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Proposed Committee Substitute by the Committee on Fiscal Policy  
(Appropriations Subcommittee on General Government)

A bill to be entitled

An act relating to limited sinkhole coverage insurance; amending s. 624.407, F.S.; specifying the amount of surplus funds required for domestic insurers applying for a certificate of authority to provide limited sinkhole coverage insurance; amending s. 624.408, F.S.; specifying the minimum surplus that must be maintained by insurers that provide limited sinkhole coverage insurance; creating s. 627.7151, F.S.; authorizing certain insurers to offer limited sinkhole coverage insurance in this state; providing applicability; providing a limitation of coverage; authorizing a specified limitation of coverage subject to a certain condition; authorizing certain policy terms; requiring an insurance agent to obtain a specified signed acknowledgement from an applicant before issuing a policy; authorizing insurer forms and exempting forms from approval; authorizing an insurer to establish and use rates in accordance with specified rate standards; requiring an insurer to provide a specified notice of changes to rates within a specified time frame to the Office of Insurance Regulation; requiring an insurer to maintain certain actuarial data for a specified time frame; authorizing the office to require an insurer to incur the costs associated with examining such data; providing factors for the office in determining whether a rate is



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28           excessive, inadequate, or unfairly discriminatory;  
29           authorizing a surplus lines agent to export a contract  
30           or endorsement for sinkhole coverage to a surplus  
31           lines insurer without meeting certain requirements;  
32           requiring the insurer to notify the office before  
33           writing sinkhole insurance and to file a plan of  
34           operation with the office; providing an effective  
35           date.

36  
37 Be It Enacted by the Legislature of the State of Florida:

38  
39           Section 1. Subsection (1) of section 624.407, Florida  
40 Statutes, is amended to read:

41           624.407 Surplus required; new insurers.—

42           (1) To receive authority to transact any one kind or  
43 combinations of kinds of insurance, as defined in part V of this  
44 chapter, an insurer applying for its original certificate of  
45 authority in this state shall possess surplus as to  
46 policyholders at least the greater of:

47           (a) For a property and casualty insurer, \$5 million, or  
48 \$2.5 million for any other insurer;

49           (b) For life insurers, 4 percent of the insurer's total  
50 liabilities;

51           (c) For life and health insurers, 4 percent of the  
52 insurer's total liabilities, plus 6 percent of the insurer's  
53 liabilities relative to health insurance;

54           (d) For all insurers other than life insurers and life and  
55 health insurers, 10 percent of the insurer's total liabilities;

56           ~~or~~



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57 (e) Notwithstanding paragraph (a) or paragraph (d), for a  
58 domestic insurer that transacts residential property insurance  
59 and is:

60 1. Not a wholly owned subsidiary of an insurer domiciled in  
61 any other state, \$15 million.

62 2. A wholly owned subsidiary of an insurer domiciled in any  
63 other state, \$50 million; or

64 (f) Notwithstanding paragraphs (a), (d), and (e), for a  
65 domestic insurer that only transacts limited sinkhole coverage  
66 insurance for personal lines residential property pursuant to s.  
67 627.7151, \$7.5 million.

68 Section 2. Paragraph (h) is added to subsection (1) of  
69 section 624.408, Florida Statutes, to read:

70 624.408 Surplus required; current insurers.—

71 (1) To maintain a certificate of authority to transact any  
72 one kind or combinations of kinds of insurance, as defined in  
73 part V of this chapter, an insurer in this state must at all  
74 times maintain surplus as to policyholders at least the greater  
75 of:

76 (h) Notwithstanding paragraphs (e), (f), and (g), for a  
77 domestic insurer that only transacts limited sinkhole coverage  
78 insurance for personal lines residential property pursuant to s.  
79 627.7151, \$7.5 million.

80  
81 The office may reduce the surplus requirement in paragraphs (f)  
82 and (g) if the insurer is not writing new business, has premiums  
83 in force of less than \$1 million per year in residential  
84 property insurance, or is a mutual insurance company.

85 Section 3. Section 627.7151, Florida Statutes, is created



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86 to read:

87 627.7151 Limited sinkhole coverage insurance.-

88 (1) An authorized insurer may issue, but is not required to  
89 make available, a limited sinkhole coverage insurance policy  
90 providing personal lines residential coverage, subject to  
91 underwriting, for the peril of sinkhole loss on any structure or  
92 the contents of personal property contained therein, subject to  
93 this section and ss. 627.706-627.7074. This section does not  
94 apply to commercial lines residential or commercial lines  
95 nonresidential coverage for the peril of sinkhole loss. This  
96 section also does not apply to coverage for the peril of  
97 sinkhole loss that is excess coverage over any other insurance  
98 covering the peril of sinkhole loss.

