

Committee on Banking and Insurance

CS/CS/SB 1274 — Limited Sinkhole Coverage Insurance

by Fiscal Policy Committee; Banking and Insurance Committee; and Senator Latvala

The bill creates s. 627.7151, F.S., which allows insurers to offer a new type of personal lines residential sinkhole insurance coverage. Limited sinkhole coverage provides coverage for “sinkhole loss,” which is structural damage to the covered building, including the foundation, caused by sinkhole activity. Limited sinkhole coverage would also be subject to the statutory requirements for sinkhole insurance in ss. 627.706-627.7074, F.S., with the following exceptions:

- Coverage may be limited to repairs to stabilize the building and repair the foundation;
- Coverage does not have to include contents replacement or coverage for additional living expenses;
- Deductibles may be in an amount agreed to by the insured and insurer;
- Policy limits may be in an amount agreed to by the insured and insurer, provided policy limits below \$50,000 are not allowed unless that amount exceeds full replacement cost of the property;
- A notice signed by the applicant is required that the applicant has read and understands the coverages of limited sinkhole coverage, including when insuring for less than replacement cost or agreeing to a deductible greater than allowed in s. 627.706(1)(b), F.S.
- If a loss exceeds the policy limits, the insurer must agree to pay above policy limits to complete the repair or pay a contractor policy limits after the policyholder has signed a contract to repair. If the insured obtains a lower-cost alternative repair recommendation, the insurer must pay up to policy limits to complete the lower-cost alternative repair.
- Insurers are allowed to establish limited sinkhole policy forms not subject to filing with and approval by the Office of Insurance Regulation (OIR);
- Until October 1, 2019, insurers may file rates for limited sinkhole coverage that are not subject to the filing and review requirements of s. 627.062(2)(a) and (f), F.S.

The bill prohibits Citizens Property Insurance Corporation for offering limited sinkhole coverage and establishes surplus requirements of \$7.5 million for new and existing insurers that solely transact limited sinkhole coverage insurance. Insurers providing limited sinkhole coverage must notify the OIR at least 30 days prior to offering the coverage in the state. Such insurers must file a plan of operation and financial projections or revisions to such plan, as applicable, with the office

If approved by the Governor, these provisions take effect July 1, 2016.

Vote: Senate 39-0; House 113-1