2023 Annual Report

ILLINOIS MINE SUBSIDENCE INSURANCE FUND

IMSIF

Looking Back,
Moving Forward

Mission of the Fund

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.

IMsIF ILLINOIS MINE SUBSIDENCE INSURANCE FUND

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Letter from the Chairman of the Board & the President and CEO

During 2023, we received just over 220 alleged mine subsidence claims from the insurance industry and initiated 152 new geotechnical investigations out of our Caseyville office. There were 582 open claims in our inventory at the end of December. Indemnity reimbursements in the amount of $15.3 million were made to the industry during the year, representing 163 individual requests.

We earned record combined premium of just over $37.4 million. While 2023 loss and loss adjustment expense increased 27% over 2022 due to negative development on previous loss years primarily caused by inflationary adjustments, a combined underwriting gain of $4.7 million was recorded in 2023. After considering Investment Income and recognizing over $2.8 million in federal income tax expense, net Income for the year surpassed $10.5 million.

In this, our 44th year, we've chosen the themes of "Looking Back" and "Moving Forward". We find ourselves at a crossroads and entering an important and exciting transition at the Illinois Mine Subsidence Insurance Fund. It is in that spirit that we experienced 2023.

Honoring the Past:
The Fund exists today because so many before us selflessly partnered to create a promising but untested solution to a devastating problem facing thousands of Illinois property owners. Once created, the Fund was placed under the auspices of the Illinois FAIR Plan Association in Chicago, Illinois. Edmund Murphy was serendipitously assigned the administrative task of implementing the Statute and had the foresight and vision to nurture and grow the Fund toward the independent and all-encompassing organization that it is today. Murphy gathered a team of professionals dedicated to serving the stakeholders of the Fund and ultimately expanded the focus from a Chicago based reinsurance financial organization, by adding a fully functioning geotechnical investigative unit based in St. Louis' Metro East.

Frederick M. Strauss, Chairman of the Board

Heidi M. Weber, President and CEO

Over the years the Fund has actively embraced the Statute's empowerment to promote and sponsor research and to serve as the primary source of consumer and industry education as it regards mine subsidence. We remember and honor the many team members and patrons that have participated over the past four decades. Each has contributed uniquely to accomplishing the mission entrusted to the Fund. We recognize four of those recent Chicago based retirees later in this Annual Report.

Celebrating the Present:
Even as we honor the past, there is currently a renewed and palpable sense of excitement and possibility as we ready ourselves to begin 2024 with several new team members and moving into a newly constructed office building in Caseyville, Illinois. Having our team combined and complete in a single location promises to be a gamechanger as we look toward new and innovative ways to serve our stakeholders rooted in the area most affected by mine subsidence. We are also poised to launch a new and improved website that we hope will better serve both consumers, as they seek information, and the insurance industry, as they directly service those consumers and interact with the Fund. Internally the Fund is investing in a modern and fully integrated Microsoft Dynamics 365 Business Central enterprise resource planning system after over two decades of operating under a modular and now dated system. The table is being set for the Fund to simultaneously offer new and innovative solutions and continue to deliver time-tested reliable service.

Letter from the Chairman of the Board & the President and CEO

Embracing the Future:
Moving forward means many things. It means gaining greater visibility on the needs of our stakeholders and instituting processes and procedures to deliver on those needs. It means placing the highest value on maintaining a talented, engaged, and ethical workforce acknowledging it is our most valuable resource. It means embracing existing technology and being open to future advancements especially in the geotechnical investigative area. It means remaining focused on our mission and anticipating and ultimately initiating necessary change. Most importantly it means that the core values that we have always operated under since 1979 will continue to be the same core values we will operate on well into the future.

- Financial Stability, by responsibly and rationally maintaining sufficient surplus and embracing financial discipline.
- Reputation, by conducting business in a professional, honest, and ethical manner, inspiring trust, and caring about people.
- Service, by being responsive and communicative, educating and informing stakeholders, and supporting research.
- Relationships, by being transparent and respectful, valuing diversity, embracing collaboration, and attracting and keeping quality people.

As we reflect on our past accomplishments, embrace the opportunities of the present, and eagerly anticipate the future, we invite you to join us on this journey. Together, let us honor the legacy of those who laid the foundation, celebrate the achievements of today, and boldly embrace the challenges and innovations that lie ahead. Your support and partnership are integral to the continued success and resilience of the Illinois Mine Subsidence Insurance Fund. Thank you for your trust and commitment as we navigate this exciting transition toward a healthier and enduring future.

Frederick M. Strauss,
Chairman of the Board

Heidi M. Weber

Heidi M. Weber,
President and CEO

An Event Like No Other - Understanding Mine Subsidence

Example of Pit Subsidence - Limestone Mine

What is Mine Subsidence?

By definition, the Illinois Insurance Code defines mine subsidence as the "lateral or vertical ground movement caused by a failure initiated at the mine level of manmade underground mines, including but not limited to coal mines, clay mines, limestone mines and fluorspar mines that directly damages residences or commercial buildings."

What causes the failure at the mine level can best be understood by understanding the history of mining, especially in Illinois....

Picking Tables, circa 1920, Wilmington & Franklin Coal Company

MINING IN ILLINOIS

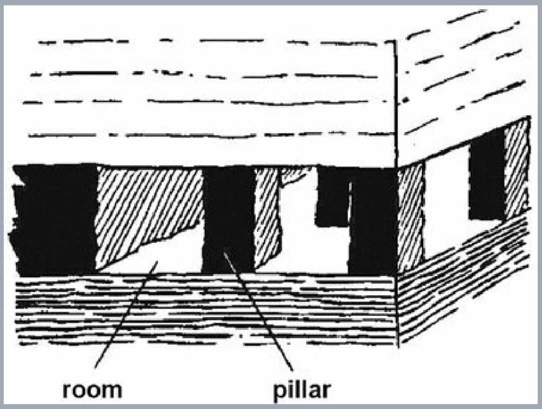
Illinois mining became prevalent in the 1800s and because of the amount of coal and the proximate location to the railroads, it rapidly swept the state, affecting at least 72 counties.

