



**FILED**

MAY 9 2007

OFFICE OF  
INSURANCE REGULATION

Docketed by: ALG

OFFICE OF INSURANCE REGULATION

**KEVIN M. McCARTY**  
COMMISSIONER

IN THE MATTER OF:

CASE NO.: 89935-07

**CITIZENS PROPERTY INSURANCE CORPORATION**  
Form Filings FCP 06-13012 and FCP 06-14585  
Rate and Rule Filings FCP 07-06836 and FCP 07-06841  
To revise its policies to include coverage for Catastrophic Ground  
Cover Collapse and to provide coverage for sinkholes by endorsement.

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**ORDER**

TO: Scott Wallace, President  
Citizens Property Insurance Corporation  
101 North Monroe Street, Suite 1000  
Tallahassee, Florida 32301

THIS CAUSE came on for consideration as a result of the filings made by CITIZENS PROPERTY INSURANCE CORPORATION (hereinafter referred to as "CITIZENS") of proposed forms, rates, and rules for the offer of residential property insurance policies which include coverage for Catastrophic Ground Cover Collapse, and provide for optional sinkhole coverage. The OFFICE OF INSURANCE REGULATION (hereinafter referred to as the "OFFICE"), having reviewed the filings and being otherwise fully advised in the premises, hereby finds as follows:

1. The OFFICE has jurisdiction over the parties and the subject matter of these proceedings.

2. CITIZENS has been established in accordance with the provisions of Section 627.351(6), Florida Statutes, as amended, to provide insurance for residential and commercial property qualified risks under circumstances specified in the Statute.

3. Legislation passed in the 2007 Special Session amended Section 627.706(1), Florida Statutes, which requires every insurer authorized to transact property insurance in this state to provide coverage for a catastrophic ground cover collapse and to make available, for an additional premium, coverage for sinkhole losses on any structure.

4. The amended Section 627.706(3), Florida Statutes, also requires that every insurer authorized to transact property insurance in this state make a proper filing with the OFFICE, on or before June 1, 2007, for the purpose of extending the appropriate forms of property insurance to include coverage for catastrophic ground cover collapse or for sinkhole losses.

5. On January 29, 2007, the OFFICE entered Order No. 89060-07 (hereinafter referred to as the "January Order") approving Filing FCP 06-13012, subject to the terms and conditions set forth therein. The filing contained a revised policy form excluding sinkhole coverage and a new optional endorsement to permit policyholders to purchase sinkhole coverage.

6. Citizens has made filings to accomplish the objective of excluding sinkhole coverage from the base policy, offering it as an endorsement, and providing catastrophic ground cover collapse coverage in the base policy. Citizens proposes to offer the endorsement to new and renewal customers as soon as possible.

7. In 65 Florida counties, Citizens will include the endorsement containing the sinkhole coverage with policy renewals. The endorsement will be separately priced, with the

premium shown on the declarations page, and with the opportunity for policyholders to contact their agents to remove the endorsement if they do not wish to purchase sinkhole coverage. In most counties, the cost of the coverage is minimal.

8. In Pasco and Hernando counties, Citizens will send the renewal policy with advance notices, but without sinkhole coverage. If the policyholders in these two counties want to purchase sinkhole coverage, they will need to contact their agents or Citizens directly to add the endorsement to include sinkhole coverage to their policies. In these two counties, the cost of the sinkhole coverage is not minimal, and in some cases is nearly half of the premium for the underlying policy. Recent legislation in both Special Session in January and in the Regular Session for 2007 has been passed to address the escalating cost of insurance in these two counties. Consistent with the legislative intent, Citizens proposes to remove the sinkhole coverage in these two counties as quickly as possible to offer premium reductions to policyholders in Pasco and Hernando counties where the issue of the cost of insurance due to the rising cost of sinkhole coverage is most acute.

9. When sinkhole coverage is not provided in either a new or renewal policy, Citizens will include the following statutorily-mandated language in bold type of not less than fourteen (14) points on the policyholder's Declarations Page: "YOUR POLICY PROVIDES COVERAGE FOR A CATASTROPHIC GROUND COVER COLLAPSE THAT RESULTS IN THE PROPERTY BEING CONDEMNED AND UNINHABITABLE. OTHERWISE, YOUR POLICY DOES NOT PROVIDE COVERAGE FOR SINKHOLE LOSSES. YOU MAY PURCHASE ADDITIONAL COVERAGE FOR SINKHOLE LOSSES FOR AN ADDITIONAL PREMIUM."

**WHEREFORE**, in consideration of the foregoing and being otherwise duly advised in the premises, it is hereby **ORDERED**:

(a) **CITIZENS** shall upload corrections to the following forms within ten (10) days of this Order:

The following items need to be corrected in **Form CIT 23**:

- i) For provision consistency and clarity to the policyholder, please place the Catastrophic Ground Cover Collapse exceptions for the "Earth Movement and Settlement" and "Sinkhole" exclusions in consistent locations within the contract language. Please either position both of these exceptions at the end of the Catastrophic Ground Cover Collapse provision in the left column of page 5, or place the appropriate exception within each of the respective exclusions.
- ii) If Senate Bill 2498 is signed into law, the following will also need to be corrected on **Form CIT 23**: On page 8, provision 10. Loss Payment requires revision for consistency with Section 627.70131(5), Florida Statutes, as amended. On page 12, provision 6. Nonrenewal requires revision for consistency with Section 627.4133(2)(b)3.b., Florida Statutes, as amended. **CITIZENS** should upload these corrections if Senate Bill 2498 is signed into law in time for **CITIZENS** to meet its September 1, 2007, implementation date.

