

Bill No. PCS for SB 1980 (070118)

Barcode 095506

CHAMBER ACTION

Senate

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The Committee on Banking and Insurance (Fasano) recommended
the following amendment:

Senate Amendment (with directory and title amendments)

On page 88, line 18, through
page 94, line 2, delete those lines

and insert:

Section 16. Subsection (1) of section 627.706, Florida
Statutes, is amended to read:

627.706 Sinkhole insurance; definitions.--

(1) Every insurer authorized to transact property
insurance in this state shall make available coverage for
insurable sinkhole losses on any structure, including contents
of personal property contained therein, to the extent provided
in the form to which the sinkhole coverage attaches. A policy
for residential property insurance may include a deductible
amount applicable to sinkhole losses equal to 1 percent, 2
percent, 5 percent, or 10 percent of the policy dwelling
limits, with appropriate premium discounts offered with each
deductible amount.

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1 Section 17. Subsections (2), (3), (5), (6), and (9) of
2 section 627.707, Florida Statutes, are amended to read:

3 627.707 Standards for investigation of sinkhole claims
4 by insurers; nonrenewals.--Upon receipt of a claim for a
5 sinkhole loss, an insurer must meet the following standards in
6 investigating a claim:

7 (2) Following the insurer's initial inspection, the
8 insurer shall engage a professional ~~an~~ engineer or a
9 professional geologist to conduct testing as provided in s.
10 627.7072 to determine the cause of the loss within a
11 reasonable professional probability and issue a report as
12 provided in s. 627.7073, if:

13 (a) The insurer is unable to identify a valid cause of
14 the damage or discovers damage to the structure which is
15 consistent with sinkhole loss; or

16 (b) The policyholder demands testing in accordance
17 with this section or s. 627.7072.

18 (3) Following the initial inspection of the insured
19 premises, the insurer shall provide written notice to the
20 policyholder disclosing the following information:

21 (a) What the insurer has determined to be the cause of
22 damage, if the insurer has made such a determination.

23 (b) A statement of the circumstances under which the
24 insurer is required to engage a professional ~~an~~ engineer or a
25 professional geologist to verify or eliminate sinkhole loss
26 and to engage a professional ~~an~~ engineer to make
27 recommendations regarding land and building stabilization and
28 foundation repair.

29 (c) A statement regarding the right of the
30 policyholder to request testing by a professional ~~an~~ engineer
31 or a professional geologist and the circumstances under which

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1 the policyholder may demand certain testing.

2 (5)(a) Subject to paragraph (b), if a sinkhole loss is
3 verified, the insurer shall pay to stabilize the land and
4 building and repair the foundation in accordance with the
5 recommendations of the professional engineer as provided under
6 s. 627.7073, and in consultation with the policyholder,
7 subject to the coverage and terms of the policy. The insurer
8 shall pay for other repairs to the structure and contents in
9 accordance with the terms of the policy.

10 (b) The insurer may limit its payment to the actual
11 cash value of the sinkhole loss, not including underpinning or
12 grouting or any other repair technique performed below the
13 existing foundation of the building, until the policyholder
14 enters into a contract for the performance of building
15 stabilization or foundation repairs. After the policyholder
16 enters into the contract, the insurer shall pay the amounts
17 necessary to begin and perform such repairs as the work is
18 performed and the expenses are incurred. The insurer may not
19 require the policyholder to advance payment for such repairs.
20 If repair covered by a personal lines residential property
21 insurance policy has begun and the professional engineer
22 selected or approved by the insurer determines that the repair
23 cannot be completed within the policy limits, the insurer must
24 either complete the professional engineer's recommended repair
25 or tender the policy limits to the policyholder without a
26 reduction for the repair expenses incurred.

27 (c) Upon the insurer's obtaining the written approval
28 of the policyholder and any lienholder, the insurer may make
29 payment directly to the persons selected by the policyholder
30 to perform the land and building stabilization and foundation
31 repairs. The decision by the insurer to make payment to such

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1 persons does not hold the insurer liable for the work
2 performed.

3 (6) Except as provided in subsection (7), the fees and
4 costs of the professional engineer or the professional
5 geologist shall be paid by the insurer.

6 (9) The insurer may engage a professional structural
7 engineer to make recommendations as to the repair of the
8 structure.

9 Section 18. Subsection (1) of section 627.7072,
10 Florida Statutes, is amended to read:

11 627.7072 Testing standards for sinkholes.--

12 (1) The professional engineer and professional
13 geologist shall perform such tests as sufficient, in their
14 professional opinion, to determine the presence or absence of
15 sinkhole loss or other cause of damage within reasonable
16 professional probability and for the professional engineer to
17 make recommendations regarding necessary building
18 stabilization and foundation repair.

