

THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.

SINKHOLE LOSS – SECTION I PROPERTY COVERAGE FOR USE WITH ALL FORMS

DEFINITIONS

The following definitions are added for the purposes of this endorsement.

“Neutral evaluation” means the alternative procedure for the resolution process of disputed “sinkhole” insurance claims.

“Neutral evaluator” means a “professional engineer” or a “professional geologist” who has completed a course of study in alternative dispute resolution designed or approved by the department for use in the “neutral evaluation” process and who is determined by the department to be fair and impartial.

“Primary structural member” means a structural element designed to provide support and stability for the vertical or lateral loads of the overall structure.

“Primary structural system” means an assemblage of “primary structural members”.

“Principal building” means the dwelling described in Section I – Property Coverages, Coverage A - Dwelling of the policy. The “principal building” is hereinafter referred to as the covered building.

“Professional engineer” means a person who has a bachelor’s degree or higher in engineering. A “professional engineer” must also have experience and expertise in the identification of “sinkhole activity” or other potential causes of “structural damage”.

“Professional geologist” means a person who has a bachelor’s degree or higher in geology or related earth science and experience and expertise in the identification of “sinkhole activity” as well as other potential geologic causes of “structural damage”.

“Sinkhole” means a landform created by subsidence of soil, sediment, or rock as underlying strata are dissolved by groundwater. A “sinkhole” forms by collapse into subterranean voids created by dissolution of limestone or dolostone or by subsidence as these strata are dissolved.

“Sinkhole activity” means settlement or systematic weakening of the earth supporting the covered building only if 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.

“Sinkhole loss” means “structural damage” to the covered building, including the foundation, caused by “sinkhole activity”. Contents coverage and additional living expenses apply only if there is “structural dam-

age” to the covered building caused by “sinkhole activity”.

“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 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 I – PERILS INSURED AGAINST

In Form **HO 00 03**, the following coverage is added.

Sinkhole Loss.

1. We insure for direct physical loss to the covered

building covered under Section I, caused by a “sinkhole loss”, including the costs incurred to:

- a. Stabilize the land and covered building; and
- b. Repair the foundation;

in accordance with the recommendations of the “professional engineer” who verifies the presence of a “sinkhole loss” in compliance with Florida sinkhole testing standards and with notice to you. The “professional engineer” must be selected or approved by us.

- 2. This coverage does not increase the limit of liability applying to the covered property.
- 3. “Sinkhole loss” coverage is restricted to only the “principal building”. “Sinkhole Loss” coverage is not provided for other structures on the “residence premises”.
- 4. Contents coverage and additional living expenses apply only if there is “structural damage” to the covered building caused by “sinkhole activity”.

The SECTION I – **Earth Movement** exclusion 1.b. does not apply with respect to coverage provided by this endorsement.

The SECTION I – **Loss Caused By Sinkhole** exclusion does not apply with respect to coverage provided by this endorsement.

Sinkhole Loss Deductible.

The amount of your “sinkhole loss” deductible is shown in your Declarations as the “all other perils” deductible amount.

A minimum deductible of \$500 applies.

No other deductible applies to “sinkhole loss”.

SECTION I – EXCLUSIONS

The following is added to the Existing Damage Exclusion.

- (3) Visible physical damage caused by “sinkhole activity” occurring prior to the inception of this policy.

SECTION I – CONDITIONS

3. **Loss Settlement** paragraph b.(4) is added as follows.

- (4) In the event of “sinkhole loss”:
 - (i) We will pay for “sinkhole loss” subject to (vi) (b) below, up to the applicable Section I – Property Coverage Limit of Liability shown in your Declarations;
 - (ii) We will pay no more than the actual cash value of the damaged property, which does not include underpinning or grouting or any other repair technique performed below the existing foundation of the building, until you enter into a contract for the performance of building stabilization or foundation repairs in accordance with the report of the “professional engineer” who verified the presence of a “sinkhole loss” in compliance

with Florida sinkhole testing standards;

