

THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.

## **SINKHOLE LOSS COVERAGE**

### **For Use with Form SIC HO-3**

#### **DEFINITIONS**

The following definitions are added:

1. "Rebate" means:

A remuneration, payment, gift, discount, or transfer of any item of value to the policyholder by or on behalf of a person performing the repairs as an incentive or inducement to obtain repairs performed by that person.

2. "Sinkhole" means:

A landform created by the subsidence of soil, sediment, or rock as underlying strata are dissolved by ground water.

A "sinkhole" forms by collapse into subterranean voids created by dissolution of limestone or dolostone or by subsidence as these strata are dissolved.

3. "Sinkhole activity" means:

Settlement or systematic weakening of the earth supporting the "principal building" under SECTION **I** of your policy only if the settlement or systematic weakening results from contemporaneous movement or raveling of soils, sediments, or rock material into subterranean voids created by the effect of water on a limestone or similar rock formation.

4. "Sinkhole loss" means:

"Structural damage" to the "principal building," including the foundation caused by "sinkhole activity".

#### **SECTION I – PROPERTY COVERAGES**

This coverage is limited to "sinkhole loss" to the "principal building."

#### **SECTION I – PERILS INSURED AGAINST**

The following is added to SECTION **I** – PERILS INSURED AGAINST:

##### **Sinkhole Loss.**

1. We insure for direct physical loss to the "principal building" caused by "sinkhole loss" that occurs during the policy period, including the costs incurred to:

- a. Stabilize the "principal building's" land and "principal building"; and

- b. Repair the foundation of the "principal building";

in accordance with the recommendations of our 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 or professional geologist must be selected or approved by us.

2. This peril does not apply to personal property and additional living expenses coverage unless there is "structural damage" to the "principal building" caused by "sinkhole activity."
3. This peril does not increase the limit of liability applying to the covered property.
4. This peril does not apply to property under Coverage **B** – Other Structures.
5. We do not insure land or the replacement, rebuilding, restoration, or value of land, except as provided under 1.a. above and in accordance with the recommendations of our professional engineer.
6. If the loss or damage is caused by both "catastrophic ground cover collapse" and "sinkhole loss", only one limit of insurance will apply to such loss or damage.

The SECTION **I** – Earth Movement and Settlement Exclusion 1.b. does not preclude coverage for "sinkhole loss" if there is a direct physical loss to the "principal building" caused by "sinkhole loss".

If a loss is caused in part by "sinkhole loss" and in part by Earth Movement and Settlement, our liability is limited to the amount of the covered loss caused by "sinkhole loss," subject to any applicable deductible provisions.

The SECTION **I** – Loss caused by Sinkhole Exclusion 1.i. does not apply with respect to coverage provided by this endorsement.

##### **Sinkhole Loss Deductible**

A sinkhole loss deductible of 10% of the Coverage **A** limit applies to covered property,

when loss is caused by the peril of "sinkhole loss".

The amount of your sinkhole deductible is shown in your Declarations.

Subject to the policy limits that apply, we will pay only that part of the total of all "sinkhole loss" that exceeds the sinkhole loss deductible.

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.

Visible physical damage or "structural damage" to covered property under SECTION I of your policy or to the "principal building" including the foundation caused by "sinkhole," "sinkhole loss" or "sinkhole activity" occurring prior to the inception of this policy, regardless of whether such damages were apparent at the time of the inception of this policy or discovered at a later date.

### **SECTION I – CONDITIONS**

With respect to coverage provided by this endorsement, the following is added to SECTION I – CONDITION 2. Duties After Loss:

Any claim, including, but not limited to, initial, supplemental, and reopened claims under this policy is barred unless notice of the claim is given to us in accordance with the terms of the policy within 2 years after you knew or reasonably should have known about the "sinkhole loss".

The following provision is added to SECTION I – CONDITION 3. Loss Settlement as follows:

Upon receipt of a claim for a "sinkhole loss" to a "principal building" under SECTION I – PROPERTY COVERAGES, we will inspect your property to determine if there is "structural damage" that may be a result of "sinkhole activity."

(1) In the event of "sinkhole loss",:

(a) We will pay for "sinkhole loss" to the "principal building," subject to (1)(b) through (1)(g), (2), (3), (4), and (5), below, up to the applicable SECTION I – PROPERTY COVERAGE Limit of Liability shown in your Declarations.

