ILLINOIS MINE SUBSIDENCE INSURANCE FUND

2022

ANNUAL REPORT

ILLINOIS MINE
SUBSIDENCE
INSURANCE FUND

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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2022

ANNUAL REPORT

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

Metaphorically speaking, it feels like the late winter season at the Illinois Mine Subsidence Insurance Fund. 2022 was a year of investigating and exploring to firm up our vision for the spring that we sense is coming. We have pursued and followed new insight, we have conscientiously resisted doing what has always been done, and we have begun making space for exciting innovation and change.

We earnestly incorporated the active process of future state visioning with our entire team as we created a specific plan to achieve the most desired state of our organization. Built around our core values, this future state vision is meant to guide our direction, enable tough decisions, and progress and grow our mission.

We were inspired by this quote:

> *"Visioning is more than painting an idealistic picture of the future — it is a process of evaluating present conditions, identifying problem areas, and bringing about an (organizational) wide consensus on how to overcome existing problems and manage change.*
>
> *By learning about its strengths and weaknesses, an (organization) can decide what it wants to be, and then develop a plan that will guide decisions towards that vision… Having a shared vision allows an (organization) to focus its diverse energies and avoid conflicts in the present as well as the future."*
> — Alan Sandler

Quite literally our corporate vision or view will be changing in less than two years as we relocate our corporate office from an urban tower in Chicago to a serene village in Southern Illinois with a population of under 5,000 people, founded in 1849 by the Illinois Coal Company, and named after Zadok Casey, a former US Representative and Lieutenant Governor of Illinois.

Richard A. Sauget, Jr.,
Chairman of the Board

Heidi M. Weber,
President and CEO

We have begun planning for the 2023 construction of a 6700 sq. ft. office building that will house our entire team under one roof and give us a permanent local presence in the area where mine subsidence is most prevalent. Along with being a cost-effective solution it will also provide a greater ability to provide education to and better interact with our stakeholders.

We re-envisioned and assembled a Geotechnical Advisory Committee in 2022 that we believe will be instrumental in advancing our expertise, knowledge, and reputation for many years to come. This is an active attempt to welcome constructive feedback and to enhance the quality of our investigations and processes. Our geotechnical investigation team is committed to a thorough, consistent, transparent, and unbiased examination every time.

There are several areas where we cleared the way toward innovation and modernization during 2022. We identified a web developer to redesign our website which will add an insurance industry partner portal for better communication and automated file transfer capability. We identified a technology partner to perform a system evaluation which will result in an overhaul and rewrite of our Enterprise

Letter from the Chairman of the Board and the President and CEO (continued)

Resource Planning system that will combine our ad hoc systems, allow for flexibility and growth, and provide business technology tools for management monitoring in real time. Finally, we were able to begin the activation and testing of our in-house InSAR technology which involves a cutting-edge technique for measuring earth movement using available satellite data. This process is expected to greatly enhance and supplement our future investigations.

We recently added the position of Geospatial Analyst to our team which opens up the entire realm of Geographic Information Systems (GIS) to our repertoire. GIS are computer-based tools used to store, visualize, analyze, and interpret geographic data. We envision an entire network of information-sharing with our geotechnical partners and colleagues and visualize together, finding ways to deliver important information to consumers and stakeholders.

Our guiding vision for the Fund's success has always been and will continue to be the ongoing identification, hiring, and retaining of excellent people. Without a committed and engaged team, we're convinced our organization would look a lot different very quickly. This means that we must be attuned to what's changing in the labor market and we must be willing to adapt our culture and workplace environment as the shifts occur.

After persevering through the proverbial winter and heavily investing in this visioning process, the Fund is poised for springtime. The pursuits planned for the next several years, we believe, will reposition us to operate in that future state vision where we blossom and grow while we firmly adhere to our stated mission of being a successful "private solution to a public problem".

In the words of William Jennings Bryan, "Destiny is not a matter of chance, but of choice. Not something to wish for, but to attain."

We predict a bright and productive future for the Illinois Mine Subsidence Insurance Fund. One that comes by choice, not chance.

Richard A. Sauget, Jr.,
Chairman of the Board

Heidi M. Weber,
President and CEO

Mine Subsidence: A Unique Peril

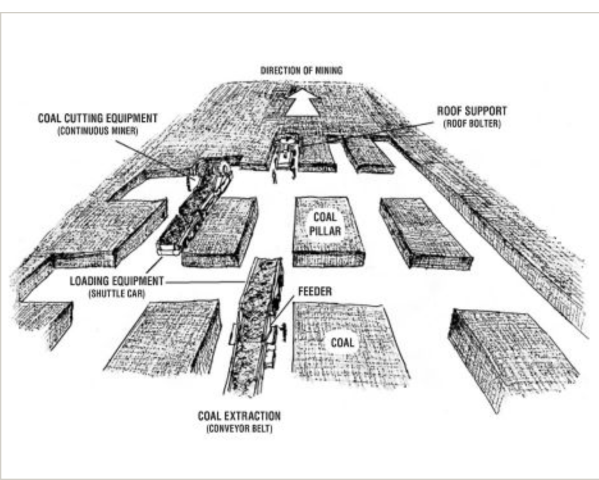
Mine subsidence is a peril like no other. Unlike fire, flood or earthquake, where damage occurs within a matter of hours, damages may develop gradually over time - months, years, sometimes decades.

The Illinois Insurance Statute defines mine subsidence as:

> "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."