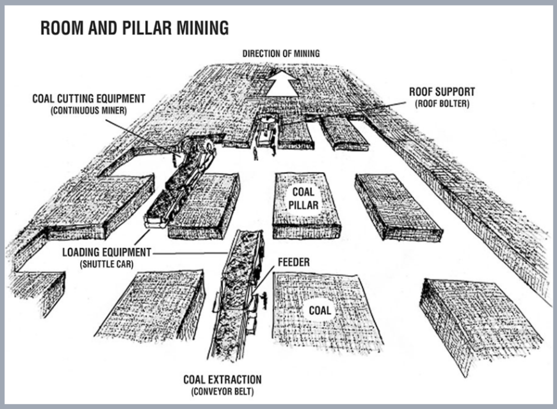
Today, the Illinois State Geological Survey estimates that there are over 201,000 acres of residential and other developed land areas in close proximity to underground mines.

Due to the depth of Illinois coal, miners have historically used the common “Room and Pillar” method to extract resources.

One of the oldest types of mining, “Room and Pillar” mining is a technique used worldwide, where coal is mined in a checkerboard or grid pattern, leaving pillars to support the roof.

These patterns and associated regulations have changed over the years to improve ventilation, production, and stability. Despite advances, most experts agree that over time, the pillars will deteriorate and collapse, causing one of two types of subsidence, affecting those living and working above the mine.





SINKING OR FALLING?

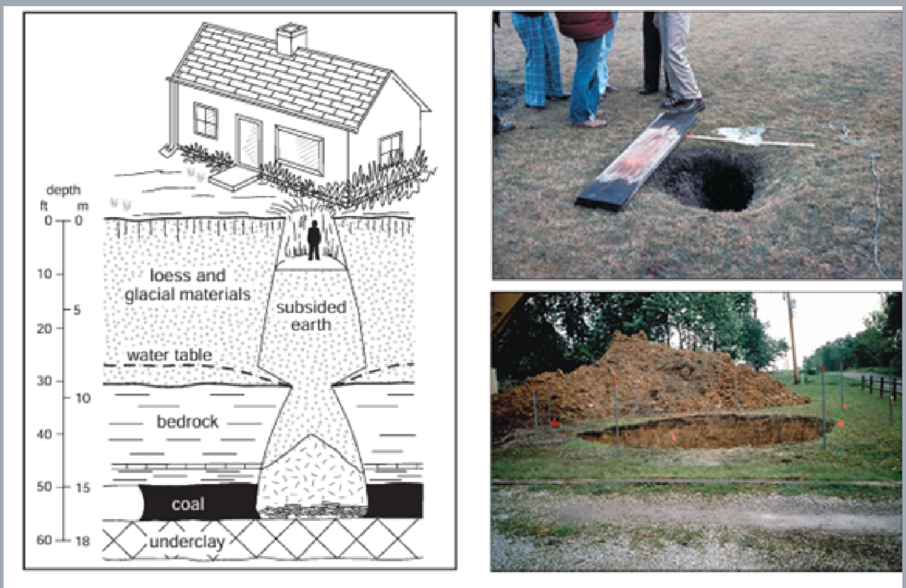


Figure 8 Diagram (Wildanger et al. 1980) and photographs of typical pit subsidence events.

PIT SUBSIDENCE

A business owner arrives at work to find a hole in the parking lot. Further investigation confirms that the newly formed pit is the result of mine subsidence. Known as Pit Subsidence, weak bedrock and surficial layers of a shallow mine underneath quickly gave way and allowed for the 6-8 foot-deep hole to reveal itself. These generally steep holes can range from 2-40 feet in diameter.

SAG SUBSIDENCE

In another part of town, a homeowner hears her home pop and creak. She has noticed that her windows are becoming increasingly more difficult to open and close and her patio door is no longer closing flush. While going down to her basement to do laundry, it seems like her stairs are uneven and she is now wondering how long the crack above her dryer has been there. With a call to her insurance company, and an investigation from the Fund, she finds that her home is undergoing sag subsidence. Developing suddenly or over the course of years, a sag forms a depression over a broad area, causing structures to compress, pull apart, twist and sink.

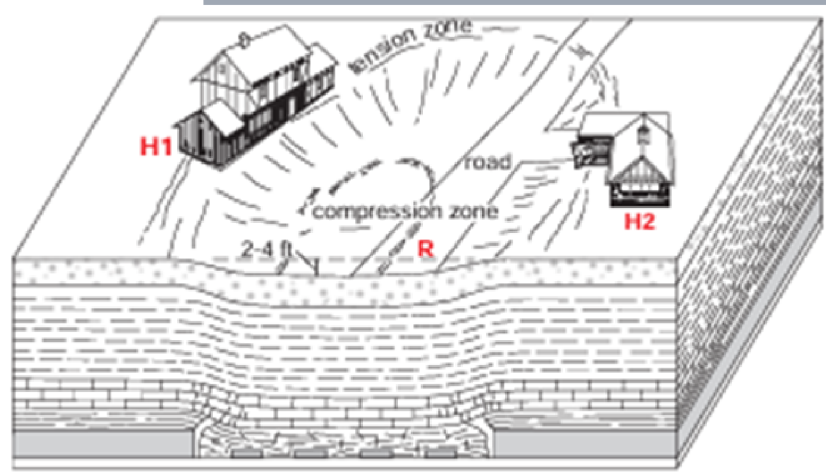


Figure 13 Block diagram of a typical sag subsidence event. The road is in the compression zone (located at R), and asphalt has buckled. The wood frame house (H1) is in the tension zone; the house's foundation has pulled apart and dropped away from the superstructure in one corner. A brick house (H2) in the tension zone shows cracks in walls, ceilings, and floors.