(b) We may limit our total claims payment to the actual cash value of the "sinkhole loss," which does not include underpinning or grouting or any other repair technique performed below the existing foundation of the "principal building", until you enter into a contract for the performance of building stabilization or foundation repairs.

(c) Once 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.

(d) We may at our option, with written approval of any lienholder, make payment directly to the persons selected by you to perform the land and building stabilization and foundation repairs.

(e) In order to prevent additional damage to the "principal building", you must enter into a contract for the performance of building stabilization and foundation repairs in accordance with the recommendations of the professional engineer within 90 days after we confirm coverage for "sinkhole loss" and notify you of such coverage.

This time period tolls if either party invokes the neutral evaluation process, and begins again 10 days after the conclusion of the neutral evaluation process.

(f) The stabilization and all other repairs to the "principal building" and personal property must be completed within 12 months after entering into the contract for repairs; unless

(i) There is a mutual agreement between you and us;

(ii) The claim is involved with the neutral evaluation process;

- (iii) The claim is in litigation; or
  - (iv) The claim is under appraisal or mediation.
- (g) Repairs must be made in accordance with the recommendation of our professional engineer. If our professional engineer selected or approved by us determines that the repairs cannot be completed within the applicable Limit of Insurance, we will at our option; either:
- (i) Complete our professional engineer's recommended repairs; or
  - (ii) Pay the policy limits without a reduction for the repair expenses incurred.
- (2) After we inspect your property, we may deny your claim with or without testing provided under Section 627.7072 Florida Statutes.
- (a) You may demand testing, which must be communicated to us in writing, within 60 days after your receipt of our denial of your claim.
  - (b) You shall pay 50 percent of the actual costs of the analyses and services or \$2,500, whichever is less.
  - (c) We shall reimburse you for costs in (b) above if our engineer or our geologist provides written certification that there is "sinkhole loss."
- (3) If you have submitted a sinkhole claim without good faith grounds for submitting such claim and such claim is not withdrawn prior to our ordering at your request, sinkhole analysis and services to investigate your claim, you are required, after we obtain written certification that there is no "sinkhole activity", to reimburse us for 50% of the actual costs, up to \$2,500, of the sinkhole analysis and services provided by a professional engineer or professional geologist to conduct testing to determine the cause of loss;

pursuant to Sections 627.7072 and 627.7073, Florida Statutes.

- (4) As a precondition for accepting a payment for a "sinkhole loss", you must file with the county clerk of court a copy of any sinkhole report which was prepared on your behalf or at your request.  
You will bear the cost of filing and recording the sinkhole report.
- (5) You may not accept a "rebate" from any person performing repairs, pursuant to Section 627.707, Florida Statutes.  
If you receive a "rebate", coverage is void and you must refund the amount of the "rebate" to us.

### **Neutral Evaluation Program**

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, SECTION I – CONDITION 6. Mediation or Appraisal, paragraphs 6.a. and 6.a.(1) through 6.a.(5) are deleted and replaced by the following:

#### **a. Neutral Evaluation Program.**

With respect to a resolution of a disputed claim for "sinkhole," "sinkhole activity," "sinkhole loss," or alleged sinkhole loss, a neutral evaluation program is available to either party if a sinkhole report has been issued pursuant to Section 627.7073, Florida Statutes.

- (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) With respect to the resolution of a disputed claim for "sinkhole," "sinkhole activity," "sinkhole loss," or alleged sinkhole loss to property,

Neutral Evaluation applies instead of the Mediation condition 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.  
However, if a party chooses to hire a court reporter or stenographer to contemporaneously record and document the neutral evaluation, that party shall bear such costs.
- (5) The neutral evaluator will be selected from a list maintained by the Department.  
The neutral evaluator must be allowed reasonable access to the interior and exterior of the "principal building" to be evaluated or for which a claim has been made.
- (6) Any reports initiated by you, or an agent of yours, 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.

(7) The recommendation of the neutral evaluator will not be binding on you or us.

(8) 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.

With respect to coverage provided by this endorsement, SECTION I – Suit Against Us, CONDITION 8. is deleted and replaced with the following:

**8. Suit Against Us**

No action can be brought against us; unless:

- a. There has been full compliance with all of the terms of this policy; and
- b. The action is started within 5 years after the date of the loss;

Except that the time for filing suit is extended for a period of 60 days following the conclusion of the neutral evaluation process or 5 years, which ever is later.

All other provisions of this policy apply.