

Amendment No. 1

COMMITTEE/SUBCOMMITTEE ACTION

ADOPTED	<u> </u>	(Y/N)
ADOPTED AS AMENDED	<u> </u>	(Y/N)
ADOPTED W/O OBJECTION	<u> </u>	(Y/N)
FAILED TO ADOPT	<u> </u>	(Y/N)
WITHDRAWN	<u> </u>	(Y/N)
OTHER	<u> </u>	

1 Committee/Subcommittee hearing bill: Insurance & Banking
 2 Subcommittee
 3 Representative Fant offered the following:

Amendment (with title amendment)

6 Remove everything after the enacting clause and insert:
 7 Section 1. Subsection (1) of section 624.407, Florida
 8 Statutes, is amended to read:

9 624.407 Surplus required; new insurers.—

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

15 (a) For a property and casualty insurer, \$5 million, or
 16 \$2.5 million for any other insurer;

17 (b) For life insurers, 4 percent of the insurer's total

Amendment No. 1

18 liabilities;

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

22 (d) For all insurers other than life insurers and life and
23 health insurers, 10 percent of the insurer's total liabilities;
24 ~~or~~

25 (e) Notwithstanding paragraph (a) or paragraph (d), for a
26 domestic insurer that transacts residential property insurance
27 and is:

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

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

32 (f) Notwithstanding paragraphs (a), (d), and (e), for a
33 domestic insurer that only transacts limited sinkhole coverage
34 insurance for personal lines residential property pursuant to s.
35 627.7151, \$7.5 million.

36
37 Section 2. Paragraph (h) is added to subsection (1) of
38 section 624.408, Florida Statutes, to read:

39 624.408 Surplus required; current insurers.—

40 (1) To maintain a certificate of authority to transact any
41 one kind or combinations of kinds of insurance, as defined in
42 part V of this chapter, an insurer in this state must at all
43 times maintain surplus as to policyholders at least the greater

Amendment No. 1

44 of:

45 (h) Notwithstanding paragraphs (e), (f), and (g), for a
46 domestic insurer that only transacts limited sinkhole coverage
47 insurance for personal lines residential property pursuant to s.
48 627.7151, \$7.5 million.

49
50 The office may reduce the surplus requirement in paragraphs (f)
51 and (g) if the insurer is not writing new business, has premiums
52 in force of less than \$1 million per year in residential
53 property insurance, or is a mutual insurance company.

54
55 Section 3. Section 627.7151, Florida Statutes, is created
56 to read:

57 627.7151 Limited sinkhole coverage insurance.—

58 (1) An authorized insurer may issue, but is not required
59 to make available, a limited sinkhole coverage insurance policy
60 providing personal lines residential coverage, subject to
61 underwriting, for the peril of sinkhole loss on any structure or
62 the contents of personal property contained therein, subject to
63 this section and ss. 627.706 - 627.7074. This section does not
64 apply to commercial lines residential or commercial lines
65 nonresidential coverage for the peril of sinkhole loss. This
66 section also does not apply to coverage for the peril of
67 sinkhole loss that is excess coverage over any other insurance
68 covering the peril of sinkhole loss.

69 (2) Limited sinkhole coverage insurance must cover only

Amendment No. 1

70 losses from the peril of sinkhole loss, as defined in s.
71 627.706(2)(j); however, such coverage shall not be required to
72 provide for contents and additional living expenses.

73 (3) Limited sinkhole coverage insurance may:

74 (a) Notwithstanding s. 627.707(5), limit coverage to
75 repairs to stabilize the building and repair the foundation in
76 accordance with the recommendations of the professional engineer
77 retained pursuant to s. 627.707(2). However, if the insurer's
78 professional engineer determines that the repair cannot be
79 completed within policy limits, the insurer must pay to complete
80 the repairs recommended by the insurer's professional engineer
81 or tender the policy limits to the policyholder.

82 (b) In addition to the deductibles authorized under s. 627.
83 706(1)(b), offer deductibles agreed to by the insured and
84 insurer.

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

89 (4) Before issuing a limited sinkhole coverage insurance
90 policy under this section, the insurance agent must obtain from
91 an applicant an acknowledgement signed by the applicant that
92 includes the following statement in at least 12-point bold,
93 uppercase type: "BY ACCEPTING THIS LIMITED SINKHOLE COVERAGE
94 INSURANCE POLICY I HAVE READ AND UNDERSTAND THE LIMITATIONS THAT
95 MAY APPLY TO MY POLICY." The signed acknowledgment must also

Amendment No. 1

96 include, in at least 12-point bold, uppercase type, for a
97 policy:

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

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

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

112 (6) (a) An insurer may establish and use limited sinkhole
113 coverage rates in accordance with the rate standards provided in
114 s. 627.062.

115 (b) For limited sinkhole coverage rates filed with the
116 office before October 1, 2019, the insurer may also establish
117 and use such rates in accordance with the rates, rating
118 schedules, or rating manuals filed by the insurer with the
119 office which allow the insurer a reasonable rate of return on
120 limited sinkhole coverage written in this state. Limited
121 sinkhole coverage rates established pursuant to this paragraph

865359 - h1327-strike.docx

Published On: 2/1/2016 3:18:51 PM

Amendment No. 1

122 are not subject to s. 627.062(2) (a) or (f). An insurer shall
123 notify the office of any change to such rates within 30 days
124 after the effective date of the change. The notice must include
125 the name of the insurer and the average statewide percentage
126 change in rates. Actuarial data with regard to such rates for
127 limited sinkhole coverage must be maintained by the insurer for
128 2 years after the effective date of such rate change and is
129 subject to examination by the office. The office may require the
130 insurer to incur the costs associated with an examination. Upon
131 examination, the office, in accordance with generally accepted
132 and reasonable actuarial techniques, shall consider the rate
133 factors in s. 627.062(2) (b) and (d), and the standards in s.
134 627.062(2) (e), to determine whether the rate is excessive,
135 inadequate, or unfairly discriminatory.

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

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

142 (a) Notify the office at least 30 days before writing
143 limited sinkhole coverage insurance in this state.

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

146 (9) A policyholder of a limited sinkhole coverage
147 insurance policy authorized by this section who incurs a covered

Amendment No. 1

148 loss may not assign a post-loss claim except to a subsequent
149 purchaser of the property who acquires insurable interest
150 following a loss.

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

152

153

154 -----

155

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

156

Remove everything before the enacting clause and insert:

157

A bill to be entitled

158

An act relating to limited sinkhole coverage

159

insurance; amending s. 624.407, F.S.; specifying the

160

amount of surplus funds required for domestic insurers

161

applying for a certificate of authority to provide

162

limited sinkhole coverage insurance; amending s.

163

624.408, F.S.; specifying the minimum surplus that

164

must be maintained by insurers that provide limited

165

sinkhole coverage insurance; creating s. 627.708,

166

F.S.; authorizing certain insurers to offer limited

167

sinkhole insurance in this state; requiring that

168

certain limitations be noted on the policy

169

declarations or face page; authorizing insurer forms

170

and exempting forms from approval; providing an

171

insurer with rate options; authorizing a surplus lines

172

agent to export a contract or endorsement for sinkhole

173

coverage to a surplus lines insurer without meeting

865359 - h1327-strike.docx

Published On: 2/1/2016 3:18:51 PM

Amendment No. 1

174 certain requirements; requiring the insurer to notify
175 the office before writing sinkhole insurance and to
176 file a plan of operation with the office; prohibiting
177 assignments of post-loss claims; providing an
178 exception; providing an effective date.