund and Commercial Sub-Fund, respectively. Other underwriting expenses consist of the following items:

	2024	2023
Salaries	\$ 896,339	\$ 1,236,279
Employee relations and benefits	370,161	529,798
Professional fees	483,305	479,263
Directors' fees	132,000	128,000
Rent, including allocated building overhead	157,736	174,891
Insurance	113,745	116,583
Research	49,380	74,367
Travel and meetings	52,136	42,222
Public awareness and relations	5,383	6,790
Purchase of equipment - net of disposals	90,527	103,248
Dues and memberships	40,656	32,063
Other	50,604	53,410
Total	<u>\$ 2,441,972</u>	<u>\$ 2,976,914</u>

#### **Note 7 - Federal Income Taxes**

The provision for Federal income taxes consists of the following components:

	2024	2023
Federal income tax expense	\$ 4,229,302	\$ 2,865,790
Realized capital gains tax expense (benefit)	33,511	(60,195)
Total federal income tax expense	<u>\$ 4,262,813</u>	<u>\$ 2,805,595</u>

The provision for federal income taxes incurred is different from that which would be obtained by applying the Federal income tax rate to statutory income before income taxes primarily as a result of the tax-exempt interest deduction.

Deferred federal income taxes arise from temporary differences between the valuation of assets and liabilities as determined for financial reporting purposes and federal income tax purposes. The Fund's temporary differences are measured at an effective tax rate of 21% as of December 31, 2024 and 2023. The amount of gross deferred tax asset calculated is then reduced for any valuation allowance and an admissibility test. In accordance with SSAP 101, the admissibility test is based on the realization threshold table and other limitations. The Fund also admitted deferred tax assets that can be used to offset against deferred tax liabilities.

# Illinois Mine Subsidence Insurance Fund

## Notes to Statutory Financial Statements (Continued)

### Note 7 - Federal Income Taxes (Continued)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of December 31 are as follows:

	2024	2023
Deferred tax assets:		
Discounting of unpaid losses and LAE	\$ 1,147,822	\$ 1,113,777
Unearned premiums	822,350	793,346
Non-admitted assets	48,560	19,602
Total deferred tax assets	<u>2,018,732</u>	<u>1,926,725</u>
Nonadmitted deferred tax assets	<u>(680,380)</u>	<u>(667,214)</u>
Net admitted deferred tax asset	1,338,352	1,259,511
Deferred tax liabilities:		
Legislative change in loss discounting	<u>36,291</u>	<u>72,582</u>
Total deferred tax liabilities	<u>36,291</u>	<u>72,582</u>
Net deferred tax asset	<u>\$ 1,302,061</u>	<u>\$ 1,186,929</u>

The change in net deferred income taxes, before consideration of the change in nonadmitted deferred tax assets, is comprised of the following at December 31:

	2024	2023	Change
Total deferred tax assets ("DTAs")	\$ 2,018,732	\$ 1,926,725	\$ 92,007
Total deferred tax liabilities ("DTLs")	<u>(36,291)</u>	<u>(72,582)</u>	<u>36,291</u>
Net deferred tax asset	<u>\$ 1,982,441</u>	<u>\$ 1,854,143</u>	\$ 128,298
Tax effect of change in unrealized capital gains			<u>-</u>
Change in net deferred income tax			<u>\$ 128,298</u>

# Illinois Mine Subsidence Insurance Fund

## Notes to Statutory Financial Statements (Continued)

### Note 7 - Federal Income Taxes (Continued)

The amounts of each component pursuant to SSAP 101 paragraph 11 by tax character are as follows:

	December 31, 2024		
	Ordinary	Capital	Total
Can be recovered through loss carrybacks (a)	\$ 1,172,781	\$ -	\$ 1,172,781
Lesser of:			
Adjusted gross DTA expected to be recognized following the balance sheet date (b.i)	129,280	-	129,280
Adjusted gross DTA allowed per limitation threshold (b.ii)			31,947,971
Adjusted gross DTAs offset against existing DTLs (c)	36,291	-	36,291
DTAs admitted as a result of the application of SSAP 101 (a+b.i+c)	<u>\$ 1,338,352</u>	<u>\$ -</u>	<u>\$ 1,338,352</u>
	December 31, 2023		
	Ordinary	Capital	Total
Can be recovered through loss carrybacks (a)	\$ 1,062,228	\$ -	\$ 1,062,228
Lesser of:			
Adjusted gross DTA expected to be recognized following the balance sheet date (b.i)	124,701	-	124,701
Adjusted gross DTA allowed per limitation threshold (b.ii)			29,397,396
Adjusted gross DTAs offset against existing DTLs (c)	72,582	-	72,582
DTAs admitted as a result of the application of SSAP 101 (a+b.i+c)	<u>\$ 1,259,511</u>	<u>\$ -</u>	<u>\$ 1,259,511</u>