To fully understand how mine subsidence develops, it is helpful to know about the history of mining in Illinois, which dates back nearly 200 years and occurred in at least 72 counties. The mining method most commonly used in early coal mining was the Room and Pillar method, which created rooms in a checkerboard or grid pattern, leaving pillars of unmined coal to support the mine roof. Over time, the pillars decay and deteriorate, causing collapse within the mine and potential damage to structures in close proximity at the ground level.

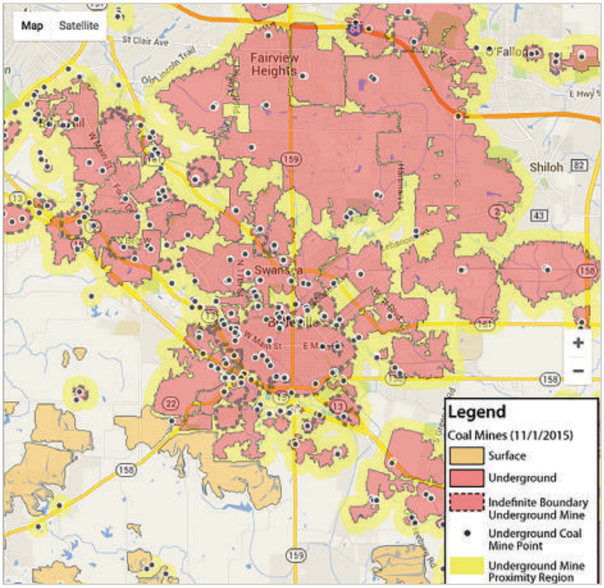
Room and Pillar Mining



Most experts agree that all room and pillar mines will eventually experience some degree of collapse, but there is presently no way to predict when or where mine subsidence will occur, since there are many variables that contribute to collapse, such as size, depth and age of the mine, as well as soil and weather conditions.

According to Illinois State Geological Survey (ISGS) estimates, there are over 201,000 acres of residential and other developed land areas in close proximity to underground mines, having potential exposure to mine subsidence. With funding from the Illinois Mine Subsidence Insurance Fund (IMSIF), identifying potential mine subsidence risk has been made easier with the development of the IL Mines Coal Viewer, a tool developed by the ISGS which overlays a specific property address onto a map displaying locations of known underground mines. The tool can be accessed from both the ISGS and IMSIF websites.

Exposure in St Clair County



Mine Subsidence: A Unique Peril (continued)

Any condition within the home affected by mine subsidence that presents a hazard should always be immediately addressed and repaired, but permanent repairs should not be made until the damaging ground movement ceases. Although this can be a frustrating and stressful situation for homeowners because of the long duration of the claim, there is simply no way to speed up the natural process of decay and collapse within the mine.

Another factor that makes mine subsidence unique is that other causes, such as ground soil freezing and thawing may mimic the same types of damage that occur from mine subsidence. Typical mine subsidence damage may include a cracked or broken foundation; cracks in the basement walls, driveway or garage floor; doors or windows that stick, jam, or break; popping and snapping noises as the house shifts; walls or floors that appear unlevel or tilted; doors or cabinets that swing open or closed; and in extreme cases, ruptured gas or water lines.

Only a thorough investigation over time by a geotechnical mine subsidence specialist can determine if mine subsidence is the cause of damage. The Fund is not equipped nor responsible for determining the cause of any damage unrelated to mine subsidence.

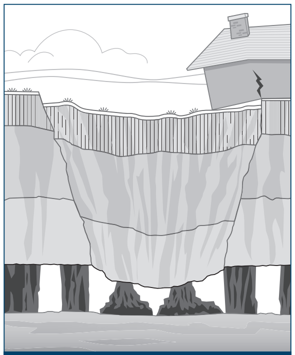
Mine subsidence presents a unique challenge for the Fund in that most Insurers have diversity of risks to offset losses. Since the Fund remains committed through research funding to helping property owners determine if their property is at risk for mine subsidence damage, it stands to reason that only those with possible risk will purchase the coverage. Also, as a single peril reinsurer with very limited geographic spread of risk, the Fund does not have the diversification of business that allows most reinsurance companies to overcome an unexpected catastrophic event. Finally, although mine subsidence is somewhat low frequency, it produces severe damages per claim. Because of the long tail on claims, early estimates of damages may be low compared to the ultimate cost of repairs. In addition, mine subsidence losses have proven to be extremely variable and particularly difficult to predict from year to year.

What is mine subsidence?

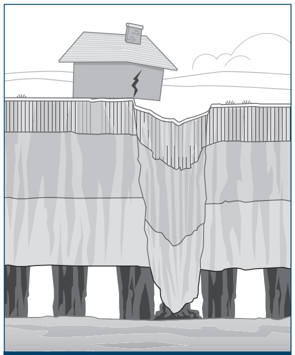
Mine Subsidence is the sinking or shifting of the ground surface resulting from collapse of an underground mine — most commonly of an old coal mine.

1. **Sag subsidence**, the most common type of mine subsidence, appears as a gentle depression in the ground and can spread over an area as large as several acres. Collapse of pillars supporting the mine roof is a typical cause.

2. **Pit subsidence** forms a bell-shaped hole 6-8 feet deep and from 2-40 feet across and occurs when a shallow mine roof collapses.



Sag subsidence



Pit subsidence

The Application of Core Values

The importance of applying a set of core values to a corporate philosophy and mission is evidenced by the company culture it creates, and the accountability it establishes. Shared core values bring strength to an organization through alignment, serve as a guide for actions, and define its brand. They serve as a legacy to those who laid the foundation of the Fund, a reminder to those now representing the Fund, and a blueprint for future hires.