Both Pit and Sag Subsidence are unpredictable in scope and time, and their damages can cost millions of dollars in repairs. So much so, that in 1979 the Illinois Mine Subsidence Insurance Fund was created by Act of the Illinois General Assembly.

A Private Solution to a Public Problem- The Role of the Fund

Mine subsidence is an unpredictable peril, with a number of variables that can potentially contribute to a collapse including size, depth, and age of the mine as well as soil composition and weather conditions. While we have no way to predict when or where a subsidence will occur, we do know that it can impact over 300,000 housing units in Illinois. We also know that subsidence events can last decades, sometimes costing hundreds of thousands of dollars in damages.

Example of damages from Sag Subsidence

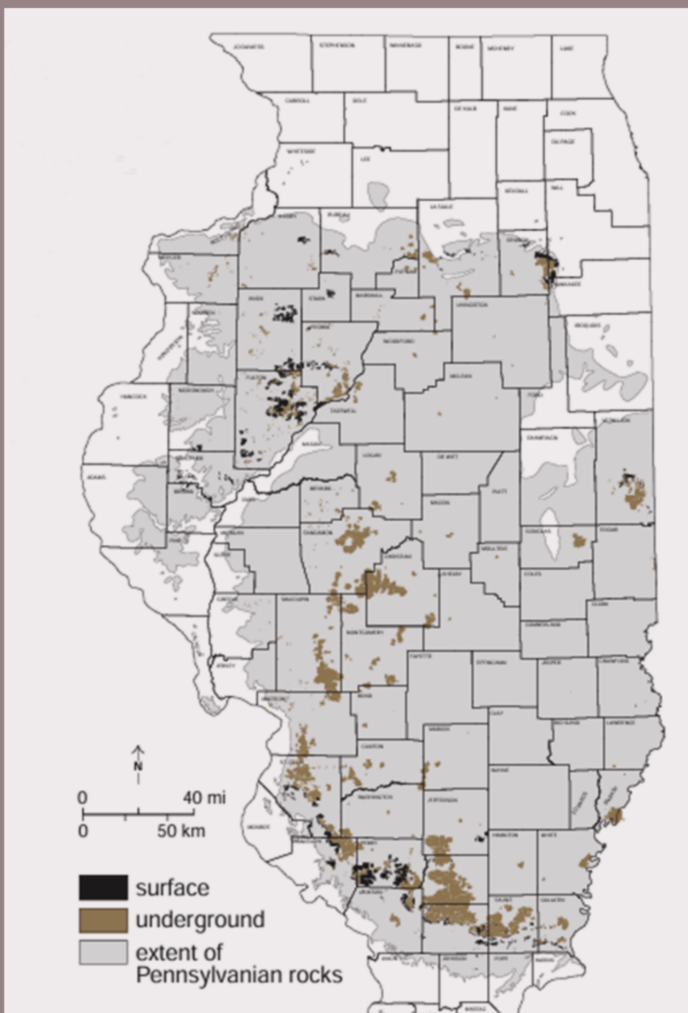


Figure 1 Areas where coal has been mined in Illinois.

Reports of mine subsidence and damage to homes, schools, and businesses can be found as early as the 1900s. Increasing in frequency and cost, issues of mine subsidence came to a head in the 1960s and 70s. By 1977, the city of Belleville alone had an estimated $8 million in damages from mine subsidence. Homeowners did not want to discuss their damages and compromise the value of their homes, and insurers would not take on such large risks.

In 1979, after two sessions, the Illinois Mine Subsidence Insurance Fund was created by Act of the Illinois General Assembly. The Mine Subsidence Act is two-fold. It requires all Illinois Insurers to make mine subsidence insurance coverage available to property owners in Illinois and it established the Illinois Mine Subsidence Insurance Fund as a private reinsurer to those Insurers for paid losses.

Today, filling the gap in the insurance market is only a portion of what the Fund does. On average, the IMSIF investigation team, made up of surveyors, geologists, and engineers, handles almost 700 claims per year. The Fund recognizes the importance of continued mine subsidence research and has disbursed over $2.5 million dollars for research funding in conjunction with related university studies and data development efforts of the Illinois State Geological Survey. Finally, in its continued commitment to assist the public with this very unique peril, the Fund focuses on new ways to collaborate with other members of the industry and educate the public on what mine subsidence is and how to navigate what is otherwise a stressful and tedious process.

Looking Back
Retirement & the Chicago Office

2023 marked the retirement of Sheila Dean, Nancy Moore, Kathy Moran and Diana Solis.
These four exemplary employees served the Chicago office for a combined 148 years. Their unmatched dedication made them an integral part of the Fund. A retirement luncheon and party were held in December, where heartfelt memories were exchanged. We wish them all health and happiness in their new adventures.

From left to right: Nancy Moore, current CEO Heidi Weber, Sheila Dean, Diana Solis and Kathy Moran

From left to right: Sheila Dean, Kathy Moran, Nancy Moore and Diana Solis

Looking Forward
New Hires & the Caseyville Office

In keeping with our commitment to service, the Fund has spent 2023 preparing for the close of the Chicago office.

