

THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY**SINKHOLE LOSS COVERAGE**

FOR USE WITH FORM TRUE HO 00 03 and TRUE HO 00 05

DEFINITIONS

The following definitions are added:

1. **“Primary structural member”** means a structural element designed to provide support and stability for the vertical or lateral loads of the overall structure.
2. **“Primary structural system”** means an assemblage of “primary structural members”.
3. **“Rebate”** means a remuneration, payment, gift, discount, or transfer of any item of value to you by or on behalf of a person performing the “sinkhole loss” repairs as an incentive or inducement to obtain “sinkhole loss” repairs performed by that person.
4. **“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.
5. **“Sinkhole activity”** means settlement or systematic weakening of the earth supporting the “principal 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.
6. **“Sinkhole loss”** means “structural damage” to the “principal building,” including the foundation caused by “sinkhole activity.” Contents coverage and any additional living expenses apply only if there is “structural damage” to the “principal building” caused by a “sinkhole activity.”
7. **“Structural damage”** means a covered building, regardless of the date of its construction, has experienced the following:
 - a. 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;
 - b. 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;

- c. 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;
- d. 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 sheer plane necessary for the purpose of supporting such building as defined within the Florida Building Code; or
- e. 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

The following is added:

Sinkhole loss.

1. We insure for direct physical loss to the “principal building” under Coverage **A** of your policy 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 must be selected or approved by us.
2. This peril does not increase the limit of liability applying to the covered property.
3. Contents Coverage and Additional Living Expenses apply only if there is “structural damage” to the “principal building” caused by “sinkhole activity”.
4. When Coverage **B** – Other Structures is included in the policy, it is not covered for direct physical loss caused by “sinkhole activity”.

The Section I – Earth Movement and Settlement exclusion **A.2.** does not apply with respect to coverage provided by this endorsement.

The Section I – Loss caused by “Catastrophic Ground Cover Collapse” does not apply with respect to coverage provided by this endorsement.

Sinkhole Loss Deductible

A sinkhole loss deductible 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.

The amount of your deductible is determined by multiplying the Coverage **A** limit of liability specified in your Declarations by the specified percentage amount.

The Sinkhole Loss Deductible is 10% of Coverage **A**.

No other deductible applies to “sinkhole loss.”

SECTION I – EXCLUSIONS

The following is added to the Existing Damage Exclusion.

- c. 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.

SECTION I – CONDITIONS

D. Loss Settlement paragraph **D.3.** is added as follows:

- 3. In the event of “sinkhole loss”:
 - a. We will pay for “sinkhole loss” to the “principal building,” subject to **b.** through **f.** below, up to the applicable Coverage A – Dwelling Limit of Liability shown in the Declarations. Any claim, including, but not limited to, initial claim, supplemental claim, and reopened claim under an insurance policy provides that sinkhole coverage is barred unless notice of the claim was given to us in accordance with the terms and conditions of the policy within two (2) years after you knew or reasonably should have known about the “sinkhole loss”.
 - b. We will pay no more than the actual cash value of the damaged property; not including 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.
 - c. You must enter into a contract for the performance of building stabilization and

foundation repairs within ninety (90) days after the date 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 within ten (10) days after the conclusion of the neutral evaluation process.

- d. 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.
- e. 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.
- f. If repair has begun and the professional engineer selected or approved by us determines that the repairs cannot be completed within the policy limits, we must either:
 - (1) Complete the professional engineer’s recommended repairs; or
 - (2) Pay the policy limits without a reduction for the repair expenses incurred.
- g. 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
 - (1) There is mutual agreement between you and us;
 - (2) The claim is involved with the neutral evaluation process;
 - (3) The claim is in litigation; or
 - (4) The claim is under appraisal or mediation.
- h. If coverage for “sinkhole loss” is available and we denied your claim without testing provided under Section 627.7072, Florida Statutes, you may demand testing in writing, within 60 days after you receive our denial of your claim. You must pay 50 percent (50%) of the actual costs of the analyses and services provided or \$2,500 whichever is less.

If the professional engineer or professional 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.
- i. 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 a sinkhole analysis 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 analyses 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. You are required to pay this reimbursement only if you requested the analysis and services provided and we inform you, in writing, of your potential liability for reimbursement and give you the opportunity to withdraw the claim.

- j. 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.
- k. As a precondition to accepting payment for a “sinkhole loss,” you must file with the county clerk of court, a copy of any sinkhole report prepared on your behalf, regarding the insured property. You shall bear the costs of filing and recording the sinkhole report. The recording does not:
 - (1) Constitute a lien, encumbrance, or restriction on the title to the real property or constitute a defect in the title to the real property;
 - (2) Create any cause of action or liability against any grantor of the real property for breach of any warranty of good title or warranty against encumbrances; or
 - (3) Create any cause of action or liability against a title insurer that insures the title to the real property.

Neutral Evaluation

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, Section I – Condition F. Mediation and Appraisal is deleted and replaced by the following:

F. Neutral Evaluation

- 1. With respect to 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.
- 2. 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).

- 3. For alleged sinkhole loss to property, this program applies instead of the Mediation condition set forth elsewhere in this policy.
- 4. You or we may file a request with the Department for neutral evaluation; the other party must comply with such request.
- 5. We will pay the cost 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.
- 6. 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.
- 7. 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.
- 8. The recommendation of the neutral evaluator will not be binding on you or us.
- 9. Participation in the neutral evaluation program does not change your right to file suit against us in accordance with Condition H. Legal Action Against Us in this policy.

With respect to coverage provided by this endorsement SECTION I – Condition – Legal Action Against Us, H.1. is deleted and replaced with the following:

H. Legal Action Against Us

- 1. No action can be brought against us; unless:
 - a. Notice of the loss has been given to us;
 - b. There has been full compliance with all of the terms of this Policy applicable to an “insured”;
 - c. Any report, investigation or findings regarding a sinkhole loss on property insured under this Policy, obtained by you or by another party on your behalf, are provided to us at least sixty (60) days prior to filing any suit related to “sinkhole activity”;
 - d. If you and we fail to agree on the settlement regarding the loss, prior to filing suit, you must notify us of your disagreement and intent to file suit in writing to allow us an opportunity to exercise our right to demand mediation; and

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- e. The action is started within five (5) years after the date of loss.

Except that the time for filing suit is extended for a period of sixty (60) days following the conclusion of the neutral evaluation process or five (5) years whichever is later.

Condition **H.1.** above is not applicable to an "assignee".

With respect to coverage provided by this endorsement under SECTION I – Condition – Legal Action Against us, the following paragraph is added to Suit By An "Assignee" paragraph **H.2.c.**:

Except that the time for filing suit is extended for a period of sixty (60) days following the conclusion of the neutral evaluation process or five (5) years whichever is later.

All other provisions of this policy apply.