



**CABRILLO COASTAL**  
*General Insurance Agency, Inc*

**SCOTT McPHERSON**  
**SALES MANAGER - NORTH FLORIDA**

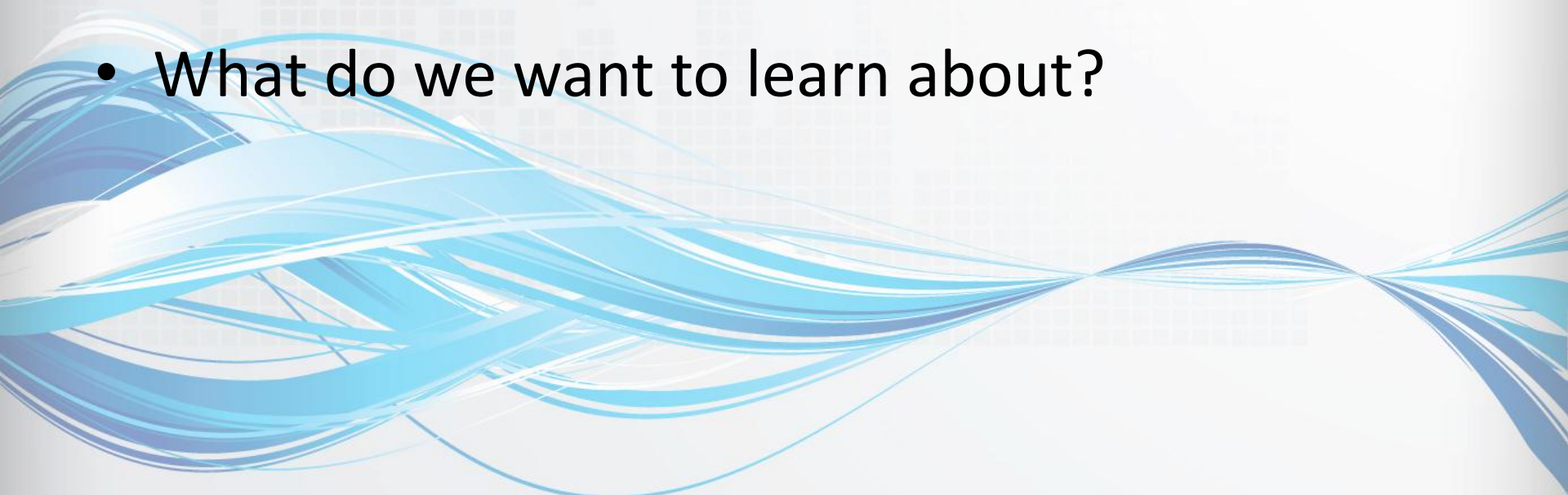
E-Mail: [smcpherson@cabgen.com](mailto:smcpherson@cabgen.com)

Cell: 352.672.7637

# ABOUT CABRILLO COASTAL

- **Exclusive MGA for Safe Harbor Insurance Co.**
- **Handle all aspects of policy management from systems to service; claims handled through Harbor Claims – a sister company of Cabrillo Coastal.**
- **Write Homeowners, Rental Properties (Dwelling Fire), Condominium Unit-Owners, and Mobile Home Insurance**
- **Based out of Gainesville, FL**

# Sinkholes in Florida

- What do we know?
  - What do we want to learn about?
- 

# Why is the industry freaking out?

- Since 2006, a significant and dangerous increase in frequency of sinkhole claims.

	Closed Claims	Total Expense	Expense Per Claim	Total Indemnity	Indemnity Per Claim
<b>2006</b>	2,254	\$28,347,486	\$12,577	\$163,876,153	\$72,705
<b>2007</b>	3,334	\$42,190,576	\$12,655	\$263,003,683	\$78,885
<b>2008</b>	3,577	\$37,784,992	\$10,563	\$225,229,165	\$62,966
<b>2009</b>	4,671	\$41,870,403	\$8,964	\$220,270,928	\$47,157
<b>2010*</b>	1,876	\$11,779,436	\$6,279	\$34,767,071	\$18,533
	Open Claims	Total Expense	Expense Per Claim	Total Indemnity	Indemnity Per Claim
<b>2006</b>	106	\$3,312,887	\$31,254	\$13,650,675	\$128,780
<b>2007</b>	508	\$11,372,170	\$22,386	\$52,279,347	\$102,912
<b>2008</b>	954	\$17,862,248	\$18,724	\$72,474,973	\$75,970
<b>2009</b>	2,574	\$29,525,972	\$11,471	\$114,626,167	\$44,532
<b>2010*</b>	4,817	\$21,093,635	\$4,379	\$49,386,061	\$10,252
<b>Total</b>	8,959	\$83,166,912		\$302,417,223	
<b>Grand Total</b>	24,671	\$245,139,805		\$1,209,564,223	