## Illinois Mine Subsidence Insurance Fund

### Notes to Statutory Financial Statements (Continued)

#### Note 7 - Federal Income Taxes (Continued)

The ratio and amount of adjusted capital and surplus used to determine the recovery period and threshold limitation as of December 31 are as follows:

	2024	2023
Adjusted gross DTA / adjusted capital and surplus ratio % used to determine recovery period and threshold limitation amount	4 %	5 %
Realization threshold limitation	15 %	15 %
Amount of adjusted capital and surplus used to determine recovery period and threshold limitation amount	\$ 212,986,473	\$ 195,982,637

The Fund's tax-planning strategies did not include the use of reinsurance-related tax planning strategies.

At December 31, 2024, the Fund did not have any unused operating loss carryforwards available to offset against future taxable income.

The following are federal income taxes incurred in the current and prior year that may be available for recovery in the event of future net operating losses.

2024	\$ 4,350,108
2023	\$ 2,778,495

The Fund's federal income tax return is not consolidated with any entities for the years ended December 31, 2024 and 2023.

The Fund has no tax loss contingencies for which it is reasonably possible that the total liability will significantly increase within twelve months of the reporting date.

The Inflation Reduction Act ("Act") was enacted on August 16, 2022, and includes a corporate alternative minimum tax ("CAMT"). The Fund has determined that it does not expect to be liable for the CAMT in 2024.

## Illinois Mine Subsidence Insurance Fund

### Notes to Statutory Financial Statements (Continued)

#### **Note 8 - Commitments**

The Fund leases office space through December 31, 2025 with the following minimum lease payments:

<u>Year Ending December 31</u>	<u>Amount</u>
2025	<u>\$ 99,527</u>
Total	<u><u>\$ 99,527</u></u>

#### **Note 9 - Pension and Other Postretirement Plans**

The Fund participates, along with other employers, in a defined benefit pension plan that is administered by an unaffiliated third party. The Fund's Board of Directors approved the closing of the defined benefit pension plan to new employees hired after June 30, 2012. All active full-time employees hired prior to July 1, 2012 are eligible for this plan. Coverage under this plan begins at the date of retirement, and normal retirement age is 65. Benefits under the plan are based primarily on years of service and employee compensation near retirement. The pension plan is funded per the 1974 Employee Retirement Income Security Act.

The Fund also provides certain life insurance and health care benefits for eligible retired employees. Coverage begins at the date of retirement with a normal retirement age of 65. Early retirement is allowed at ages 55 through 64 with at least 14 years and 1 day of service.

Life insurance amounts are based upon 200% of the basic annual earnings immediately prior to retirement. At age 65, life insurance benefits are reduced to \$5,000.

Eligible retirees are also provided access to a Health Reimbursement Arrangement (HRA) account. The Fund contributes to the account in annually agreed upon lump sum amounts for retiree and eligible spouse.

# Illinois Mine Subsidence Insurance Fund

## Notes to Statutory Financial Statements (Continued)

### Note 9 - Pension and Other Postretirement Plans (Continued)

A summary of assets, obligations and assumptions of the Pension, Post Employment and Other Postretirement Benefit Plans as of December 31 are as follows:

	Pension Benefits		Other Benefits	
	2024	2023	2024	2023
<b>Change in benefit obligations:</b>				
Benefit obligation, beginning of year	\$ 8,598,939	\$ 7,984,401	\$ 1,488,005	\$ 1,443,877
Service cost	89,856	130,279	29,205	21,868
Interest cost	438,343	423,377	71,014	74,167
Actuarial (gain) loss	(213,756)	331,025	(129,490)	20,057
Benefits paid	<u>(317,859)</u>	<u>(270,143)</u>	<u>(86,711)</u>	<u>(71,964)</u>
Benefit obligation, end of year	<u>\$ 8,595,523</u>	<u>\$ 8,598,939</u>	<u>\$ 1,372,023</u>	<u>\$ 1,488,005</u>
<b>Change in plan assets:</b>				
Fair value of plan assets, beginning of year	\$ 8,801,415	\$ 8,010,416	\$ -	\$ -
Actual return on plan assets	138,769	1,061,142	-	-
Employer contributions	-	-	86,711	71,964
Benefits paid	<u>(317,859)</u>	<u>(270,143)</u>	<u>(86,711)</u>	<u>(71,964)</u>
Fair value of plan assets, end of year	<u>\$ 8,622,325</u>	<u>\$ 8,801,415</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Funded Status: Overfunded (Underfunded)</b>				
Assets (liabilities) recognized				
Asset (liability) for pension benefits	<u>\$ 26,802</u>	<u>\$ 202,476</u>	<u>\$ (1,372,023)</u>	<u>\$ (1,488,005)</u>
Total assets (liabilities) recognized	<u>\$ 26,802</u>	<u>\$ 202,476</u>	<u>\$ (1,372,023)</u>	<u>\$ (1,488,005)</u>
<b>Components of net periodic benefit cost:</b>				
Service cost	\$ 89,856	\$ 130,279	\$ 29,205	\$ 21,868
Interest cost	438,343	423,377	71,014	74,167
Expected return on plan assets	(492,597)	(431,250)	-	-
Net prior service cost amortization	-	-	-	-
Amount of loss recognized	<u>51,192</u>	<u>139,876</u>	<u>-</u>	<u>-</u>
Net periodic benefit cost	<u>\$ 86,794</u>	<u>\$ 262,282</u>	<u>\$ 100,219</u>	<u>\$ 96,035</u>

# Illinois Mine Subsidence Insurance Fund

## Notes to Statutory Financial Statements (Continued)

### Note 9 - Pension and Other Postretirement Plans (Continued)

	Pension Benefits		Other Benefits	
	2024	2023	2024	2023
<b>Changes in amounts recognized in accumulated surplus:</b>				
Beginning unrecognized balances	\$ 1,022,011	\$ 1,460,754	\$ 52,051	\$ 31,994
Net loss recognized	(51,192)	(139,876)	-	-
New actuarial losses (gains) occurring	140,072	(298,867)	(129,490)	20,057
Ending unrecognized balances	<u>\$ 1,110,891</u>	<u>\$ 1,022,011</u>	<u>\$ (77,439)</u>	<u>\$ 52,051</u>
<b>Amounts in accumulated surplus that have not yet been recognized as components of net periodic benefit cost:</b>				
Net recognized losses	<u>\$ 1,110,891</u>	<u>\$ 1,022,011</u>	<u>\$ (77,439)</u>	<u>\$ 52,051</u>
Total	<u>\$ 1,110,891</u>	<u>\$ 1,022,011</u>	<u>\$ (77,439)</u>	<u>\$ 52,051</u>

The assumptions used to determine the actuarial present value of the projected benefit obligations as of December 31 were as follows:

	Pension Benefits		Other Benefits	
	2024	2023	2024	2023
Discount rate	5.60 %	5.10 %	5.60 %	5.10 %
Average rate of compensation increase	4.00 %	4.00 %	4.00 %	4.00 %

The assumptions used to determine the net benefit cost as of December 31 were as follows:

	Pension Benefits		Other Benefits	
	2024	2023	2024	2023
Discount rate	5.10 %	5.35 %	5.10 %	5.30 %
Average rate of compensation increase	4.00 %	4.00 %	4.00 %	4.00 %
Expected long-term rate of return on plan assets	5.75 %	5.50 %	N/A*	N/A*

\*There is no expected long-term rate of return since there are no invested assets in the plan.