Consistent with the Fund's goal of having one, centrally located office in Caseyville for all staff, Brandon Raimondi has been painstakingly coordinating construction of our new building, set to open for business in early 2024. Originally a lot with a house next door to the existing Caseyville office, the property has been acquired and demolished, and construction on the 6700sf building is near completion.

Looking Forward
New Hires & the Caseyville Office

With a new office came three new employees, helping to form a lean, focused staff for the Fund's future goals and objectives.

Andrea Payton/ Claims Information Specialist:

Andrea holds a Bachelor's Degree in Communications and a Master's Degree in Counseling. Before working for an insurance agency, she spent twelve years working in higher education.
Outside of work, she enjoys going to small-town festivals where she and her husband show their antique John Deere two-cylinder tractors. They have a total of EIGHT of these green beauties (and one cute red Farmall Cub) that they enjoy taking to shows, parades and tractor rides. When not on a tractor, you can find Andrea cross stitching, painting barn quilts, planting flowers and cuddling with her two cats.

Samantha Stanek/Accountant:

Samantha has been working in the accounting department for the Fund since October 2023 as a staff accountant. She graduated in 2012 from Southern Illinois University with a bachelor's degree in mathematics with an emphasis in Actuarial Science, and a minor in Business Administration. She began studying Japanese and has completed level N3 of the Japanese Language Proficiency Test. She enjoys reading, spending time with her dog, playing Dungeons & Dragons and many other games with her friends and family.

Jessicca Varacalli/Industry Relations & Consumer Education Manager

A graduate of California State University, Northridge, Jessicca has worked in various areas of the insurance industry for the last eleven years. Prior to the insurance industry, she was an account manager, responsible for adult education, development, and instructional design. When not analyzing ways to help herself and her colleagues grow, she is an avid reader, volunteers with Scouting, and travels extensively with her husband and teenage son.

MEET THE IMSIF BOARD OF DIRECTORS

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

MEET THE IMSIF BOARD OF DIRECTORS - CONT.

KENNETH DEVRIES
CHIEF ACCOUNTING OFFICER
HUB INTERNATIONAL, LTD
DIRECTOR SINCE 2015

ROBERT D. GIBSON
RETIRED GEOLOGIST
OFFICE OF SURFACE MINING
RECLAMATION & ENFORCEMENT
DIRECTOR SINCE 2022

CHARLES M. HILL, SR.
RETIRED EXECUTIVE
BANKING
DIRECTOR SINCE 1983

CORINNE R. KRUSE, JD
SENIOR VICE PRESIDENT,
GLOBAL CLAIMS CONSULTANT
GUY CARPENTER & COMPANY
DIRECTOR SINCE 2022

MEET THE IMSIF BOARD OF DIRECTORS - CONT.

ROBERT OSTGULEN
RETIRED EXECUTIVE
INSURANCE
DIRECTOR SINCE 1999

RICHARD A. SAUGET, JR.,
MAYOR - SAUGET, IL
DIRECTOR SINCE 2006

RICHARD A. SEDLAK
INSURANCE PRODUCER
SCHMALE INSURANCE
DIRECTOR SINCE 2009

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
Miliman, Inc.
Chicago, Illinois

Investment Managers
Conning & Company
Hartford, Connecticut

General Counsel
Todd S. Schenk
Tressler LLP

JohnsonLambert LLP
cpas + consultants

Illinois Mine Subsidence Insurance Fund

Audited Financial Statements - Statutory

Years ended December 31, 2023 and 2022
with Report of Independent Auditors

Illinois Mine Subsidence Insurance Fund

Audited Financial Statements - Statutory

Years ended December 31, 2023 and 2022

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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, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022, 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.

Johnson Lambert LLP

Park Ridge, Illinois
May 30, 2024

Illinois Mine Subsidence Insurance Fund

Balance Sheets - Statutory

December 31, 2023 and 2022

	Residential Sub-Fund		Commercial Sub-Fund		Combined	
	2023	2022	2023	2022	2023	2022
Admitted Assets						
Cash and invested assets						
Bonds	$ 199,308,947	$ 193,630,073	$ 80,125,857	$ 77,842,924	$ 279,434,804	$ 271,472,997
Common stocks	5,802,613	5,691,623	2,370,082	2,288,139	8,172,695	7,979,762
Cash and cash equivalents	3,533,259	1,518,654	3,247,145	887,669	6,780,404	2,406,323
Real estate	1,169,001	267,381	334,064	79,867	1,503,065	347,248
Total cash and invested assets	209,813,820	201,107,731	86,077,148	81,098,599	295,890,968	282,206,330
Premiums receivable	8,402,896	6,800,000	1,829,395	1,900,767	10,232,291	8,700,767
Investment receivable	269	155	106	60	375	215
Accrued investment income	1,563,986	1,501,501	638,811	603,632	2,202,797	2,105,133
Income tax recoverable	488,825	-	157,195	859,231	646,020	859,231
Net deferred tax asset	866,458	899,973	320,471	332,867	1,186,929	1,232,840
Other	3,077	3,077	919	919	3,996	3,996
Total Admitted Assets	$ 221,139,331	$ 210,312,437	$ 89,024,045	$ 84,796,075	$ 310,163,376	$ 295,108,512
Liabilities and Surplus						
Liabilities						
Loss and loss adjustment expense	$ 71,280,594	$ 66,609,727	$ 18,724,349	$ 19,848,746	$ 90,004,943	$ 86,458,473
Unearned premium	15,154,327	14,272,265	3,734,871	3,830,036	18,889,198	18,102,301
Commissions payable	1,260,434	1,020,000	365,879	380,153	1,626,313	1,400,153
Income tax payable	-	953,439	-	-	-	953,439
Accrued expenses	1,923,032	1,243,031	550,321	375,419	2,473,353	1,618,450
Total Liabilities	89,618,387	84,098,462	23,375,420	24,434,354	112,993,807	108,532,816
Surplus	131,520,944	126,213,975	65,648,625	60,361,721	197,169,569	186,575,696
Total Liabilities and Surplus	$ 221,139,331	$ 210,312,437	$ 89,024,045	$ 84,796,075	$ 310,163,376	$ 295,108,512