Below are the four essential core values that drive both day-to-day operations and decision making within the Fund:

Financial Stability

… by responsibly and rationally maintaining sufficient surplus and embracing financial discipline.

The Fund's primary responsibility to stakeholders is to remain viable, and to continue operation independently without financial assistance from either the public (state government) or private (insurance industry) sectors. Surplus is retained to guard against deteriorating claims experience, the possibility of catastrophic loss, the inherent uncertainty in estimating loss reserves, and the risks of declining financial markets.

Reputation

…by conducting business in a professional, honest, and ethical manner, inspiring trust and caring about people.

An upright business reputation is the foundation for fostering trust. It defines an organization's likely behavior and ability to render quality performance. The Fund's reputation has been built on the vision of a dedicated Board of Directors, sound management and a "Do the Right Thing" philosophy based on its Mission and statutory responsibilities.

Service

…by being responsive and communicative, educating and informing stakeholders, and supporting research.

Nothing demonstrates the level of service more than the highly regarded team of geotechnical professionals that the Fund has assembled to investigate mine subsidence claims. Aside from the thorough investigative work, the team is diligent about explaining the findings and addressing claimants' questions.

On a larger scale, service is also evidenced by the Fund's commitment to research and education, which go hand in hand. To date, the Fund has disbursed more than $2 million for research funding. As new technology or information is obtained through research projects sponsored by the Fund, exhaustive efforts are made to educate both property owners and industry related professionals of the findings. Specific examples are cited in the IMSIF Historical Record (Research and Education chapter), which can be accessed from the IMSIF website at *www.imsif.com*.

Relationships

…by being transparent and respectful, valuing diversity, embracing collaboration, and attracting and keeping quality people.

Effective business relationships have the capability of growing an organization's reach and impact, and are reflective of the character of the organization. The Fund has a long history of strong and cooperative relationships within the industry, including the Illinois Department of Insurance, Illinois State Geological Survey, Illinois Department of Natural Resources, Insurance and Realtor Trade Associations, and the more than 600 Illinois insurance companies for which they currently provide reinsurance coverage. The Fund works hard to nurture those relationships through mutual respect and cooperation, and extends the importance of healthy relationships within the company as well. It is no coincidence that the average length of service among IMSIF employees to date is over 20 years.

Governance

The Illinois Mine Subsidence Insurance Fund (the Fund or IMSIF) is managed by an 11-member Board of Directors, as outlined in the Mine Subsidence Act. The mandate requires that six are insurance industry elected directors, four are appointed public directors, and one is an appointed licensed insurance producer. Directors serve 3 year terms. All Directors, regardless of designation, owe an individual fiduciary duty to the Fund and are expected to act in its best interests through exercising both the duty of loyalty and the duty of care.

The industry directors are elected through an established nomination and voting process described in the Articles of Governance. Insurance industry directors do not represent a particular company or trade association, but instead, are individuals representing themselves, who most often have insurance industry experience or related expertise. The IMSIF Nominating Committee is tasked with identifying and soliciting recommendations to fill the insurance industry director terms expiring each year. Insurers are encouraged to recommend individual candidates possessing suitable background, expertise, and interest to serve, for consideration by the Nominating Committee. The Committee nominates candidates annually and each Insurer that has reported premium during the previous twelve months is allowed one vote. The public directors and licensed insurance producer director are appointed by the Director of Insurance.

The fundamental responsibility of the Board of Directors is to foster the long-term success of the Fund. Similar to other insurance entities, the primary objective of the IMSIF Board is to establish and maintain sufficient financial resources to meet its long-term financial obligations and commitments, particularly as it relates to paying current and future reinsurance claims.

Governance activities include selecting the Chief Executive Officer (CEO) and assessing their performance, reviewing and authorizing strategic plans and related operating budgets, hiring and reviewing work of outside auditors, investment managers and actuaries to ensure compliance with financial and legal requirements and periodically evaluating the organization's overall results. The Board carries out its governance responsibilities through oversight, while daily operational activities are the responsibility of the CEO and management team.

The IMSIF Nominating Committee employs a competency based succession planning process that allows for identifying and attracting directors who bring a range of needed professional skills, backgrounds, and diversity that is reflective of the Fund's mission and commitment to its stakeholders. Although Directors often serve multiple 3 year terms, turnover is inevitable. The Fund strives to maintain a small pool of potential candidates for possible future election or appointment to the Board.

To assemble a highly effective Board, the Fund endeavors to include a mix of directors with collective expertise or experience in the areas of property underwriting, property claim handling, insurance management and leadership, financial literacy and expertise, fixed income/equity investment management, as well as coal or mining, insurance brokerage, and actuarial and legal industries.

IMSIF Board of Directors

Richard A. Sauget, Jr.,
Chairman
Mayor
Sauget, IL.
Director since 2006

Frederick M. Strauss
Vice-Chairman
Independent Industry
Consultant
Director since 2007

Paul O'Grady
Secretary
Attorney, Peterson,
Johnson & Murray
Director since 2014

Nancy Bufalino
Chief Operating Officer
Fenwick High School
Director since 2019

Kenneth DeVries
Chief Accounting Officer
HUB International, LTD.
Director since 2015

Dorothy Even
Retired Executive
Insurance Investments
Director since 2010

Robert D. Gibson
Retired Geologist
Office of Surface Mining
Reclamation and
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

Robert Ostgulen,
Retired Executive
Insurance
Director since 1999

Richard A. Sedlak
Insurance Producer
Schmale Insurance
Director since 2009

2022 Off-Site Board of Directors Meeting

IMSIF is fortunate to have a dedicated and engaged Board of Directors. Below are photos from the 2022 Off-Site Board meeting held downstate in Jackson County. It included a scheduled Board meeting along with a tour of a claimant's mine subsidence damaged home, pool, and horse barn, and an onsite joint presentation from the Illinois Department of Natural Resources Abandoned Mined Lands Reclamation Division and the U.S. Department of the Interior Office of Surface Mining Reclamation and Enforcement Division.

