

Committee Substitute for Senate Bill No. 742

An act relating to sinkhole losses; amending s. 627.706, F.S.; authorizing an insurer offering sinkhole coverage before or after a certain date to nonrenew the policies of policyholders maintaining sinkhole coverage in Pasco and Hernando Counties, at the option of the insurer, and provide an offer of coverage to such policyholders which includes catastrophic ground cover collapse and excludes sinkhole coverage; requiring that an insurer taking such action meet specified requirements; creating s. 627.7063, F.S.; defining the term “sinkhole loss prevention ordinance”; requiring the Financial Services Commission to adopt a building code effectiveness grading schedule by rule to evaluate the effectiveness of sinkhole loss prevention ordinances in reducing the number of sinkhole claims and the severity of sinkhole losses; requiring insurance discounts and surcharges based on the grade assigned to a sinkhole loss prevention ordinance; providing an effective date.

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

Section 1. Subsection (5) is added to section 627.706, Florida Statutes, to read:

627.706 Sinkhole insurance; catastrophic ground cover collapse; definitions.—

(5) An insurer offering sinkhole coverage to policyholders before or after the adoption of s. 30, chapter 2007-1, Laws of Florida, may nonrenew the policies of policyholders maintaining sinkhole coverage in Pasco County or Hernando County, at the option of the insurer, and provide an offer of coverage to such policyholders which includes catastrophic ground cover collapse and excludes sinkhole coverage. Insurers acting in accordance with this subsection are subject to the following requirements:

(a) Policyholders must be notified that a nonrenewal is for purposes of removing sinkhole coverage, and that the policyholder is still being offered a policy that provides coverage for catastrophic ground cover collapse.

(b) Policyholders must be provided an actuarially reasonable premium credit or discount for the removal of sinkhole coverage and provision of only catastrophic ground cover collapse.

(c) Subject to the provisions of this subsection and the insurer’s approved underwriting or insurability guidelines, the insurer shall provide each policyholder with the opportunity to purchase an endorsement to his or her policy providing sinkhole coverage and may require an inspection of the property before issuance of a sinkhole coverage endorsement.

(d) Section 624.4305 does not apply to nonrenewal notices issued pursuant to this subsection.

Section 2. Section 627.7063, Florida Statutes, is created to read:

627.7063 Building code effectiveness grading schedule.—

(1) As used in this section, the term “sinkhole loss prevention ordinance” means a county ordinance that amends the Florida Building Code and that is intended to reduce the number of sinkhole claims and the severity of sinkhole losses.

(2) The commission shall adopt a building code effectiveness grading schedule by rule. The grading schedule shall evaluate the effectiveness of each sinkhole loss prevention ordinance in reducing the number of sinkhole claims and severity of sinkhole losses. Each ordinance shall be evaluated 4 years after the ordinance takes effect. The grading schedule shall be based on the effectiveness of code enforcement in each county and scientific, modeling, and engineering methodologies. The rules shall further mandate insurance premium discounts or surcharges on personal residential property insurance based on a property’s compliance with an ordinance and the grade assigned to the applicable sinkhole loss prevention ordinance.

Section 3. This act shall take effect January 1, 2010.

Approved by the Governor June 16, 2009.

Filed in Office Secretary of State June 16, 2009.