See accompanying notes to the statutory financial statements

Illinois Mine Subsidence Insurance Fund

Statements of Income - Statutory

Years Ended December 31, 2023 and 2022

	Residential Sub-Fund		Commercial Sub-Fund		Combined	
	2023	2022	2023	2022	2023	2022
Underwriting						
Premiums earned	$ 29,615,536	$ 26,577,305	$ 7,802,955	$ 7,430,993	$ 37,418,491	$ 34,008,298
Less underwriting expenses						
Loss and loss adjustment expense	21,350,989	14,077,790	753,498	3,339,465	22,104,487	17,417,255
Commissions	4,573,754	4,159,090	1,539,784	1,520,094	6,113,538	5,679,184
State income tax expense	761,776	1,194,075	756,689	423,582	1,518,465	1,617,657
Other underwriting expenses	2,357,039	1,551,137	619,875	459,602	2,976,914	2,010,739
Total underwriting expenses	29,043,558	20,982,092	3,669,846	5,742,743	32,713,404	26,724,835
Underwriting gain	571,978	5,595,213	4,133,109	1,688,250	4,705,087	7,283,463
Investment Income						
Net investment income	6,329,800	5,487,485	2,603,546	2,241,494	8,933,346	7,728,979
Net realized capital (losses) gains, net of tax	(160,778)	24,879	(65,670)	10,162	(226,448)	35,041
Net investment gain	6,169,022	5,512,364	2,537,876	2,251,656	8,706,898	7,764,020
Net income before federal income tax expense	6,741,000	11,107,577	6,670,985	3,939,906	13,411,985	15,047,483
Federal income tax expense	1,450,236	2,161,424	1,415,554	766,381	2,865,790	2,927,805
Net income	$ 5,290,764	$ 8,946,153	$ 5,255,431	$ 3,173,525	$ 10,546,195	$ 12,119,678

See accompanying notes to the statutory financial statements

Illinois Mine Subsidence Insurance Fund

Statements of Changes in Surplus - Statutory

Years Ended December 31, 2023 and 2022

	Residential Sub-Fund		Commercial Sub-Fund		Combined	
	2023	2022	2023	2022	2023	2022
Beginning Surplus	$ 126,213,975	$ 117,099,041	$ 60,361,721	$ 57,130,482	$ 186,575,696	$ 174,229,523
Net income	5,290,764	8,946,153	5,255,431	3,173,525	10,546,195	12,119,678
Change in unrealized capital gains, net of tax	179,047	28,709	73,132	11,726	252,179	40,435
Change in pension liability	301,614	(149,360)	91,059	(44,612)	392,673	(193,972)
Change in net deferred tax asset	(2,124)	108,116	(11,685)	36,442	(13,809)	144,558
Change in non-admitted assets	(462,332)	181,316	(121,033)	54,158	(583,365)	235,474
Ending Surplus	$ 131,520,944	$ 126,213,975	$ 65,648,625	$ 60,361,721	$ 197,169,569	$ 186,575,696

See accompanying notes to the statutory financial statements

Illinois Mine Subsidence Insurance Fund

Statements of Cash Flows - Statutory

Years Ended December 31, 2023 and 2022

	Residential Sub-Fund		Commercial Sub-Fund		Combined	
	2023	2022	2023	2022	2023	2022
Cash From Operations						
Premiums collected	$ 28,888,742	$ 27,132,436	$ 7,770,259	$ 7,518,445	$ 36,659,001	$ 34,650,881
Less underwriting expenses paid						
Loss and loss adjustment expenses paid	(16,611,838)	(14,202,933)	(1,858,868)	(2,825,339)	(18,470,706)	(17,028,272)
Commissions	(4,333,320)	(4,069,868)	(1,554,058)	(1,503,685)	(5,887,378)	(5,573,553)
Other	(2,037,110)	(1,564,747)	(563,117)	(468,697)	(2,600,227)	(2,033,444)
Net investment income	6,065,712	5,422,818	2,486,416	2,215,225	8,552,128	7,638,043
Federal income taxes paid	(3,611,538)	(4,012,150)	(1,452,750)	(1,572,850)	(5,064,288)	(5,585,000)
Net cash from operations	8,360,648	8,705,556	4,827,882	3,363,099	13,188,530	12,068,655
Cash From Investments						
Proceeds from bonds sold, matured, or repaid	23,917,780	26,526,213	9,778,105	10,834,651	33,695,885	37,360,864
Proceeds from common stocks sold	1,341,299	212,728	547,855	86,888	1,889,154	299,616
Cost of bonds acquired	(29,397,914)	(31,233,201)	(12,007,598)	(12,756,953)	(41,405,512)	(43,990,154)
Cost of common stocks acquired	(1,299,234)	(5,820,941)	(530,673)	(2,377,567)	(1,829,907)	(8,198,508)
Cost of real estate acquired	(907,974)	(5,219)	(256,095)	(2,030)	(1,164,069)	(7,249)
Net cash used in investments	(6,346,043)	(10,320,420)	(2,468,406)	(4,215,011)	(8,814,449)	(14,535,431)
Net change in cash and cash equivalents	2,014,605	(1,614,864)	2,359,476	(851,912)	4,374,081	(2,466,776)
Cash and cash equivalents, beginning of year	1,518,654	3,133,518	887,669	1,739,581	2,406,323	4,873,099
Cash and cash equivalents, end of year	$ 3,533,259	$ 1,518,654	$ 3,247,145	$ 887,669	$ 6,780,404	$ 2,406,323

See accompanying notes to the statutory financial statements

Note 1 - Organization and Nature of Operations

Illinois Mine Subsidence Insurance Fund was established by Illinois statute and is governed by Article XXXVIIIA (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.