2022 Off-Site Board of Directors meeting with Directors, IMSIF Management, and IMSIF Geotechnical Investigation team.

Robert Gibson, a newer member of the Board and esteemed geologist and mine subsidence expert, shares his expertise with the Board.

Marc Lovrak, VP of Reinsurance Operations, addresses the attendees gathered on the grounds of the damaged property.

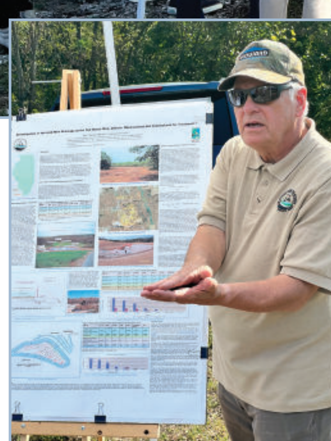
A tour of a damaged home and horse barn was arranged by Marc Lovrak, VP of Reinsurance Operations and the Geotechnical Investigation Team. Shown here are Board members, representatives from the Illinois Department of Insurance, and IMSIF team members.




The tour included a view of damage to the floors and ceiling of the horse barn, and misalignment of garage doors. All were grateful to the property owners for providing the opportunity to see mine subsidence damage first-hand.

Chairman Rich Sauget and Board member Paul O'Grady examine damage to a structure.

IMSIF CEO Heidi Weber examines cracks in the floor of the indoor swimming pool.

Dr Paul Behum, U.S. Department of the Interior Office of Surface Mining Reclamation and Enforcement Division *(left)* and J. Greg Tanner, Illinois Department of Natural Resources Abandoned Mined Lands Reclamation Division *(above right)* gave a presentation on treatments for acid mine drainage.

Transitions

In Memoriam

Lloyd Truett Parker

8/29/1954 – 4/21/2022

It is with heavy hearts that we say farewell to a beloved Board of Director, Lloyd Parker, who valiantly fought Pancreatic cancer with an abundance of courage and grace. Lloyd served the IMSIF Board as an Industry Director since 2003, until his death. He was an advocate for all stakeholders, and genuinely cared about his fellow Board members and the IMSIF staff. He had vast knowledge of the insurance industry, having worked for State Farm Insurance Companies for 32 years. But it was his love of life and people, in general, that made such a mark on the lives he touched. His interests included woodworking, cycling, hiking and traveling with Susan, his wife of 44 years. Lloyd was a man of great character, and a devoted husband, father and grandfather. He was fondly known as The Renaissance Man to many who knew him, because of his many talents and carefully measured words. He will be greatly missed by all who had the privilege to know and work alongside him.

In Appreciation to Hernando Madronero

The Fund wishes to thank retiring Board member Hernando Madronero for his dedicated service and contribution since 2015 to the IMSIF Board of Directors. He initiated open dialogue on many important issues, giving considerable opportunity for healthy discussions in the Board room. We wish Hernando and his family the very best for a healthy and enjoyable retirement.

IMSIF Staff

Chicago

Heidi M. Weber
President & Chief Executive Officer

Kathleen A. Moran
Industry Relations and Consumer Education Manager

Patricia F. Bednarek
Office Manager

Sheila Dean
Administration

Nancy Moore
Administration

Diana Solis
Administration

Caseyville

Brandon R. Raimondi
Vice President & Chief Financial Officer

Marc C. Lovrak
Vice President Reinsurance Operations

Michael A. Anderson
Geotechnical Investigations

Ethan Andis
Geotechnical Investigations

Rin Dakai
Geotechnical Investigations

Kevin Daut
Geotechnical Investigations

Gregory J. Gollaher
Geotechnical Investigations

Colin Graham
Geotechnical Investigations

Bryce Kaemmerer
Geotechnical Investigations

Rance Olliges
Geotechnical Investigations

David J. Owens
Geotechnical Investigations

Collin Pierce
Geotechnical Investigations

Joe Robertson
Geotechnical Investigations

Brent Shelton
Geotechnical Investigations

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

Audited Financial Statements - Statutory

Years ended December 31, 2022 and 2021
with Report of Independent Auditors

Illinois Mine Subsidence Insurance Fund

Audited Financial Statements - Statutory

Years ended December 31, 2022 and 2021

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, 2022 and 2021, 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 financial position of the individual and combined Residential and Commercial Sub-Funds of the Illinois Mine Subsidence Insurance Fund as of December 31, 2022 and 2021, 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, 2022 and 2021, 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, 2023