Source: 2010 OIR Data Call – 2010 data collected as of Sept. 21, 2010

# **From the Office of Insurance Regulation**

**In 2010, Citizens Property Insurance Corporation collected \$32 Million in Sinkhole Premium, but paid out \$245 Million in Sinkhole claims**

**The average cost for Citizens to evaluate a sinkhole has ranged from approximately \$8,061 to \$10,116 between 2005 and 2009.**

**Citizens reports that it undertakes these geotechnical evaluations in 82 percent of the claims filed.**

# So what? There are more sinkholes in Florida...I still don't know why it's a big deal.

The other side : “Over development has left the ground susceptible to sinkholes. Plus, while sinkholes occur in other U.S. states, Florida is more prone to sinkhole related problems because of underground limestone that dissolves under certain conditions, especially in areas that have been over developed, according to many leading geologists.”

Source: [www.floridainsurancelawerblog.com](http://www.floridainsurancelawerblog.com)





# *The problem is...many homes are NOT being fixed*

- People are taking the money, but are not fixing the home
  - Paying off mortgages
  - Buying a boat
  - Making other investments

**Non-represented Claimants**

56% of homes not repaired

40% satisfied mortgage or transferred property

**Represented Claimants**

79% of homes not repaired

58% Satisfied mortgage or transferred property

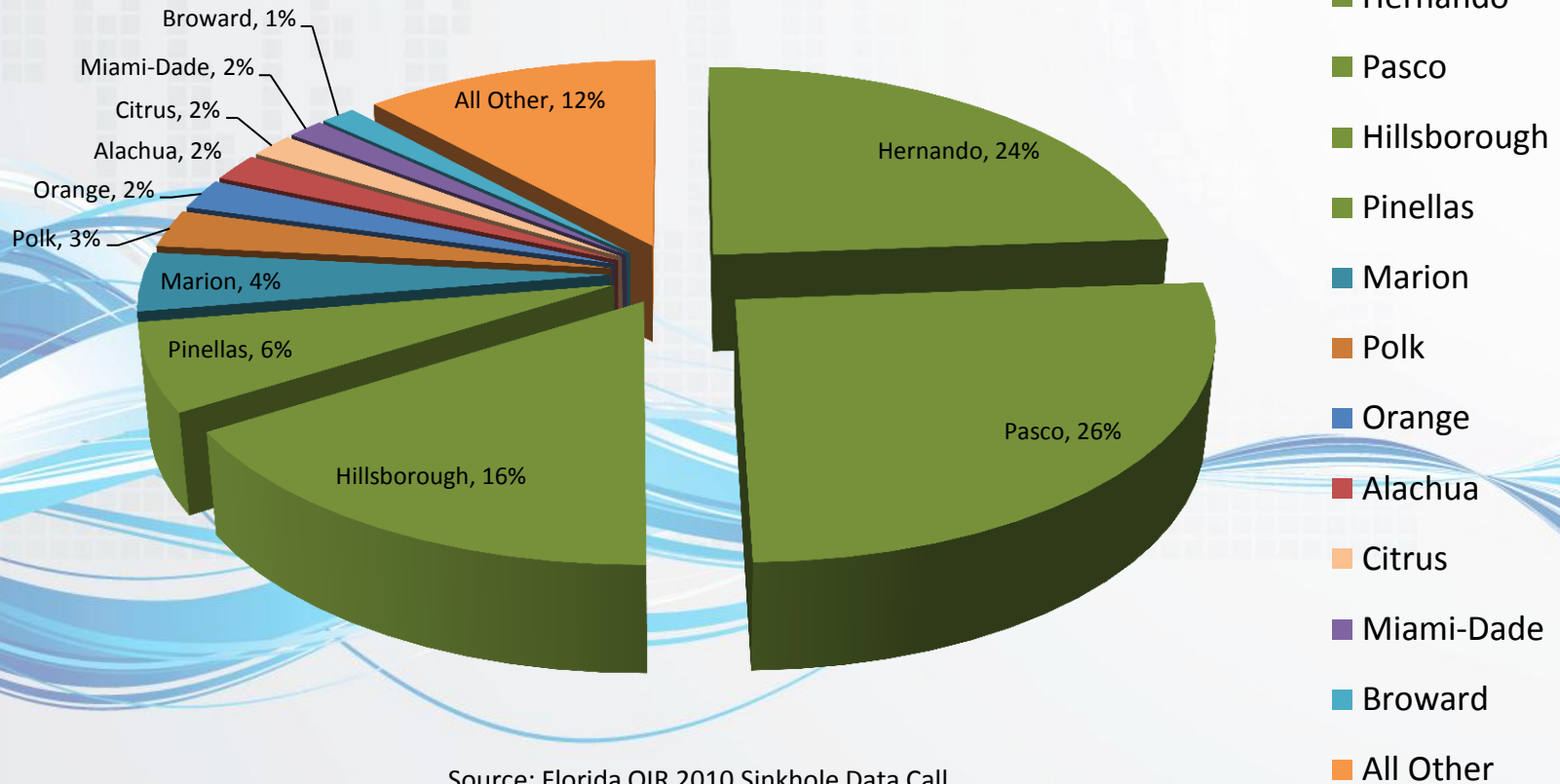
Source: OIR Data Call - Data provided by HomeWise Preferred Insurance Co.