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. Effective in 2023, 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.

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 year ended December 31, 2023, the allocation percentage was 78% and 22% for the Residential Sub-Fund and Commercial Sub-Fund, respectively. For the year ended December 31, 2022, the allocation percentage was 77% and 23% 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.

Note 2 - Summary of Significant Accounting Policies (Continued)

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).

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.

Commissions
For the years ended December 31, 2023 and 2022, 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, 2023 and 2022, 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.

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, 2023 and 2022, respectively.

Real Estate
Real estate represents Fund-owned and occupied office space which is depreciated on a straight-line basis over 31.5 years, the estimated life of the property.

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.

Reclassifications
Certain 2022 balances have been reclassified to conform to the 2023 presentation. These changes had no effect on the Fund's results of operations or financial position at December 31, 2023.

Subsequent Events
The Fund evaluated subsequent events for recognition and disclosure through May 30, 2024, the date the statutory financial statements were available to be issued, and has not noted any events or transactions requiring recognition or disclosure.

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, 2023 and 2022, 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	Gross Unrealized		Fair
At December 31, 2023	Cost	Gains	Losses	Value
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	$ 279,434,804	$ 1,155,369	$ (22,476,191)	$ 258,113,982

	Amortized	Gross Unrealized		Fair
At December 31, 2022	Cost	Gains	Losses	Value
Corporate bonds	$ 113,295,350	$ 20,075	$ (12,729,109)	$ 100,586,316
State and municipal bonds	68,978,694	201,356	(3,637,958)	65,542,092
Asset-backed bonds	9,850,595	1,226	(898,828)	8,952,993
Mortgage-backed bonds	79,348,358	70,924	(11,043,965)	68,375,317
Total debt securities	$ 271,472,997	$ 293,581	$ (28,309,860)	$ 243,456,718

		Gross Unrealized		Fair
At December 31, 2023	Cost	Gains	Losses	Value
Common stocks	$ 7,880,080	$ 622,510	$ (329,895)	$ 8,172,695

		Gross Unrealized		Fair
At December 31, 2022	Cost	Gains	Losses	Value
Common stocks	$ 7,939,328	$ 327,365	$ (286,931)	$ 7,979,762

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, 2023 and 2022:

	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, 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	$ 13,015,359	$ (240,124)	$ 199,770,742	$ (22,565,962)	$ 212,786,101	$ (22,806,086)

	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, 2022						
Debt securities:						
Corporate bonds	$ 86,676,795	$ (9,374,383)	$ 12,372,982	$ (3,354,726)	$ 99,049,777	$ (12,729,109)
State and municipal bonds	44,737,689	(3,637,958)	-	-	44,737,689	(3,637,958)
Asset-backed bonds	6,949,880	(744,025)	786,600	(154,803)	7,736,480	(898,828)
Mortgage-backed bonds	34,731,299	(3,722,398)	29,111,879	(7,321,567)	63,843,178	(11,043,965)
Common stocks	2,626,693	(286,931)	-	-	2,626,693	(286,931)
Total	$ 175,722,356	$ (17,765,695)	$ 42,271,461	$ (10,831,096)	$ 217,993,817	$ (28,596,791)

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, 2023 or 2022, 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, 2023 by contractual maturity, is shown below:

	Amortized Cost	Fair Value
Years to maturity		
One or less	$ 5,550,724	$ 5,479,979
After one through five	73,973,578	72,316,817
After five through ten	50,340,414	46,518,039
After ten	54,693,747	49,228,928
Mortgage and asset-backed securities	94,876,341	84,570,219
Total securities	$ 279,434,804	$ 258,113,982

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:

	2023	2022
Proceeds from sales and calls:		
Bonds	$ 31,440,883	$ 35,385,864
Common stocks	1,889,154	299,616
Bonds:		
Gross realized gains on sales	11,167	120,166
Gross realized losses on sales	(221,462)	(48,278)
Common stocks:		
Gross realized gains on sales	121,436	1,982
Gross realized losses on sales	(197,784)	(29,514)
Net realized (losses) gains on sales	(286,643)	44,356
Income tax benefit (expense)	60,195	(9,315)
Net realized (losses) gains on sales, net of tax	$ (226,448)	$ 35,041

Note 3 - Investments (Continued)

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. The Fund had seventeen bonds sold, disposed, or redeemed in 2022 as a result of a callable feature. Investment income of $6,241 was recorded as a result of prepayment penalties and acceleration fees at December 31, 2022.

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

	2023	2022
Investment income		
Corporate bonds	$ 4,132,011	$ 3,776,744
State and municipal bonds	1,994,875	2,063,872
Asset-backed bonds	303,595	232,668
Mortgage-backed bonds	2,527,089	1,851,547
Common stock	235,074	96,737
Cash and cash equivalents	90,010	47,770
Total investment income	9,282,654	8,069,338
Expenses		
Investment expenses incurred	(349,308)	(340,359)
Net investment income	$ 8,933,346	$ 7,728,979

Interest income due and accrued was $2,202,797 and $2,105,133 as of December 31, 2023 and 2022, 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.

