



AFTER MINE SUBSIDENCE DAMAGE IS CONFIRMED

- What Damages to Expect
- Making Temporary Repairs
 - Insurance Payments
 - Selling Your Home



ILLINOIS MINE
SUBSIDENCE
INSURANCE FUND

OVERVIEW

The information in this brochure is intended for the owner of property that is being damaged by an active mine subsidence. Since the Fund has determined that mine subsidence is the cause of damage to your home or other building, your insurance company has been notified. Unfortunately, most occurrences of mine subsidence continue for many years, and final repairs are not recommended until after damaging movement has ceased. During that time, you may need to make temporary repairs, or possibly request an advance payment against the estimated cost of full repairs, or perhaps even decide to sell your home. While you should remain in close contact with your insurance company's claim adjuster throughout the process and direct your questions or concerns to that adjuster, this brochure provides a summary of important considerations in dealing with a confirmed mine subsidence insurance claim.

THE FUND AS REINSURER

The Illinois Mine Subsidence statute requires all Illinois Class 3 property insurers to make mine subsidence coverage available in certain counties. The Fund is not a Class 3 property insurer. The Fund provides reinsurance for the property insurers who write statutory mine subsidence insurance and enter into a reinsurance agreement with the Fund.

As a reinsurer, the Fund has a contractual relationship with the primary insurers, not with the consumers who purchase mine subsidence coverage. This is a very important distinction, particularly with respect to the handling of mine subsidence claims.

Once the Fund has determined whether or not a property has been damaged by mine subsidence, the primary insurance company is responsible for administering and supervising the claim in its entirety. The primary insurer may request the Designated Adjuster to provide technical assistance regarding the methods to repair the damaged property, and the estimated costs of those repairs. When requested, the Designated Adjuster provides those advisory services to the primary insurer, who may accept, modify or reject the recommendations. The primary insurer controls the claim valuation and settlement process.

WHAT DAMAGES TO EXPECT

Earth movement caused by mine subsidence often progresses very slowly. Damages may appear suddenly at first, and then continue to occur gradually over many years. Mine subsidence may cause cracks in foundations or concrete slabs, tilt in the structure, or problems with the operation of windows and doors.

In extremely rare instances, mine subsidence may create conditions that may be viewed as emergency or life threatening in nature. If any life-threatening conditions do arise, you may get immediate assistance from the Abandoned Mine Lands Reclamation Division (AMLRD) of the Illinois Department of Natural Resources. During normal business hours, you can reach the AMLRD at 618-692-3197 (Edwardsville) or 217-782-0588 (Springfield). After business hours, contact the Illinois Emergency Management Agency at 800-782-7860. If utility lines are affected, call the emergency numbers of your local gas or electric company. If you are billed for any of these services, such as installation of flexible utility connections, save the receipts in order to seek reimbursement from your insurance company.

MAKING TEMPORARY REPAIRS

Much more common is the need for temporary (non-emergency) repairs to keep your home as safe and livable as possible. Temporary repairs, such as adjustments to allow doors and windows to function properly and sealing cracks or other openings, should be discussed with the claim adjuster assigned by your insurance company. The Fund may assign a Designated Adjuster, who will provide input to you and your insurance company regarding temporary repairs. Again, retain documentation of expenses for these repairs in order to seek reimbursement from your insurance company.



IT IS COMMON TO NEED TEMPORARY
(NON-EMERGENCY) REPAIRS TO KEEP YOUR
HOME AS SAFE AND LIVABLE AS POSSIBLE.

ADVANCE PAYMENTS

Because it is impossible to know the full extent of mine subsidence damage until the damaging ground movement ceases, a final claim settlement for all damage cannot be made until the mine subsidence occurrence has ended. However, this does not mean that you must wait to receive payment for damage that has already occurred. You may request an advance payment, provided the mine subsidence geotechnical investigation has confirmed the cause of loss, and at least one year has passed since the damage was first reasonably observable. To do so, contact the insurance adjuster assigned by your insurance company. With the approval of your insurance company, the Designated Adjuster will prepare an estimate of cost to repair the damages that have occurred to date. Your insurance company may consider that estimate, along with other relevant information, in determining the amount of an advance payment.

It is important to remember that both the advance payment, as well as the cost of any temporary repairs, reduce the mine subsidence coverage limit. Similarly, if your insurance company pays for temporary living expenses because your house is rendered unlivable by mine subsidence damage, those payments also reduce the mine subsidence coverage limit. Only the reduced mine subsidence coverage limit will be available to pay for permanent repairs once the mine subsidence occurrence has ended.