Illinois Mine Subsidence Insurance Fund

Balance Sheets - Statutory

December 31, 2022 and 2021

	Residential Sub-Fund		Commercial Sub-Fund		Combined	
	2022	2021	2022	2021	2022	2021
Admitted Assets						
Cash and invested assets						
Bonds	$ 193,630,073	$ 188,949,268	$ 77,842,924	$ 75,894,439	$ 271,472,997	$ 264,843,707
Common stocks	5,691,623	-	2,288,139	-	7,979,762	-
Cash and cash equivalents	1,518,654	3,133,518	887,669	1,739,581	2,406,323	4,873,099
Real estate	267,381	268,154	79,867	80,098	347,248	348,252
Total cash and invested assets	201,107,731	192,350,940	81,098,599	77,714,118	282,206,330	270,065,058
Premiums receivable	6,800,000	6,205,188	1,900,767	1,818,725	8,700,767	8,023,913
Investment receivable	155	159	60	61	215	220
Accrued investment income	1,501,501	1,407,129	603,632	565,195	2,105,133	1,972,324
Income tax recoverable	-	-	859,231	479,045	859,231	479,045
Net deferred tax asset	899,973	841,697	332,867	311,313	1,232,840	1,153,010
Other	3,077	3,078	919	917	3,996	3,995
Total Admitted Assets	$ 210,312,437	$ 200,808,191	$ 84,796,075	$ 80,889,374	$ 295,108,512	$ 281,697,565
Liabilities and Surplus						
Liabilities						
Loss and loss adjustment expense	$ 66,609,727	$ 66,741,649	$ 19,848,746	$ 19,336,644	$ 86,458,473	$ 86,078,293
Unearned premium	14,272,265	13,100,899	3,830,036	3,655,382	18,102,301	16,756,281
Commissions payable	1,020,000	930,778	380,153	363,745	1,400,153	1,294,523
Income tax payable	953,439	1,603,476	-	-	953,439	1,603,476
Accrued expenses	1,243,031	1,332,348	375,419	403,121	1,618,450	1,735,469
Total Liabilities	84,098,462	83,709,150	24,434,354	23,758,892	108,532,816	107,468,042
Surplus	126,213,975	117,099,041	60,361,721	57,130,482	186,575,696	174,229,523
Total Liabilities and Surplus	$ 210,312,437	$ 200,808,191	$ 84,796,075	$ 80,889,374	$ 295,108,512	$ 281,697,565

See accompanying notes to the statutory financial statements

Illinois Mine Subsidence Insurance Fund

Statements of Income - Statutory

Years Ended December 31, 2022 and 2021

	Residential Sub-Fund		Commercial Sub-Fund		Combined	
	2022	2021	2022	2021	2022	2021
Underwriting						
Premiums earned	$ 26,577,305	$ 24,622,925	$ 7,430,993	$ 7,109,840	$ 34,008,298	$ 31,732,765
Less underwriting expenses						
Loss and loss adjustment expense	14,077,790	10,955,953	3,339,465	2,646,863	17,417,255	13,602,816
Commissions	4,159,090	3,798,440	1,520,094	1,447,113	5,679,184	5,245,553
State income tax expense	1,194,075	1,304,125	423,582	450,488	1,617,657	1,754,613
Other underwriting expenses	1,551,137	1,621,818	459,602	484,392	2,010,739	2,106,210
Total underwriting expenses	20,982,092	17,680,336	5,742,743	5,028,856	26,724,835	22,709,192
Underwriting gain	5,595,213	6,942,589	1,688,250	2,080,984	7,283,463	9,023,573
Investment Income						
Net investment income	5,487,485	4,979,765	2,241,494	2,034,789	7,728,979	7,014,554
Net realized capital gains, net of tax	24,879	32,617	10,162	13,323	35,041	45,940
Net investment gain	5,512,364	5,012,382	2,251,656	2,048,112	7,764,020	7,060,494
Net income before federal income tax expense	11,107,577	11,954,971	3,939,906	4,129,096	15,047,483	16,084,067
Federal income tax expense	2,161,424	2,387,849	766,381	824,296	2,927,805	3,212,145
Net income	$ 8,946,153	$ 9,567,122	$ 3,173,525	$ 3,304,800	$ 12,119,678	$ 12,871,922

See accompanying notes to the statutory financial statements

Illinois Mine Subsidence Insurance Fund

Statements of Changes in Surplus - Statutory

Years Ended December 31, 2022 and 2021

	Residential Sub-Fund		Commercial Sub-Fund		Combined	
	2022	2021	2022	2021	2022	2021
Beginning Surplus	$ 117,099,041	$ 106,632,317	$ 57,130,482	$ 53,554,565	$ 174,229,523	$ 160,186,882
Net income	8,946,153	9,567,122	3,173,525	3,304,800	12,119,678	12,871,922
Change in unrealized capital gains, net of tax	28,709	-	11,726	-	40,435	-
Change in pension liability	(149,360)	1,130,250	(44,612)	337,607	(193,972)	1,467,857
Change in net deferred tax asset	108,116	86,523	36,442	28,245	144,558	114,768
Change in non-admitted assets	181,316	(317,171)	54,158	(94,735)	235,474	(411,906)
Ending Surplus	$ 126,213,975	$ 117,099,041	$ 60,361,721	$ 57,130,482	$ 186,575,696	$ 174,229,523