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, 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	$ 8,172,695	$ 258,113,982	$ -	$ 266,286,677	$ 287,607,499

As of December 31, 2022

Description	Level 1	Level 2	Level 3	Total Fair Value	Admitted Asset Value
Corporate bonds	$ -	$ 100,586,316	$ -	$ 100,586,316	$ 113,295,350
State and municipal bonds	-	65,542,092	-	65,542,092	68,978,694
Asset-backed bonds	-	8,952,993	-	8,952,993	9,850,595
Mortgage-backed bonds	-	68,375,317	-	68,375,317	79,348,358
Common stocks	7,979,762	-	-	7,979,762	7,979,762
Total	$ 7,979,762	$ 243,456,718	$ -	$ 251,436,480	$ 279,452,759

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	
	2023	2022	2023	2022
Reserves, at January 1	$ 66,609,727	$ 66,741,649	$ 19,848,746	$ 19,336,644
Add:				
Provision for insured events of current year	15,091,668	14,682,714	2,814,941	6,711,307
Increase/(decrease) in provision attributable to prior year events	6,191,037	(611,703)	(2,080,470)	(3,373,866)
Total incurred during the year	21,282,705	14,071,011	734,471	3,337,441
Deduct loss and LAE payments for claims, occurring during:				
Current year	693,474	2,126,417	112,823	242,507
Prior years	15,918,364	12,076,516	1,746,045	2,582,832
Total paid during the year	16,611,838	14,202,933	1,858,868	2,825,339
Reserves, at December 31	$ 71,280,594	$ 66,609,727	$ 18,724,349	$ 19,848,746

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

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. In 2022, the Fund experienced favorable loss development for both the residential and commercial sub-funds. The changes are primarily the result of favorable development on the 2020 - 2021 accident years.

Reconciliation of incurred loss and LAE:

	Residential Sub-Fund		Commercial Sub-Fund	
	2023	2022	2023	2022
Amount included in above table	$ 21,282,705	$ 14,071,011	$ 734,471	$ 3,337,441
Expense items classified as LAE that do not affect reserves	68,284	6,779	19,027	2,024
Total	$ 21,350,989	$ 14,077,790	$ 753,498	$ 3,339,465

Management believes that the reserves for loss and LAE for the Residential and Commercial sub-funds at December 31, 2023 and 2022 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.

Note 6 - Other Underwriting Expenses

The Residential and Commercial Sub-Funds' other underwriting expenses were allocated 78% and 22% during 2023, respectively, and 77% and 23% in 2022, respectively. Other underwriting expenses consist of the following items:

	2023	2022
Salaries	$ 1,236,279	$ 868,840
Employee relations and benefits	529,798	217,570
Professional fees	479,263	295,674
Directors' fees	128,000	131,750
Rent, including allocated building overhead	174,891	178,548
Insurance	116,583	111,584
Research	74,367	72,194
Travel and meetings	42,222	35,060
Public awareness and relations	6,790	8,781
Purchase of equipment - net of disposals	103,248	32,175
Dues and memberships	32,063	26,977
Other	53,410	31,586
Total	$ 2,976,914	$ 2,010,739

Note 7 - Federal Income Taxes

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

	2023	2022
Federal income tax expense	$ 2,865,790	$ 2,927,805
Realized capital gains tax (benefit) expense	(60,195)	9,315
Total federal income tax expense	$ 2,805,595	$ 2,937,120

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, 2023 and 2022. 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.

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:

	2023	2022
Deferred tax assets:		
Discounting of unpaid losses and LAE	$ 1,113,777	$ 1,200,898
Unearned premiums	793,346	760,297
Non-admitted assets	19,602	15,630
Total deferred tax assets	1,926,725	1,976,825
Nonadmitted deferred tax assets	(667,214)	(635,112)
Net admitted deferred tax asset	1,259,511	1,341,713
Deferred tax liabilities:		
Legislative change in loss discounting	72,582	108,873
Total deferred tax liabilities	72,582	108,873
Net deferred tax asset	$ 1,186,929	$ 1,232,840

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:

	2023	2022	Change
Total deferred tax assets ("DTAs")	$ 1,926,725	$ 1,976,825	$ (50,100)
Total deferred tax liabilities ("DTLs")	(72,582)	(108,873)	36,291
Net deferred tax asset	$ 1,854,143	$ 1,867,952	$ (13,809)
Tax effect of change in unrealized capital gains			-
Change in net deferred income tax			$ (13,809)

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, 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)	$ 1,259,511	$ -	$ 1,259,511

	December 31, 2022		
	Ordinary	Capital	Total
Can be recovered through loss carrybacks (a)	$ 1,146,852	$ -	$ 1,146,852
Lesser of:			
Adjusted gross DTA expected to be recognized following the balance sheet date (b.i)	125,161	-	125,161
Adjusted gross DTA allowed per limitation threshold (b.ii)			27,801,429
Adjusted gross DTAs offset against existing DTLs (c)	69,700	-	69,700
DTAs admitted as a result of the application of SSAP 101 (a+b.i+c)	$ 1,341,713	$ -	$ 1,341,713

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:

	2023	2022
Adjusted gross DTA / adjusted capital and surplus ratio % used to determine recovery period and threshold limitation amount	5 %	2 %
Realization threshold limitation	15 %	15 %
Amount of adjusted capital and surplus used to determine recovery period and threshold limitation amount	$ 195,982,637	$ 185,342,857

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

At December 31, 2023, 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.

2023	$	2,792,945
2022	$	2,943,406

The Fund's federal income tax return is not consolidated with any entities for the years ended December 31, 2023 and 2022.