PERMANENT REPAIRS SHOULD NOT BE MADE WHILE MOVEMENT CONTINUES

FINAL SETTLEMENT PAYMENT

When the Fund's periodic re-surveys indicate damaging ground movement has ceased, the Designated Adjuster will, at your insurance company's request, prepare a final estimate of complete repair costs. Your insurance company may consider that estimate, along with other relevant information, in determining the amount of the final claim settlement payment. Until you make the repairs, the amount of your final settlement payment will be limited to Actual Cash Value; depending upon your policy language, your final settlement payment may be increased to Replacement Cost once you have started or completed repairs.

Sometimes, in order to permanently repair a building, repairs to or replacement of foundations or other parts of the structure are required. Failure to make complete permanent repairs to the structure once the mine subsidence occurrence has ended could result in your insurance company, or any subsequent insurer, refusing to provide mine subsidence coverage for future events. By Illinois statute, any insurer may refuse to provide mine subsidence coverage for any property with unrepaired mine subsidence damage until such damage is repaired.

MAXIMUM AMOUNT PAYABLE

The terms and conditions of your insurance policy explain how the policy will respond for a covered property loss. Although policy language may vary by company, Mine Subsidence Coverage endorsements frequently include terms similar to the following:

a. The amount of insurance shall be limited to the amount of insurance in force at the time when the damage first becomes reasonably observable.

In most instances, this means your loss recovery cannot exceed the amount of mine subsidence insurance in force when any mine subsidence damage was first reasonably observable by anyone. Thus, it is very important that you monitor your property for any signs of mine subsidence damage and report them to your insurance company as soon as they are observed.

Although a mine subsidence occurrence may last many years, the amount of mine subsidence insurance for that occurrence remains capped at the amount of insurance in force when any damage from the occurrence was first reasonably observable. This is true even if you sell your property to someone else before the mine subsidence occurrence ceases. For more information about buying or selling property affected by mine subsidence, please refer to our brochure, “Buying or Selling Real Property in Mine Subsidence Areas.”

b. All damage caused by a single mine subsidence event or several subsidence events which are continuous shall constitute one occurrence.

A mine subsidence occurrence begins when damage is first reasonably observable and ends when the damaging movement ceases. With your ongoing permission, the Fund will continue to survey your property annually, and will advise your insurance company when the Fund determines that the damaging ground movement has ended. All damage caused by continuous movement to your building, according to the Fund’s established standards for determining continuous movement, is considered one occurrence. Thus, even if the mine subsidence occurrence extends over multiple policy periods, your insurance will typically not exceed the limit for mine subsidence in force at the time the damage was first reasonably observable.

Once a mine subsidence is confirmed by the Fund, your insurance company is required to notify you of your option to delete mine subsidence coverage from your policy until the mine subsidence occurrence ends, in order to avoid paying mine subsidence insurance premiums while the damaging movement is still ongoing. With your ongoing permission, the Fund will continue to survey your property annually, and will advise your insurance company when damaging ground movement has ended. At that time, you may wish to add mine subsidence coverage back onto your policy.

c. The limit of liability under this coverage will be the amount of coverage shown for the structure (or dwelling) on the Declarations, or the statutory maximum limit for mine subsidence insurance, whichever is lower.

The limit for a mine subsidence loss may be lower than the policy limit for other types of property loss, such as fire or windstorm. Over the years, the statutory maximum limit for mine subsidence has increased several times. Ask your insurance agent or your insurance company about the applicable mine subsidence insurance limit and statutory maximum limit.

SELLING YOUR HOME

Disclosure Laws

Should you decide to sell your home after mine subsidence damage is suspected, you should consult with an attorney about the laws governing disclosure of

OVER THE YEARS, THE STATUTORY MAXIMUM LIMIT FOR MINE SUBSIDENCE HAS INCREASED SEVERAL TIMES. ASK YOUR INSURANCE AGENT OR INSURANCE COMPANY ABOUT THE APPLICABLE MINE SUBSIDENCE INSURANCE LIMIT AND STATUTORY MAXIMUM LIMIT.

confirmed or suspected mine subsidence damage. There are two statutes in Illinois that pertain to such disclosures when selling residential property. The first, the Residential Real Property Disclosure Act (765ILCS 77/Art.2), states

Sec. 25 (b) The seller shall disclose material defects of which the seller has actual knowledge.

