

# Sinkhole Insurance Overview

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# Primary Sinkhole Provisions of SB 408

- Addition of new definition of structural damage, and modifications to definitions of catastrophic ground cover collapse, sinkhole, sinkhole activity and sinkhole loss.
- Insurer may choose to restrict catastrophic ground cover collapse coverage and sinkhole loss coverage to the principal building (excludes damage to appurtenant structures, driveways, sidewalks, decks, or patios).
- Requiring loss payments be used to repair sinkhole damage based on specifications of engineer's report.
- Insurer may require that the policyholder, upon demanding testing after denial of a claim without sinkhole testing, pay the lesser of 50% of the cost of testing or \$2,500 to be refunded if a sinkhole exists.



# Primary Sinkhole Provisions of SB 408 (cont.)

- Notice of sinkhole claim must be given to the insurer in accordance with the terms of the policy within 2 years after the policyholder knew or reasonably should have known about the sinkhole loss.
- For partial loss on a dwelling covered under replacement cost, may limit payments to actual cash value minus deductible initially, and pay any remaining amounts necessary to perform such repairs as work is performed and expenses incurred. May also provide this as an option for personal property.



# Requirements for Insurance Coverage: Catastrophic Ground Cover Collapse (CGCC) & Sinkhole

- Every insurer **must provide coverage** for CGCC.  
(Section 627.706 (1)(a), F.S.)
- Every insurer **shall make available** coverage for sinkhole insurance. (*Section 627.706(1)(b), F.S.*)



# Catastrophic Ground Cover Collapse (CGCC) vs. Sinkhole Loss

- **“Catastrophic ground cover collapse (CGCC)”** means geological activity that results in all the following:
  1. The abrupt collapse of the ground cover;
  2. A depression in the ground cover clearly visible to the naked eye;
  3. Structural damage to the covered building, including the foundation; and
  4. The insured structure being condemned and ordered to be vacated by the governmental agency authorized by law to issue such an order for that structure.
- **“Sinkhole loss”** means structural damage to the covered building, including the foundation, caused by sinkhole activity.

(Sections 627.706(2)(a) and 627.706(2)(j), F.S.)



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# Sinkhole Activity Definition

**“Sinkhole activity”** - means settlement or systematic weakening of the earth supporting the covered building only if the settlement or systematic weakening results from contemporaneous movement or raveling of soils, sediments, or rock materials into subterranean voids created by the effect of water on a limestone or similar rock formation.

(Section 627.706(2)(i) ,F.S.)



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# Structural Damage Definition

“**Structural damage**” means a covered building, regardless of the date of its construction, has experienced the following:

1. Interior floor displacement or deflection in excess of acceptable variances as defined in ACI 117-90 or the Florida Building Code, which results in settlement-related damage to the interior such that the interior building structure or members become unfit for service or represents a safety hazard as defined within the Florida Building Code;
2. Foundation displacement or deflection in excess of acceptable variances as defined in ACI 318-95 or the Florida Building Code, which results in settlement-related damage to the primary structural members or primary structural systems that prevents those members or systems from supporting the loads and forces they were designed to support to the extent that stresses in those primary structural members or primary structural systems exceeds one and one-third the nominal strength allowed under the Florida Building Code for new buildings of similar structure, purpose, or location;
3. Damage that results in listing, leaning, or buckling of the exterior load-bearing walls or other vertical primary structural members to such an extent that a plumb line passing through the center of gravity does not fall inside the middle one-third of the base as defined within the Florida Building Code;
4. Damage that results in the building, or any portion of the building containing primary structural members or primary structural systems, being significantly likely to imminently collapse because of the movement or instability of the ground within the influence zone of the supporting ground within the shear plane necessary for the purpose of supporting such building as defined within the Florida Building Code; or,
5. Damage occurring on or after October 15, 2005, that qualifies as “substantial structural damage” as defined in the Florida Building Code.

(Section 627.706(2)(k), F.S.)



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# Questions?

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