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 2023.

Note 8 - Commitments

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

Year Ending December 31	Amount
2024	$ 97,100
2025	99,527
Total	$ 196,627

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.

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	
	2023	2022	2023	2022
Change in benefit obligations:				
Benefit obligation, beginning of year	$ 7,984,401	$ 10,338,866	$ 1,443,877	$ 1,847,973
Service cost	130,279	181,440	21,868	35,060
Interest cost	423,377	300,428	74,167	53,083
Actuarial loss (gain)	331,025	(2,566,190)	20,057	(428,579)
Benefits paid	(270,143)	(270,143)	(71,964)	(63,660)
Benefit obligation, end of year	$ 8,598,939	$ 7,984,401	$ 1,488,005	$ 1,443,877
Change in plan assets:				
Fair value of plan assets, beginning of year	$ 8,010,416	$ 10,664,347	$ -	$ -
Actual return on plan assets	1,061,142	(2,383,788)	-	-
Employer contributions	-	-	71,964	63,660
Benefits paid	(270,143)	(270,143)	(71,964)	(63,660)
Fair value of plan assets, end of year	$ 8,801,415	$ 8,010,416	$ -	$ -
Funded Status: Overfunded (Underfunded)				
Assets (liabilities) recognized				
Asset (liability) for pension benefits	$ 202,476	$ 26,015	$ (1,488,005)	$ (1,443,877)
Total assets (liabilities) recognized	$ 202,476	$ 26,015	$ (1,488,005)	$ (1,443,877)
Components of net periodic benefit cost:				
Service cost	$ 130,279	$ 181,440	$ 21,868	$ 35,060
Interest cost	423,377	300,428	74,167	53,083
Expected return on plan assets	(431,250)	(577,414)	-	-
Net prior service cost amortization	-	1,706	-	-
Amount of loss recognized	139,876	38,179	-	32,049
Net periodic benefit cost	$ 262,282	$ (55,661)	$ 96,035	$ 120,192

Note 9 - Pension and Other Postretirement Plans (Continued)

	Pension Benefits		Other Benefits	
	2023	2022	2023	2022
Changes in amounts recognized in accumulated surplus:				
Beginning unrecognized balances	$ 1,460,754	$ 1,105,627	$ 31,994	$ 492,622
Net prior service cost recognized	-	(1,706)	-	-
Net loss recognized	(139,876)	(38,179)	-	(32,049)
New actuarial (gains) losses occurring	(298,867)	395,012	20,057	(428,579)
Ending unrecognized balances	$ 1,022,011	$ 1,460,754	$ 52,051	$ 31,994
Amounts in accumulated surplus that have not yet been recognized as components of net periodic benefit cost:				
Net recognized losses	$ 1,022,011	$ 1,460,754	$ 52,051	$ 31,994
Total	$ 1,022,011	$ 1,460,754	$ 52,051	$ 31,994

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	
	2023	2022	2023	2022
Discount rate	5.10 %	5.35 %	5.10 %	5.30 %
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	
	2023	2022	2023	2022
Discount rate	5.35 %	2.90 %	5.30 %	2.85 %
Average rate of compensation increase	4.00 %	4.00 %	4.00 %	4.00 %
Expected long-term rate of return on plan assets	5.50 %	5.50 %	N/A*	N/A*

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

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:

	Target 2023	Allocation December 31 2023	Allocation December 31 2022
Asset Category			
Equity securities	40.0 %	29.3 %	30.4 %
Debt securities	60.0	35.1	34.8
Other	0.0	35.6	34.8
Total	100.0 %	100.0 %	100.0 %

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.

Note 9 - Pension and Other Postretirement Plans (Continued)

The levels assigned to the pension plan assets as of December 31, 2023 and 2022, respectively, are summarized in the tables below:

	Level 1	Level 2	Level 3	Total	% of Total
2023					
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	$ 2,579,050	$ 6,222,365	$ -	$ 8,801,415	100.0 %

	Level 1	Level 2	Level 3	Total	% of Total
2022					
Equity securities	$ 2,431,873	$ -	$ -	$ 2,431,873	30.4 %
Bonds	-	2,789,784	-	2,789,784	34.8 %
Other	-	2,788,759	-	2,788,759	34.8 %
Total	$ 2,431,873	$ 5,578,543	$ -	$ 8,010,416	100.0 %

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

	Pension Benefits	Other Benefits
2024	$ 398,675	$ 88,285
2025	444,774	93,261
2026	488,860	100,400
2027	516,796	105,409
2028	556,446	107,619
2029 - 2033	3,160,444	555,508
Total	$ 5,565,995	$ 1,050,482

In 2024, the Fund expects to contribute $0 to the pension plan and $88,285 to the other postretirement plan.

Note 10 - Non-admitted Assets

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

	2023	2022	Change
Prepaid expenses	$ 67,107	$ 69,326	$ (2,219)
Deferred tax asset: non-admitted	667,214	635,112	32,102
Overfunded pension plan asset	202,476	26,015	176,461
Electronic data processing equipment and software	377,021	-	377,021
Total	$ 1,313,818	$ 730,453	$ 583,365





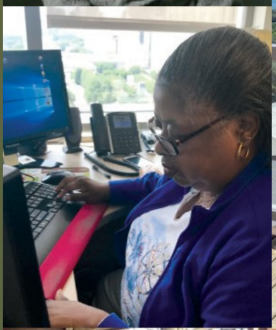


"SHOW ME YOUR FRIENDS AND I'LL SHOW YOU YOUR FUTURE"

-MARK AMBROSE



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ILLINOIS MINE SUBSIDENCE INSURANCE FUND

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