19 Section 19. Subsections (1) and (2) of section
20 627.7073, Florida Statutes, are amended to read:

21 627.7073 Sinkhole reports.--

22 (1) Upon completion of testing as provided in s.
23 627.7072, the professional engineer and professional geologist
24 shall issue a report and certification to the insurer and the
25 policyholder as provided in this section.

26 (a) Sinkhole loss is verified if, based upon tests
27 performed in accordance with s. 627.7072, a professional ~~an~~
28 engineer and a professional geologist issue a written report
29 and certification stating:

30 1. That the cause of the actual physical and
31 structural damage is sinkhole activity within a reasonable

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1 professional probability.

2 2. That the analyses conducted were of sufficient
3 scope to identify sinkhole activity as the cause of damage
4 within a reasonable professional probability.

5 3. A description of the tests performed.

6 4. A recommendation by the professional engineer of
7 methods for stabilizing the land and building and for making
8 repairs to the foundation.

9 (b) If sinkhole activity is eliminated as the cause of
10 damage to the structure, the professional engineer and
11 professional geologist shall issue a written report and
12 certification to the policyholder and the insurer stating:

13 1. That the cause of the damage is not sinkhole
14 activity within a reasonable professional probability.

15 2. That the analyses and tests conducted were of
16 sufficient scope to eliminate sinkhole activity as the cause
17 of damage within a reasonable professional probability.

18 3. A statement of the cause of the damage within a
19 reasonable professional probability.

20 4. A description of the tests performed.

21 (c) The respective findings, opinions, and
22 recommendations of the professional engineer and professional
23 geologist as to the cause of distress to the property
24 ~~verification or elimination of a sinkhole loss~~ and the
25 findings, opinions, and recommendations of the professional
26 engineer as to land and building stabilization and foundation
27 repair shall be presumed correct.

28 (2) Any insurer that has paid a claim for a sinkhole
29 loss shall file a copy of the report and certification,
30 prepared pursuant to subsection (1), with the county clerk of
31 court ~~property appraiser~~, who shall record the report and

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1 certification with the parcel number. The insurer shall bear
 2 the cost of filing and recording the report and certification.
 3 There shall be no cause of action or liability against an
 4 insurer for compliance with this section. The seller of real
 5 property upon which a sinkhole claim has been made shall
 6 disclose to the buyer of such property that a claim has been
 7 paid and whether or not the full amount of the proceeds were
 8 used to repair the sinkhole damage.

9 Section 20. Section 627.7074, Florida Statutes, is
 10 created to read:

11 627.7074 Alternative procedure for resolution of
 12 disputed sinkhole insurance claims.--

13 (1) As used in this section, the term:

14 (a) "Neutral evaluation" means the alternative dispute
 15 resolution provided for in this section.

16 (b) "Neutral evaluator" means an engineer or a
 17 professional geologist who has completed a course of study in
 18 alternative dispute resolution designed or approved by the
 19 department for use in the neutral evaluation process, who is
 20 determined to be fair and impartial.

21 (2)(a) The department shall certify and maintain a
 22 list of persons who are neutral evaluators.

23 (b) The department shall prepare a consumer
 24 information pamphlet for distribution by insurers to
 25 policyholders which clearly describes the neutral evaluation
 26 process and includes information and forms necessary for the
 27 policyholder to request a neutral evaluation.

28 (3) Following the receipt of the report provided under
 29 s. 627.7073 or the denial of a claim for a sinkhole loss, the
 30 insurer shall notify the policyholder of his or her right to
 31 participate in the neutral evaluation program under this

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1 section. Neutral evaluation supersedes the alternative dispute
2 resolution process under s. 627.7015. The insurer shall
3 provide to the policyholder the consumer information pamphlet
4 prepared by the department pursuant to paragraph (2)(b).

5 (4) Neutral evaluation is optional and nonbinding.
6 Either the policyholder or the insurer may decline to
7 participate. A request for neutral evaluation may be filed
8 with the department by the policyholder or the insurer on a
9 form approved by the department. The request for neutral
10 evaluation must state the reason for the request and must
11 include an explanation of all the issues in dispute at the
12 time of the request. Filing a request for neutral evaluation
13 tolls the applicable time requirements for filing suit for a
14 period of 60 days following the conclusion of the neutral
15 evaluation process or the time prescribed in s. 95.11,
16 whichever is later.