- Though there is an obligation to report if damage was fixed, this wasn't always done either.
- In addition – there had not been a reputable database made available that accurately tracks paid/unpaid sinkhole claims



# What's worse...it's become quite the industry

2006 - 2009



Source: Florida OIR 2010 Sinkhole Data Call

From 2006 – 2009, over 72% of the industry's sinkhole claims came from **Pinellas, Hillsborough, Pasco, and Hernando County!**

# From the newspapers...

**/PR/ink** PAID PRESS RELEASES | Underprivileged children and families | New franchise targets coffee lovers with a taste for | ima

**Tampa Bay Times** Join us on [tampabay.com](http://tampabay.com) for live coverage of the Florida P

## Tampa Bay Times

**Most emailed**

- Sports on TV/radio
- A hint of big changes at St. Petersburg's BayWalk
- When pythons take over Everglades, raccoons, rabbits and other small mammals vanish
- Donkey 'Fear Factor' episode with Tampa Bay twins pulled
- Why Winn-Dixie is being sold to Bi-Lo

**Popular**

- Doctor says an oil lessened Alzheimer's effects on her husband
- Sinkholes become Florida's latest insurance disaster
- Dubious sinkhole repairs raise costs and questions of fraud
- St. Petersburg

### Dubious sinkhole repairs raise costs and questions of fraud

By Susan Taylor Martin and Dan DeWitt, Times Staff Writers  
In Print: Monday, January 2, 2012

A billboard along U.S. 19 touting Advanced Pier Technology offers to pay cash for homes damaged by sinkholes. Advanced Pier Technology co-owner Taylor Yarkosky, above, advertises on TV and on billboards as "The Sinkhole Guy."



[WILL VRAGOVIC | Times]

The engineer who was supposed to monitor the job rarely if ever showed up.

The cement trucks that were supposed to pump grout into the ground sometimes left nearly full.

And one contractor joked that the work was a "perp" — perpetrating fraud on the insurance company that paid him hundreds of thousands of dollars to stabilize sinkholes.

It was a scenario allegedly repeated

The engineer who was supposed to monitor the job rarely if ever showed up.

The cement trucks that were supposed to pump grout into the ground sometimes left nearly full.

And one contractor joked that the work was a "perp" — perpetrating fraud on the insurance company that paid him hundreds of thousands of dollars to stabilize sinkholes.

It was a scenario allegedly repeated time and again at homes throughout Florida's "sinkhole alley" from Orlando to Tampa Bay.

www.tampabay.com/news/article1208473.ece

Coastal CabGen - Report Claims Leon County Property ... GeoVera ADP ezLaborManager ... FreeConference IPWS Filing Search Insurance Journal - Pr... FAIA

- Gov. Rick Scott wants to know: How would you describe the 2012 legislative session?
- Raid from last year uncovers guns, elaborate escape tunnel in home near Brooksville
- SPC president at Seminole chamber luncheon

drop sinkhole coverage. He gets \$260,000.