- (iii) You must enter into a contract for the performance of building stabilization and foundation repairs within 90 days after we confirm coverage for the “sinkhole loss” and notify you of such confirmation. This time period is tolled if you or we invoke the “neutral evaluation” process, and begins again 10 days after the conclusion of the “neutral evaluation” process;
- (iv) After you enter into such contract, we will pay the amounts necessary to begin and perform such repairs as the work is performed and as the expenses are incurred;
- (v) We may at our option and with your lienholder’s written approval, make payment directly to the persons selected by you to perform the land and building stabilization and foundation repairs;
- (vi) If repair has begun and the “professional engineer” selected or approved by us determines that the repairs will exceed the applicable Limit of Insurance, we may at our option, either:
 - (a) Complete the “professional engineer’s” recommended repairs; or
 - (b) Tender the policy limits to you without a reduction for the repair expenses incurred.
- (vii) The stabilization and all other repairs to the structure must be completed within 12 months after entering into the contract for repairs in (iii), unless:
 - (a) There is a mutual agreement between you and us;
 - (b) The claim is involved with the “neutral evaluation” process;
 - (c) The claim is in litigation.
- (viii) If we have denied your claim without performing testing in accordance with Florida Statute, you may demand testing in writing within 60 days after you receive our denial of claim. You must pay 50 percent of the actual costs of the analyses and services provided in accordance with Florida Statutes or \$2500, whichever is less. If the engineer or geologist we have chosen to do the testing provides written certification that there is “sinkhole loss”, we will reimburse you for the cost of testing.
- (ix) If you have submitted a “sinkhole” claim without good faith grounds for submitting such claim and we obtain written certification stating there is no “structural damage” or if “sinkhole activity” is eliminated as the cause of such damage to the covered building, then you are required to reimburse us for 50% of the actual costs of the analyses and services or \$2,500, whichever is less, only if you re- requested the analysis and services provided.
- (x) As a precondition for accepting payment for a “sinkhole loss”, you must file with the county

clerk of court a copy of any sinkhole report, prepared at your request or on your behalf, regarding the insured property. You shall bear the cost of filing and recording the sinkhole report.

- (xi) You may not accept a rebate from any person performing the repairs. If you do receive a rebate, coverage is void and you must refund the amount of the rebate to us.
- (xii) Notice of any claim, including but not limited to, initial, supplemental, and reopened claims under this policy for "sinkhole loss" must be given to us within 2 years after you knew or reasonably should have known about the "sinkhole loss".

If there is coverage under the Policy and the claim was submitted within 2 years after you knew or reasonably should have known about the sinkhole loss, following the receipt of a sinkhole report as provided under Section 627.7073, Florida Statutes, or the denial of a claim for "sinkhole", "sinkhole activity", "sinkhole loss", or alleged sinkhole loss, Condition **6. Mediation** is deleted and replaced by the following.

6. Neutral Evaluation Program.

With respect to a claim for alleged "sinkhole loss," a "neutral evaluation" program is available as follows.

- (1) Following receipt by us of a report from a "professional engineer" or "professional geologist" on the cause of loss and recommendations for land stabilization and repair of property, or if we deny your claim, we will notify you of your right to participate in a "neutral evaluation" program administered by the Florida Department of Financial Services (hereinafter referred to as the Department).
- (2) For alleged "sinkhole loss", this program applies instead of **Mediation** conditions **6.a.** and **b.** set forth elsewhere in this policy.
- (3) You or we may file a request with the Department for "neutral evaluation"; the other party must comply with such request.
- (4) We will pay the reasonable costs associated with the "neutral evaluation" regardless of which party makes the request.
- (5) The "neutral evaluator" will be selected from a list maintained by the Department. The recommendation of the "neutral evaluator" will not be binding on you or us.
- (6) Participation in the "neutral evaluation" program does not change your right to file suit against us in accordance with the **Suit Against Us** Condition **8.** in this policy; except that the time for filing suit is extended for 60 days following the conclusion of the "neutral evaluation" process or 5 years from the date of loss, whichever is later.
- (7) The "neutral evaluator" must be allowed rea-

sonable access to the interior and exterior of insured structures to be evaluated or for which a claim has been made. Any reports initiated by you, or an agent of you, confirming a "sinkhole loss" or disputing another sinkhole report regarding insured structures must be provided to the "neutral evaluator" before the evaluator's physical inspection of the insured property.

All other provisions of this policy apply.