17 (5) Neutral evaluation shall be conducted as an
18 informal process in which formal rules of evidence and
19 procedure need not be observed. A party to neutral evaluation
20 is not required to attend neutral evaluation if a
21 representative of the party attends and has the authority to
22 make a binding decision on behalf of the party. All parties
23 shall participate in the evaluation in good faith.

24 (6) The insurer shall pay the costs associated with
25 the neutral evaluation.

26 (7) Upon receipt of a request for neutral evaluation,
27 the department shall refer the request to a neutral evaluator.
28 The neutral evaluator shall notify the policyholder and the
29 insurer of the date, time, and place of the neutral evaluation
30 conference. The conference may be held by telephone, if
31 feasible and desirable. The neutral evaluation conference

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1 shall be held within 45 days after receipt of the request by
2 the department.

3 (8) The department shall adopt rules of procedure for
4 the neutral evaluation process.

5 (9) For policyholders not represented by an attorney,
6 a consumer affairs specialist of the department or an employee
7 designated as the primary contact for consumers on issues
8 relating to sinkholes under s. 20.121 shall be available for
9 consultation to the extent that he or she may lawfully do so.

10 (10) Evidence of an offer to settle a claim during the
11 neutral evaluation process, as well as any relevant conduct or
12 statements made in negotiations concerning the offer to settle
13 a claim, is inadmissible to prove liability or absence of
14 liability for the claim or its value, except as provided in
15 subsection (13).

16 (11) Any court proceeding related to the subject
17 matter of the neutral evaluation shall be stayed pending
18 completion of the neutral evaluation.

19 (12) For matters that are not resolved by the parties
20 at the conclusion of the neutral evaluation, the neutral
21 evaluator shall prepare a report stating that in his or her
22 opinion the sinkhole loss has been verified or eliminated and,
23 if verified, the need for and estimated costs of stabilizing
24 the land and any covered structures or buildings and other
25 appropriate remediation or structural repairs. The evaluator's
26 report shall be sent to all parties in attendance at the
27 neutral evaluation and to the department.

28 (13) The recommendation of the neutral evaluator is
29 not binding on any party, and the parties retain access to
30 courts. The neutral evaluator's written recommendation is
31 admissible in any subsequent action or proceeding relating to

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1 the claim or to the cause of action giving rise to the claim
2 only for purposes of determining the award of attorney's fees.

3 (14) If the policyholder declines to participate in
4 neutral evaluation requested by the insurer or declines to
5 resolve the matter in accordance with the recommendation of
6 the neutral evaluator pursuant to this section, the insurer is
7 not liable for attorney's fees under s. 627.428 or other
8 provisions of the insurance code or for extra-contractual
9 damages related to a claim for a sinkhole loss.

10 (15) A party may seek judicial review of the
11 recommendation of the neutral evaluator to determine whether
12 the recommendation is reasonable. A recommendation is
13 reasonable unless: it was procured by corruption, fraud, or
14 other undue means; there was evident partiality by the neutral
15 evaluator or misconduct prejudicing the rights of any party;
16 or the neutral evaluator exceeded the authority and power
17 granted by this section. If the court declares the
18 recommendation is not reasonable, the neutral evaluation
19 recommendation shall be vacated.

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21 (Redesignate subsequent sections.)

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24 ===== DIRECTORY CLAUSE AMENDMENT =====

25 And the directory clause is amended as follows:

26 On page, line, delete

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28 and insert:

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1 ===== T I T L E A M E N D M E N T =====

2 And the title is amended as follows:

3 On page 5, line 26, through
4 page 6, line 13, delete those lines

5
6 and insert:

7 the Office of Insurance Regulation; amending s.
8 627.706, F.S.; providing for a deductible
9 amount applicable to sinkhole losses in a
10 policy for residential property insurance;
11 amending s. 627.707, F.S.; revising references
12 to certain engineers; authorizing insurers to
13 make direct payment for certain repairs;
14 excluding insurers from liability for repairs
15 under certain circumstances; amending s.
16 627.7072, F.S.; revising references to certain
17 engineers; amending s. 627.7073, F.S.;
18 providing for the recording of sinkhole reports
19 by the clerk of court rather than the property
20 appraiser; creating s. 627.7074, F.S.;
21 providing for an alternative procedure for the
22 resolution of disputed sinkhole insurance
23 claims which is optional, nonbinding, and
24 informal; providing definitions; requiring the
25 Department of Financial Services to certify and
26 maintain a list of neutral evaluators, prepare
27 a consumer information pamphlet explaining the
28 alternative procedure, and adopt rules for the
29 implementation of an alternative procedure;
30 providing for payment of costs and attorney's
31 fees; preserving access to courts and

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1 authorizing judicial review of neutral
2 evaluation recommendations; amending
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