See accompanying notes to the statutory financial statements

Illinois Mine Subsidence Insurance Fund

Statements of Cash Flows - Statutory

Years Ended December 31, 2022 and 2021

	Residential Sub-Fund		Commercial Sub-Fund		Combined	
	2022	2021	2022	2021	2022	2021
Cash From Operations						
Premiums collected	$ 27,132,436	$ 24,882,843	$ 7,518,445	$ 7,253,433	$ 34,650,881	$ 32,136,276
Less underwriting expenses paid						
Loss and loss adjustment expenses paid	(14,202,933)	(8,096,816)	(2,825,339)	(1,292,952)	(17,028,272)	(9,389,768)
Commissions	(4,069,868)	(3,732,427)	(1,503,685)	(1,450,691)	(5,573,553)	(5,183,118)
Other	(1,564,747)	(1,500,415)	(468,697)	(448,144)	(2,033,444)	(1,948,559)
Net investment income	5,422,818	4,977,184	2,215,225	2,033,450	7,638,043	7,010,634
Federal income taxes paid	(4,012,150)	(4,618,900)	(1,572,850)	(1,751,100)	(5,585,000)	(6,370,000)
Net cash from operations	8,705,556	11,911,469	3,363,099	4,343,996	12,068,655	16,255,465
Cash From Investments						
Proceeds from bonds sold, matured, or repaid	26,526,213	31,828,211	10,834,651	12,378,146	37,360,864	44,206,357
Proceeds from common stocks sold	212,728	-	86,888	-	299,616	-
Cost of bonds acquired	(31,233,201)	(44,120,693)	(12,756,953)	(17,383,612)	(43,990,154)	(61,504,305)
Cost of common stocks acquired	(5,820,941)	-	(2,377,567)	-	(8,198,508)	-
Cost of real estate acquired	(5,219)	(127,686)	(2,030)	(49,656)	(7,249)	(177,342)
Net cash used in investments	(10,320,420)	(12,420,168)	(4,215,011)	(5,055,122)	(14,535,431)	(17,475,290)
Net change in cash and cash equivalents	(1,614,864)	(508,699)	(851,912)	(711,126)	(2,466,776)	(1,219,825)
Cash and cash equivalents, beginning of year	3,133,518	3,642,217	1,739,581	2,450,707	4,873,099	6,092,924
Cash and cash equivalents, end of year	$ 1,518,654	$ 3,133,518	$ 887,669	$ 1,739,581	$ 2,406,323	$ 4,873,099

See accompanying notes to the statutory financial statements

Note 1 - Organization and Nature of Operations

Illinois Mine Subsidence Insurance Fund (the "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 the 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.

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.

e. *Comprehensive Income:* Comprehensive income and its components are not presented in the statutory financial statements, which is required under GAAP.

Note 2 - Summary of Significant Accounting Policies (Continued)

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, 2022 and 2021, the allocation percentages were 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.

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).

Note 2 - Summary of Significant Accounting Policies (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.

Commissions
For the years ended December 31, 2022 and 2021, 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, 2022 and 2021, 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.

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 statutory statements of income 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, 2022 and 2021, respectively.

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

Subsequent Events
The Fund evaluated subsequent events for recognition and disclosure through May 30, 2023, 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, 2022 and 2021, respectively. The amortized cost or cost for common stock, gross unrealized gains and losses and fair value of investments in debt and common stocks are as follows:

At December 31, 2022	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair 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

At December 31, 2021	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Corporate bonds	$ 107,607,221	$ 7,347,877	$ (392,048)	$ 114,563,050
State and municipal bonds	71,781,981	3,826,945	-	75,608,926
Asset-backed bonds	10,136,775	58,868	(26,980)	10,168,663
Mortgage-backed bonds	75,317,730	1,270,708	(739,462)	75,848,976
Total debt securities	$ 264,843,707	$ 12,504,398	$ (1,158,490)	$ 276,189,615

At December 31, 2022	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Common stocks	$ 7,939,328	$ 327,366	$ (286,931)	$ 7,979,762

The Fund did not hold any investments in common stocks at December 31, 2021.

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, 2022 and 2021:

	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)	$ 12,372,892	$ (3,354,726)	$ 99,049,687	$ (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)	29,111,897	(7,321,567)	63,843,196	(11,043,965)
Common stocks	2,626,693	(286,931)	-	-	2,626,693	(286,931)
Total	$175,722,356	$ (17,765,695)	$ 42,271,389	$ (10,831,096)	$217,993,745	$ (28,309,860)

	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, 2021						
Debt securities:						
Corporate bonds	$ 14,920,475	$ (373,873)	$ 230,887	$ (18,175)	$ 15,151,362	$ (392,048)
Asset-backed bonds	3,123,752	(26,980)	-	-	3,123,752	(26,980)
Mortgage-backed bonds	36,280,246	(567,573)	4,814,928	(171,889)	41,095,174	(739,462)
Total	$ 54,324,473	$ (968,426)	$ 5,045,815	$ (190,064)	$ 59,370,288	$ (1,158,490)

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, 2022 or 2021, 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 fixed-maturity securities at December 31, 2022 by contractual maturity, is shown below:

	Amortized Cost	Fair Value
Years to maturity		
One or less	$ 4,052,507	$ 4,037,606
After one through five	64,884,880	62,695,108
After five through ten	63,647,959	57,082,955
After ten	49,688,698	42,312,739
Mortgage and asset-backed securities	89,198,953	77,328,310
Total securities	$ 271,472,997	$ 243,456,718

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:

	2022	2021
Bonds:		
Proceeds from sales and calls	$ 37,360,864	$ 44,206,357
Gross realized gains on sales	120,166	58,152
Gross realized losses on sales	(48,278)	-
Common stocks:		
Proceeds from sales	299,616	-
Gross realized gains on sales	1,982	-
Gross realized losses on sales	(29,514)	-
Net realized gains on sales	44,356	58,152
Income tax	(9,315)	(12,212)
Net realized gains on sales, net of tax	$ 35,041	$ 45,940

Note 3 - Investments (Continued)

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. The Fund had seventeen bonds sold, disposed, or redeemed in 2021 as a result of a callable feature. Investment income of $77,566 was recorded as a result of prepayment penalties and acceleration fees at December 31, 2021.