Insurance companies forked out more than a half-million dollars on these three houses alone, but the cracks and gaps are still there. None of the owners used the money to make repairs.

The house "can fall in the ground for all I care," said retiree John Backer, who invested his \$260,000 payout. "I made my money already."

According to an investigation by the *Tampa Bay Times*, Backer is among hundreds of Floridians — especially those in the "sinkhole alley" of Hernando, Pasco, Hillsborough and Pinellas counties — who have paid off mortgages, put in pools, replaced roofs or otherwise used money from sinkhole claims to do something besides fix sinkhole damage.

The result: Homes from Brandon to Port Richey to Weeki Wachee sit unrepaired, decimating property values and draining millions of dollars in tax revenue from local governments already hard hit by the recession.


Since 2005, the Florida Legislature has repeatedly tried to find ways to ensure that legitimate sinkhole damage is covered and repaired while cutting down on the number of questionable claims. The latest attempt came in May with major

**New Policy in Florida**  
[Feb 2012] If you drive 2 hours/day or less you better read this...  
**Wam!**

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Source: <http://www.tampabay.com/news/article1208473.ece>  
- Tampa Bay Times , Jan 1, 2012

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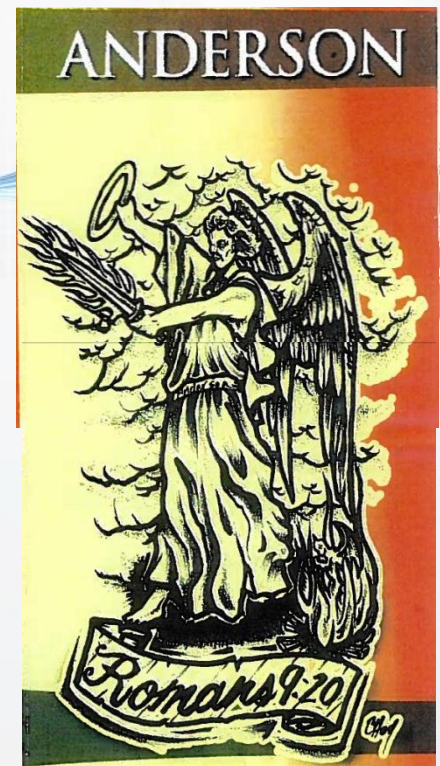


## Examples of how sinkhole remediation has been marketed

**Let ANDERSON come into your life and direct you.**

**He will be your Guardian Angel as he guides you through all the steps of your sinkhole remediation starting with your initial inspection.**

**Open your door to your Sinkhole Advocate.**



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**PLEASE READ ENTIRE DOCUMENT CAREFULLY**

**RE: Sinkhole Analysis**

**Issued Date: March 3, 2011**

Dear Homeowner,

On January 12, 2011 Senate Bill 408 was submitted into legislature. Bill 408 makes numerous changes to laws related to sinkhole insurance coverage. **This bill will go into effect June 1, 2011.** Some changes include:

- Rate increases by the insurance company
- Percentage of sinkhole testing fees to be paid by the homeowner
- Applying your deductible to the cost of the investigation
- Having an inspection of the property in order to qualify for sinkhole coverage
- Redefining the definition of "structural damage"
- Eliminating catastrophic coverage on commercial policies
- New sinkhole testing results must have structural damage to qualify

We are offering a **FREE** sinkhole inspection analysis in your area. If your property has signs of settlement damage or sinkhole activity, contact us now while you still have sinkhole coverage.

We anticipate a high level of demand for inspections so please stay on the line. Operators are available to take your call Monday-Friday 9:00AM-5:00PM EST. **CALL NOW AT 352-340-6959**

2012

### Is it easier for insurance companies to simply not issue sinkhole coverage rather than trying to calculate the risk?

0 tweets

Q: I am in agreement that the "Sinkhole Survey" inspections are an underhanded (and illegal) tactic to reduce their liability.

FS 627 706(1)(b) states that the "... insurer shall make available, for an appropriate additional premium, coverage for sinkhole losses on any structure..." It goes on to say that the insurer can inspect the property prior to issuing coverage, but it gives no latitude for them to completely deny coverage.

What they are doing is being lazy and denying coverage completely, rather than calculating the appropriate premium increase based on risk.

Where are the lawyers regarding this matter? I'm not hearing much.

