

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 291 - HB 253

March 3, 2015

**SUMMARY OF BILL:** Replaces “covered building” with “covered structure” in statute with regard to insurance policies covering sinkhole losses. Defines a covered structure as any structure, including the personal property contained in the structure, to the extent covered under the terms of the policy. Effectively increases the personal property that sinkhole loss coverage must include.

**ESTIMATED FISCAL IMPACT:**

**NOT SIGNIFICANT**

Assumptions:

- Currently sinkhole loss coverage extends to a residential building, its foundation, floor slab, and footings supporting the building.
- This legislation would require that such coverage include personal property damaged by a sinkhole.
- The Department of Commerce and Insurance will enforce the provisions of the bill through reviewing and approving insurance company policy forms and through reviewing and processing complaints against insurance companies will not significantly increase the workload of the department.
- This will not affect state government coverage, as state buildings are self-insured for property and injury claims and the Department of Treasury, Risk Management Division, holds a catastrophic casualty policy for all state buildings (including Higher Education) with policy limits of \$750 million.

**IMPACT TO COMMERCE:**

**Other Fiscal Impact - Due to numerous unknown factors, the increase in accepted claims and subsequent increase in premium revenue is unable to be determined, but the net impact is estimated to be not significant.**

Assumption:

- Due to this legislation, sinkhole losses involving personal property could result in an increase in claims made against insurers. If claims from sinkhole losses increase, insurers will subsequently increase premiums to cover any such increase in expenses; however, any claims made are dependent on numerous unknown factors, including, but

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not limited to, the exact policy underwritten and the value of the personal property destroyed by a sinkhole. Any such increase in premiums and claims cannot reasonably be determined, but the net impact is estimated to be not significant.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Jeffrey L. Spalding". The signature is written in a cursive style with a large, looped initial "J".

Jeffrey L. Spalding, Executive Director

/jdb