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BULLETIN

TO: All Property and Casualty Insurance Companies

FR: Paula A. Flowers, Commissioner Paula A. Flowers
Department of Commerce and Insurance

RE: Offer of Sinkhole Coverage Required by Tenn. Code Ann. § 56-7-129

DT: August 18, 2006

The purpose of this Bulletin is to set forth the Department's position regarding the offer of sinkhole coverage and the filings required by Tenn. Code Ann. § 56-7-129 for homeowner property insurance.

Tenn. Code Ann. § 56-7-129(a) provides that:

> Every insurer offering homeowner property insurance in this state shall make available coverage for insurable sinkhole losses on any dwelling, including contents of personal property contained therein, to the extent provided in the policy to which the sinkhole coverage attaches.

Tenn. Code Ann. § 56-7-129(b) further requires:

> Every insurer authorized to transact property insurance in this state shall make a proper filing with the department of commerce and insurance for the purpose of extending the appropriate policy of homeowner property insurance to include coverage for sinkhole losses.

It is the Department's position that the use of the term "homeowner property insurance" extends the requirements of this section to all policy forms intended for owner occupied one (1) to four (4) family residences. Currently this would include owner occupied dwelling fire, farmowners, mobile homeowner, modular or manufactured homeowners, condominium and townhouse owners policies in addition to the homeowner's multi-peril policy, and any future policy intended to cover owner occupied one (1) to four (4) family residences.

As such, companies and rate service organizations currently excluding sinkhole losses under any of the above policy forms are required by the new law to file forms, rules, and, at the company or rate service organization's option, rates, to include sinkhole as an optional or included insured peril under any of the above policy forms offered to consumers in Tennessee.

Companies and rate service organizations that currently provide sinkhole coverage for no additional premium within the above policy forms or by means of a mandatory endorsement to the above policy forms do not need to make any additional filings as a result of this new section. Additionally, no new filings are required of companies and rate service organizations currently offering sinkhole coverage as an optional extension of coverage by endorsement for an additional premium to the above policy forms.

As the effective date of Tenn. Code Ann. § 56-7-129 is January 7, 2007, insurers needing to make filings to comply with the new law should do so by December 7, 2006, in order to ensure compliance with Tenn. Code Ann. § 56-5-305.

Should you have any questions concerning this Bulletin, please contact the Actuarial Services Section of the Insurance Division at 615-741-2333.