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

	2022	2021
Investment income		
Government and government agency bonds	$ -	$ 24,633
Corporate bonds	3,776,744	3,530,461
State and municipal bonds	2,063,872	2,104,226
Asset-backed bonds	232,668	277,837
Mortgage-backed bonds	1,851,547	1,433,046
Common stock	96,737	-
Cash and cash equivalents	47,770	-
Total investment income	8,069,338	7,370,203
Expenses		
Investment expenses incurred	(340,359)	(355,649)
Net investment income	$ 7,728,979	$ 7,014,554

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.

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.

Note 4 - Fair Value of Financial Instruments (Continued)

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, 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

As of December 31, 2021

Description	Level 1	Level 2	Level 3	Total Fair Value	Admitted Asset Value
Corporate bonds	$ -	$ 114,563,050	$ -	$ 114,563,050	$ 107,607,221
State and municipal bonds	-	75,608,926	-	75,608,926	71,781,981
Asset-backed bonds	-	10,168,663	-	10,168,663	10,136,775
Mortgage-backed bonds	-	75,848,976	-	75,848,976	75,317,730
Total	$ -	$ 276,189,615	$ -	$ 276,189,615	$ 264,843,707

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	
	2022	2021	2022	2021
Reserves, at January 1	$ 66,741,649	$ 63,893,397	$ 19,336,644	$ 17,985,984
Add:				
Provision for insured events of current year	14,682,714	16,561,220	6,711,307	3,737,351
Decrease in provision attributable to prior year events	(611,703)	(5,616,152)	(3,373,866)	(1,093,739)
Total incurred during the year	14,071,011	10,945,068	3,337,441	2,643,612
Deduct loss and LAE payments for claims, occurring during:				
Current year	2,126,417	915,050	242,507	88,821
Prior years	12,076,516	7,181,766	2,582,832	1,204,131
Total paid during the year	14,202,933	8,096,816	2,825,339	1,292,952
Reserves, at December 31	$ 66,609,727	$ 66,741,649	$ 19,848,746	$ 19,336,644

During 2022 and 2021, 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 in 2022 and on the 2019 - 2020 accident years in 2021 due to adjustments in original estimates as additional information became known regarding individual claims.

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

Reconciliation of incurred loss and LAE:

	Residential Sub-Fund		Commercial Sub-Fund	
	2022	2021	2022	2021
Amount included in above table	$ 14,071,011	$ 10,945,068	$ 3,337,441	$ 2,643,612
Expense items classified as LAE that do not affect reserves	6,779	10,885	2,024	3,251
Total	$ 14,077,790	$ 10,955,953	$ 3,339,465	$ 2,646,863

Management believes that the reserves for loss and LAE for the Residential and Commercial sub-funds at December 31, 2022 and 2021 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 77% and 23% during 2022 and 2021, respectively. Other underwriting expenses consist of the following items:

	2022	2021
Salaries	$ 868,840	$ 844,454
Employee relations and benefits	217,570	378,918
Professional fees	295,674	329,815
Directors' fees	131,750	112,600
Rent, including allocated building overhead	178,548	161,696
Insurance	111,584	92,595
Research	72,194	72,307
Travel and meetings	35,060	16,763
Public awareness and relations	8,781	10,813
Purchase of equipment - net of disposals	32,175	2,061
Dues and memberships	26,977	23,691
Other	31,586	60,497
Total	$ 2,010,739	$ 2,106,210

Note 7 - Federal Income Taxes

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

	2022	2021
Federal income tax expense	$ 2,927,805	$ 3,212,145
Realized capital gains tax	9,315	12,212
Total federal income tax expense	$ 2,937,120	$ 3,224,357

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, 2022 and 2021. 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.

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:

	2022	2021
Deferred tax assets:		
Discounting of unpaid losses and LAE	$ 1,200,898	$ 1,120,953
Unearned premiums	760,297	703,764
Non-admitted assets	15,630	43,841
Total deferred tax assets	1,976,825	1,868,558
Nonadmitted deferred tax assets	(635,112)	(570,384)
Net admitted deferred tax asset	1,341,713	1,298,174
Deferred tax liabilities:		
Legislative change in loss discounting	108,873	145,164
Total deferred tax liabilities	108,873	145,164
Net deferred tax asset	$ 1,232,840	$ 1,153,010

Note 7 - Federal Income Taxes (Continued)

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:

	2022	2021	Change
Total deferred tax assets (DTAs)	$ 1,976,825	$ 1,868,558	$ 108,267
Total deferred tax liabilities (DTLs)	(108,873)	(145,164)	36,291
Net deferred tax asset	$ 1,867,952	$ 1,723,394	$ 144,558
Tax effect of change in unrealized capital gains			-
Change in net deferred income tax			$ 144,558

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

	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)

	December 31, 2021		
	Ordinary	Capital	Total
Can be recovered through loss carrybacks (a)	$ 1,075,843	$ -	$ 1,075,843
Lesser of:			
Adjusted gross DTA expected to be recognized following the balance sheet date (b.i)	186,040	-	186,040
Adjusted gross DTA allowed per limitation threshold (b.ii)			22,747,318
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)	$ 1,298,174	$ -	$ 1,298,174

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:

	2022	2021
Ratio % used to determine recovery period and threshold limitation amount	2 %	2 %
Realization threshold limitation	15 %	15 %
Amount of adjusted capital and surplus used to determine recovery period and threshold limitation amount	$ 185,342,857	$ 173,076,513

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

At December 31, 2022, 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.

2022	$ 2,938,339
2021	$ 3,206,427

The Fund's federal income tax return is not consolidated with any entities for the years ended December 31, 2022 and 2021.

Note 7 - Federal Income Taxes (Continued)

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.