## Illinois Mine Subsidence Insurance Fund

### Notes to Statutory Financial Statements (Continued)

#### **Note 9 - Pension and Other Postretirement Plans (Continued)**

Pension plan assets are invested in trusts comprised primarily of investments in various debt and equity funds. A fiduciary committee of the Plan establishes the target asset mix and monitors asset performance. The expected rate of return on assets includes the determination of a real rate of return for equity and fixed income investment applied to the portfolio based on their relative weighting, increased by an underlying inflation rate. The Fund's pension plan weighted average asset allocations by asset category are as follows:

Asset Category	Target 2024	Allocation December 31	
		2024	2023
Equity securities	40.0 %	28.5 %	29.3 %
Debt securities	60.0	57.8	35.1
Other	0.0	13.7	35.6
Total	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>

Following is a description of the valuation methodologies used for pension assets measured at fair value:

- *Equity securities:* Equity securities consist of various managed funds that invest primarily in common stocks. These securities are valued at the net asset value of shares held by the plan at year-end. The net asset value is calculated based on the underlying shares and investments held by the funds.
- *Debt securities:* Debt securities consist of fixed income funds that invest primarily in debt securities. These securities are valued at the net asset value of shares held by the plan at year-end. The net asset value is calculated based on the underlying shares and investments held by the funds.
- *Other:* Other consists of investments in cash and cash equivalents, limited partnerships, pooled separate accounts and common collective trusts. Cash and cash equivalents are stated at cost, which approximates fair value.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes that its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

# Illinois Mine Subsidence Insurance Fund

## Notes to Statutory Financial Statements (Continued)

### Note 9 - Pension and Other Postretirement Plans (Continued)

The levels assigned to the pension plan assets as of December 31, 2024 and 2023, respectively, are summarized in the tables below:

	Level 1	Level 2	Level 3	Total	% of Total
<u>2024</u>					
Equity securities	\$ 2,461,464	\$ -	\$ -	\$ 2,461,464	28.5 %
Bonds	-	4,978,811	-	4,978,811	57.8 %
Other	-	1,182,050	-	1,182,050	13.7 %
Total	<u>\$ 2,461,464</u>	<u>\$ 6,160,861</u>	<u>\$ -</u>	<u>\$ 8,622,325</u>	<u>100.0 %</u>
	Level 1	Level 2	Level 3	Total	% of Total
<u>2023</u>					
Equity securities	\$ 2,579,050	\$ -	\$ -	\$ 2,579,050	29.3 %
Bonds	-	3,086,907	-	3,086,907	35.1 %
Other	-	3,135,458	-	3,135,458	35.6 %
Total	<u>\$ 2,579,050</u>	<u>\$ 6,222,365</u>	<u>\$ -</u>	<u>\$ 8,801,415</u>	<u>100.0 %</u>

The following benefit payments, which reflect expected future service as appropriate, are expected to be paid:

	Pension Benefits	Other Benefits
2025	\$ 501,747	\$ 94,869
2026	534,013	99,282
2027	552,481	102,344
2028	576,369	101,808
2029	612,824	98,921
2030 - 2034	<u>3,281,344</u>	<u>530,863</u>
Total	<u>\$ 6,058,778</u>	<u>\$ 1,028,087</u>

In 2025, the Fund expects to contribute \$0 to the pension plan and \$94,869 to the other postretirement plan.

# Illinois Mine Subsidence Insurance Fund

## Notes to Statutory Financial Statements (Continued)

### Note 10 - Non-admitted Assets

Components of non-admitted assets as of December 31, were as follows:

	<u>2024</u>	<u>2023</u>	<u>Change</u>
Prepaid expenses	\$ 81,320	\$ 67,107	\$ 14,213
Deferred tax asset: non-admitted	680,380	667,214	13,166
Overfunded pension plan asset	26,802	202,476	(175,674)
Electronic data processing equipment and software	<u>1,163,350</u>	<u>377,021</u>	<u>786,329</u>
Total	<u>\$ 1,951,852</u>	<u>\$ 1,313,818</u>	<u>\$ 638,034</u>

# Christmas in July

The IMSIF team has found some creative ways to enjoy our new office space - like staying cool with a festive 'Christmas in July' celebration.





# Spooky Ball at Grizzly Stadium

Baseball-ish family friendly antics at Grizzly Stadium.



# IMSIF

**a private solution to a  
public problem since 1979**



**For additional information about mine subsidence or the Illinois  
Mine Subsidence Insurance Fund, please visit our website at:  
[www.IMSIF.com](http://www.IMSIF.com)**