The following items need to be corrected in **Form CIT 17**:

- i) On page 1, it appears "11.c." should instead read "11.b."
- ii) On page 3, at the end of the Catastrophic Ground Cover Collapse provision, it appears "2.b." should instead read "1.b."
- iii) For provision consistency and clarity to the policyholder, please place the Catastrophic Ground Cover Collapse exceptions for the "Earth Movement and Settlement" and "Sinkhole" exclusions in consistent locations within the contract language. Please either position both of these exceptions at the end of the Catastrophic Ground Cover Collapse provision in the left column of page 3, or place the appropriate exception within each of the respective exclusions.
- iv) On page 3, in the left column, it appears paragraph 2.h.(2) should be replaced by (2) rather than (4).
- v) On page 3, in the left column, it appears paragraph 2.h.(3) should be replaced by (3) rather than (5).

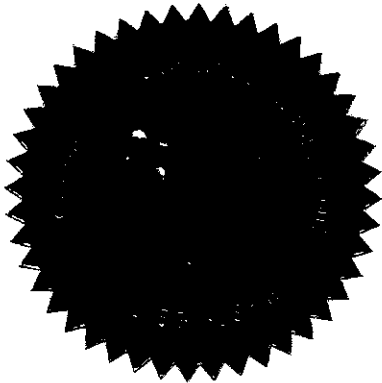
- vi) On page 6, provision 13. Loss Payment requires revision for consistency with Section 627.70131(5), Florida Statutes, as amended.
- vii) Provision 18. Nonrenewal requires revision for consistency with Section 627.4133 (2)(b)3.b., Florida Statutes, as amended.

(b) Filings FCP 06-13012 and FCP 06-14585 are hereby **APPROVED** pending the corrections listed above.

(c) Rate and Rule filings FCP 07-06836 and FCP 07-06841 are **APPROVED** except for the addition of the ex-wind credits in non-High Risk Account areas and the related rule language. These approvals are contingent upon CITIZENS providing amended manual pages and correcting the Rate Collection System submissions within the next ten (10) days.

(d) Order No. 89060-07, issued on January 29, 2007, is hereby superseded by this Order and to the extent of any conflict between the January Order and this Order, this Order controls.

**DONE and ORDERED** this 9<sup>th</sup> day of May, 2007.



  
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Kevin M. McCarty  
Commissioner  
Office of Insurance Regulation

## NOTICE OF RIGHTS

Pursuant to Sections 120.569 and 120.57, Florida Statutes and Rule Chapters 28-106 and 28-107, Florida Administrative Code (F.A.C.), you may have a right to request a proceeding to contest this action by the Office of Insurance Regulation (hereinafter the "Office"). You may request a proceeding by filing a Petition. Your Petition for a proceeding must be in writing and must be filed with the General Counsel acting as the Agency Clerk, Office of Insurance Regulation. If served by U.S. Mail the Petition should be addressed to the Florida Office of Insurance Regulation at 612 Larson Building, Tallahassee, Florida 32399-4206. If Express Mail or hand-delivery is utilized, the Petition should be delivered to 612 Larson Building, 200 East Gaines Street, Tallahassee, Florida 32399-0300. The written Petition must be received by, and filed in the Office no later than 5:00 p.m. on the twenty-first (21) day after your receipt of this notice. Unless your Petition challenging this action is received by the Office within twenty-one (21) days from the date of the receipt of this notice, the right to a proceeding shall be deemed waived. Mailing the response on the twenty-first day will not preserve your right to a hearing.

If a proceeding is requested and there is no dispute of material fact the provisions of Section 120.57(2), Florida Statutes would apply. In this regard you may submit oral or written evidence in opposition to the action taken by this agency or a written statement challenging the grounds upon which the agency has relied. While a hearing is normally not required in the absence of a dispute of fact, if you feel that a hearing is necessary one will be conducted in Tallahassee, Florida or by telephonic conference call upon your request.

If you dispute material facts, which are the basis for this agency's action, you may request a formal adversarial proceeding pursuant to Sections 120.569 and 120.57(1), Florida Statutes. If you request this type of proceeding, the request must comply with all of the requirements of Rule Chapter 28-106.201, F.A.C., must demonstrate that your substantial interests have been affected by this agency's action, and must contain:

- a) A statement of all disputed issues of material fact. If there are none, the petition must so indicate;
- b) A concise statement of the ultimate facts alleged, including the specific facts the Petitioner contends warrant reversal or modification of the agency's proposed action;
- c) A statement of the specific rules or statutes the petitioner contends require reversal or modification of the agency's proposed action; and
- d) A statement of the relief sought by the petitioner, stating precisely the action Petitioner wishes the agency to take with respect to the agency's proposed action.

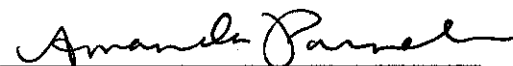
These proceedings are held before a State hearing officer of the Division of Administrative Hearings. Unless the majority of witnesses are located elsewhere, the Office will request that the hearing be conducted in Tallahassee.

In some instances you may have additional statutory rights than the ones described herein.

Failure to follow the procedure outlined with regard to your response to this notice may result in the request being denied. Any request for administrative proceeding received prior to the date of this notice shall be deemed abandoned unless timely renewed in compliance with the guidelines as set out above.

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true and correct copy of this ORDER was sent by Certified Mail to, Scott Wallace, President, Citizens Property Insurance Corporation, 101 North Monroe Street, Suite 1000, Tallahassee, Florida 32301, this 9<sup>th</sup> day of May, 2007.



Amanda Parnell  
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COPIES FURNISHED TO:

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