Note 8 - Commitments

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

Year Ending December 31	Amount
2023	$ 94,731
2024	97,100
2025	99,527
Total	$ 291,358

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	
	2022	2021	2022	2021
Change in benefit obligations:				
Benefit obligation, beginning of year	$ 10,338,866	$ 10,741,270	$ 1,847,973	$ 1,975,411
Service cost	181,440	200,581	35,060	32,314
Interest cost	300,428	257,106	53,083	45,192
Actuarial gain	(2,566,190)	(589,924)	(428,579)	(135,747)
Benefits paid	(270,143)	(270,167)	(63,660)	(69,197)
Benefit obligation, end of year	$ 7,984,401	$ 10,338,866	$ 1,443,877	$ 1,847,973
Change in plan assets:				
Fair value of plan assets, beginning of year	$ 10,664,347	$ 10,220,037	$ -	$ -
Actual return on plan assets	(2,383,788)	714,477	-	-
Employer contributions	-	-	63,660	69,197
Benefits paid	(270,143)	(270,167)	(63,660)	(69,197)
Fair value of plan assets, end of year	$ 8,010,416	$ 10,664,347	$ -	$ -
Funded Status: Overfunded (Underfunded)				
Assets (liabilities) recognized				
Asset (liability) for pension benefits	$ 26,015	$ 325,481	$ (1,443,877)	$ (1,847,973)
Total assets (liabilities) recognized	$ 26,015	$ 325,481	$ (1,443,877)	$ (1,847,973)
Components of net periodic benefit cost:				
Service cost	$ 181,440	$ 200,581	$ 35,060	$ 32,314
Interest cost	300,428	257,106	53,083	45,192
Expected return on plan assets	(577,414)	(553,794)	-	-
Net prior service cost amortization	1,706	24,343	-	-
Amount of loss recognized	38,179	185,558	32,049	46,124
Net periodic benefit cost	$ (55,661)	$ 113,794	$ 120,192	$ 123,630

Note 9 - Pension and Other Postretirement Plans (Continued)

	Pension Benefits		Other Benefits	
	2022	2021	2022	2021
Changes in amounts recognized in accumulated surplus:				
Beginning unrecognized balances	$ 1,105,627	$ 2,066,135	$ 492,622	$ 674,493
Net prior service cost recognized	(1,706)	(24,343)	-	-
Net loss recognized	(38,179)	(185,558)	(32,049)	(46,124)
New actuarial losses (gains) occurring	395,012	(750,607)	(428,579)	(135,747)
Ending unrecognized balances	$ 1,460,754	$ 1,105,627	$ 31,994	$ 492,622
Amounts in accumulated surplus that have not yet been recognized as components of net periodic benefit cost:				
Net prior service cost	$ -	$ 1,706	$ -	$ -
Net recognized losses	1,460,754	1,103,921	31,994	492,622
Total	$ 1,460,754	$ 1,105,627	$ 31,994	$ 492,622
Amounts in accumulated surplus expected to be recognized in the next year:				
Net prior service cost	$ -	$ 1,706	$ -	$ -
Net recognized losses	-	7,000	-	31,000
Total	$ -	$ 8,706	$ -	$ 31,000

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	
	2022	2021	2022	2021
Discount rate	5.35 %	2.90 %	5.30 %	2.85 %
Average rate of compensation increase	4.00 %	4.00 %	4.00 %	4.00 %

Note 9 - Pension and Other Postretirement Plans (Continued)

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

	Pension Benefits		Other Benefits	
	2022	2021	2022	2021
Discount rate	2.90 %	2.40 %	2.85 %	2.35 %
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.

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	Allocation December 31	
	2022	2022	2021
Asset Category			
Equity securities	40.0 %	39.6 %	40.6 %
Debt securities	60.0	54.7	53.3
Other	0.0	5.7	6.1
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.

Note 9 - Pension and Other Postretirement Plans (Continued)

- *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.

The levels assigned to the pension plan assets as of December 31, 2022 and 2021, respectively, are summarized in the tables below:

	Level 1	Level 2	Level 3	Total	% of Total
2022					
Equity securities	$ 3,171,106	$ -	$ -	$ 3,171,106	39.6 %
Debt securities	1,620,916	2,764,193	-	4,385,109	54.7 %
Other	454,201	-	-	454,201	5.7 %
Total	$ 5,246,223	$ 2,764,193	$ -	$ 8,010,416	100.0 %

	Level 1	Level 2	Level 3	Total	% of Total
2021					
Equity securities	$ 4,334,232	$ -	$ -	$ 4,334,232	40.6 %
Debt securities	2,088,248	3,588,277	-	5,676,525	53.3 %
Other	653,590	-	-	653,590	6.1 %
Total	$ 7,076,070	$ 3,588,277	$ -	$ 10,664,347	100.0 %

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

	Pension Benefits	Other Benefits
2023	$ 358,167	$ 85,067
2024	404,840	92,609
2025	446,869	95,758
2026	486,823	102,203
2027	511,700	106,674
2028 - 2032	2,983,507	544,129
Total	$ 5,191,906	$ 1,026,440

Note 9 - Pension and Other Postretirement Plans (Continued)

In 2023, the Fund expects to contribute $0 to the pension plan and $85,067 to the other postretirement plan.

Note 10 - Non-admitted Assets

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

	2022	2021	Change
Prepaid expenses	$ 95,341	$ 395,543	$ (300,202)
Deferred tax asset: non-admitted	635,112	570,384	64,728
Total	$ 730,453	$ 965,927	$ (235,474)

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