99 (2) Limited sinkhole coverage insurance must cover only  
100 losses from the peril of sinkhole loss, as defined in s.  
101 627.706(2)(j); however, such coverage shall not be required to  
102 provide for contents and additional living expenses.

103 (3) Limited sinkhole coverage insurance may:

104 (a) Notwithstanding s. 627.707(5), limit coverage to  
105 repairs to stabilize the building and repair the foundation in  
106 accordance with the recommendations of the professional engineer  
107 retained pursuant to s. 627.707(2). However, if the insurer's  
108 professional engineer determines that the repair cannot be  
109 completed within policy limits, the insurer must pay to complete  
110 the repairs recommended by the insurer's professional engineer  
111 or tender the policy limits to the policyholder.

112 (b) In addition to the deductibles authorized under s.  
113 627.706(1)(b), offer deductibles agreed to by the insured and  
114 insurer.



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115 (c) Offer policy limits agreed to by the insured and  
116 insurer, provided policy limits below \$50,000 are not allowed  
117 unless that amount exceeds full replacement costs of the  
118 property.

119 (4) Before issuing a limited sinkhole coverage insurance  
120 policy under this section, the insurance agent must obtain from  
121 an applicant an acknowledgement signed by the applicant that  
122 includes the following statement in at least 12-point bold,  
123 uppercase type: "BY ACCEPTING THIS LIMITED SINKHOLE COVERAGE  
124 INSURANCE POLICY I HAVE READ AND UNDERSTAND THE LIMITATIONS THAT  
125 MAY APPLY TO MY POLICY." The signed acknowledgment must also  
126 include, in at least 12-point bold, uppercase type, for a  
127 policy:

128 (a) That limits limited sinkhole coverage to an amount less  
129 than the full replacement cost of the property, the following  
130 statement: "THIS POLICY LIMITS SINKHOLE COVERAGE TO LESS THAN  
131 THE FULL COST OF REPLACEMENT FOR THE PROPERTY, WHICH MAY RESULT  
132 IN HIGH OUT-OF-POCKET EXPENSES TO YOU AND MAY PUT YOUR EQUITY IN  
133 THIS PROPERTY AT RISK."

134 (b) That provides for a deductible which exceeds the  
135 deductibles authorized under s. 627.706(1)(b), the following  
136 statement: "THIS POLICY EXCEEDS THE DEDUCTIBLE AMOUNT PERMITTED  
137 FOR OTHER AUTHORIZED SINKHOLE LOSS INSURANCE POLICIES WHICH MAY  
138 RESULT IN HIGH OUT-OF-POCKET EXPENSES TO YOU."

139 (5) An insurer may establish and use limited sinkhole  
140 coverage forms. Limited sinkhole coverage forms are not subject  
141 to filing and approval pursuant to s. 627.410.

142 (6) (a) An insurer may establish and use limited sinkhole  
143 coverage rates in accordance with the rate standards provided in



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144 s. 627.062.

145 (b) For limited sinkhole coverage rates filed with the  
146 office before October 1, 2019, the insurer may also establish  
147 and use such rates in accordance with the rates, rating  
148 schedules, or rating manuals filed by the insurer with the  
149 office which allow the insurer a reasonable rate of return on  
150 limited sinkhole coverage written in this state. Limited  
151 sinkhole coverage rates established pursuant to this paragraph  
152 are not subject to s. 627.062(2) (a) or (f). An insurer shall  
153 notify the office of any change to such rates within 30 days  
154 after the effective date of the change. The notice must include  
155 the name of the insurer and the average statewide percentage  
156 change in rates. Actuarial data with regard to such rates for  
157 limited sinkhole coverage must be maintained by the insurer for  
158 2 years after the effective date of such rate change and is  
159 subject to examination by the office. The office may require the  
160 insurer to incur the costs associated with an examination. Upon  
161 examination, the office, in accordance with generally accepted  
162 and reasonable actuarial techniques, shall consider the rate  
163 factors in s. 627.062(2) (b) and (d), and the standards in s.  
164 627.062(2) (e), to determine whether the rate is excessive,  
165 inadequate, or unfairly discriminatory.

166 (7) A surplus lines agent may export limited sinkhole  
167 coverage insurance to an eligible surplus lines insurer without  
168 satisfying the conditions set forth in s. 626.916(1). This  
169 subsection expires July 1, 2020.

170 (8) In addition to any other applicable requirements, an  
171 insurer providing limited sinkhole coverage in this state must:

172 (a) Notify the office at least 30 days before writing



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173 limited sinkhole coverage insurance in this state.

174 (b) File a plan of operation and financial projections or  
175 revisions to such plan, as applicable, with the office.

176 Section 4. This act shall take effect July 1, 2016.