The statute defines “material defects” as a condition that would have a substantial adverse effect on the value of the residential real property or that would significantly impair the health or safety of future occupants of the property unless the seller reasonably believes that the condition has been corrected.

If you believe you have actual knowledge of past or present mine subsidence damage to your property, consult with an attorney about your obligation to disclose that information to prospective buyers.

The second disclosure law is contained in the Mine Subsidence Disclosure Act (765 ILCS 95), which states:

Sec.3 (a) At the time an agreement to transfer real property is made, the transferor shall disclose in writing to the transferee and lender all insurance claims paid to the transferor for mine subsidence on the real property.

If you have received payment from your insurance company on a mine subsidence claim, whether for temporary repairs, an advance payment, or a final settlement payment, consult with an attorney about your obligation to disclose that information to the buyer and the buyer's lender.

Assignment of Claim Rights

Should you decide to sell your home before your mine subsidence insurance claim is fully resolved, you may consider an Assignment of Claim Rights to the buyer. This is a legal document (sample below) and you should consult with an attorney about its legal effects. Depending upon the language of the Assignment, it may transfer your rights to future claim payments, up to the mine subsidence coverage limit and less any claim payments you have already received, to the buyer. However, even after an Assignment of Claim Rights, the total amount payable per mine subsidence occurrence to both seller and buyer is subject to the mine subsidence limit on the insurance policy in force when the damage is first reasonably observable.

ASSIGNMENT OF CLAIM RIGHTS

John A. and Jane B. Doe, of Falling, Illinois, ("Assignors") hereby assign to George C. and Mary D. Smith ("Assignees") all claims for damages and rights thereunder payable by Protector Insurance Company upon Policy Number: 12345678, Claim Number: 111-222-333 related to mine subsidence beginning on or about June, 2003 upon those premises described at:

Lot No. 44 of "First addition to Mitchell Place Subdivision, a subdivision of part of lot 4 of the northeast quarter of section 12,T. 1 N. 9 W. 3 P.M . St Anne County, Illinois in Book of Plats "54" on page 52.

Commonly known as 123 Eileen Place, Falling, Illinois 99999.

Together with all sums of money due or to become due upon said policy and claim in connection with mine subsidence damage to said property, Assignors hereby authorize Protector Insurance Company to deal exclusively with Assignees and Assignors shall be omitted from any future documents related to said claims including claim drafts, etc. This Assignment does not apply to any payments made by Protector Insurance Company to Assignors prior to execution of this Assignment of Claim Rights.

All rights of the Assignees hereunder shall inure to their benefit and to the benefit of their legal representatives and assigns.

In witness whereof, the Assignors have signed and sealed this instrument on the dates indicated hereinbelow.

Dated:

Dated:

Sellers

Buyers

**FOR A QUICK SUMMARY OF IMPORTANT DATES,
INSURANCE COVERAGE, AND PAYMENT AMOUNTS,
KEEP THIS INFORMATION CURRENT:**

1. Date mine subsidence damage was first observed, and description of the damage.

2. Name of insurance company and Coverage A Limit of Liability on the date of loss.

3. Mine Subsidence statutory maximum limit on date of loss.

Ask your insurance agent or insurance company.

4. Date mine subsidence was confirmed by the Fund as cause of loss.

5. Temporary Repair Payments - Dates and amounts.

6. Advance Payments - Dates and amounts - You may request an advance payment after mine subsidence is confirmed and at least one year has passed since the damage was first reasonably observable.

7. Final Settlement Payment(s) at Actual Cash Value and/or at Replacement Cost - Date and amount.

8. Full Repairs Completed - Date and total cost.

9. Notes:

Please contact your Designated Adjuster or the adjuster assigned by your insurance company for information relating to your claim.

Your Designated Adjuster is:

Your insurance company adjuster is:



ABOUT THE FUND

Prior to 1979, insurance coverage for loss resulting from mine subsidence was not available in Illinois. Through an Act of the Illinois General Assembly, all Insurers licensed in Illinois are required to offer mine subsidence coverage. The statute (215 ILCS 5/801) also created the Illinois Mine Subsidence Insurance Fund to provide reinsurance for primary companies offering the coverage.

The Fund is governed by an independent, eleven-member Board of Directors comprised of insurance industry elected and publicly appointed members. Regulatory oversight is provided by the Illinois Department of Insurance.

MISSION STATEMENT

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.

For more information on this topic, not related to a specific property, contact:

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