This is a good question and brings an interesting take on the prior post we did on this topic. Have insurance companies found that it is simply easier to deny the sinkhole endorsement than trying to calculate the risk of providing the coverage? Sinkhole coverage is a huge risk for insurance companies, I don't think anyone would question that. Sinkholes are everywhere and can be costly to repair. The number of sinkhole claims had been on the rise the past several years not necessarily because more sinkholes were occurring but because the awareness of the issues and problems had increased to the point that homeowners are much more cognizant and educated now. The combination of those factors does make sinkhole coverage risky. But aren't you in the risk business? To be a successful company don't you need to be able to properly calculate risk. That is comparable to my firm only accepting cases that were slam dunk winners or on the other end, accepting every single case that was brought to me. We have to calculate the risk of accepting files and that skill makes a successful law firm. I agree with the above post and comment and think that

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Posted January 16, 2012 by Filed under:

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Morgan Barfield, Esq.

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Discuss Issues. Discover Solutions.™

SEP 15 2011

### SINKHOLES IN THE NEWS

#### Citizens backs off huge sinkhole rate hike and proposes phased plan of increases

0 tweets

The news that Citizens had requested and seemingly been approved to increase sinkhole insurance coverage rates by as much as 2,000% did not sit well. A town hall type meeting was held at the Tampa Convention Center to allow residents and supporters of homeowner's rights an opportunity to discuss the issues. There was a good turn out and apparently something worked because Citizens has seemed to back off the issue slightly. The board voted to increase sinkhole coverage premiums by 50% for the year with the ability to review the rates annually. This means that Citizens will be able to gradually increase the rates for the coverage eventually making it unaffordable. For many Florida homeowners, even a 50% rate increase will still make sinkhole coverage unaffordable but, in this industry we have to take whatever victory we can, no matter how small.

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Posted September 15, 2011 by Filed under: Morgan Barfield Comments and trackbacks are open. Follow the comments feed.

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Is all the paperwork giving you a major headache? Find out how The Barfield Law Group

Sinkholes and Neighborhood Sinkhole Activity

Insurance Policies & Coverage Issues

Citizens begins slow downsizing effort

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## Neutral Evaluation...in summary

- Process by which a third party, licensed and approved by the state, evaluates the sinkhole claim to deem if sinkhole is present and culpable for covered loss.
- Insurance Company is bound to follow the results of the Neutral Evaluation

### **Appleby vs. Royal Palm Insurance Company, 11-329-CA (Fla. 20<sup>th</sup> Jud. Cir. October 6, 2011**

- Trial court found Neutral Evaluation statute is unconstitutional. Noted the admissibility of the report into trial encroaches upon the powers of the judiciary, the evidence code and the Insureds' due process right.
- So basically, the insured can go to Neutral Evaluation, and if its found that sinkhole was not a cause of loss, they can say it was unconstitutional

# The End Result?

- Reduction in Tax Roll
  - Elimination of jobs
  - Reductions in service
  - Increase in taxes
- Higher Insurance Premiums
- Less competitive Insurance Market
- De-capitalization of Insurance Market
- Saturation with Citizens in vulnerable areas
- Fees for ALL Florida Citizens via Assessments



pm/news/news/2011/sep/16/administrator-files-sinkhole-claim-ar-258262/

Claims PA Leon County Property ... GeoVera ADP ezLaborManager ... FreeConference IFWS Filing Search U Insu

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**NEWS**

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**Administrator files sinkhole claim**

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HAYLEY MATHIS/STAFF



County Administrator David Hamilton is asking for tax relief on his Spring Hill home after possible sinkhole activity was discovered.

Pasco-Hernando

February 18  
Tickets: \$30 center, \$25  
Discounts Available  
Box Office Hours: M-F 10

Most Popular

1. The Paterno scape

Hernando County is losing some \$150,000 a year in tax revenue due in part to bogus sinkhole claims, according to the property appraiser's office.

Source:

<http://www2.hernandotoday.com/news/news/2011/sep/16/administrator-files-sinkhole-claim-ar-258262/>

The Tampa Tribune - Sept 16, 2011

Property Appraiser Alvin Mazourek has said the number of sinkhole claims has increased at an unprecedented rate in Hernando County.

In 2005, the property appraiser's office received 58 requests from property owners requesting a market value adjustment due to certified engineer-confirmed sinkhole activity on their property.

As of October 2010, the property appraiser's office received more than 1,700 sinkhole claims in an attempt to lower the market value on properties.

Raymond Woolever, chief executive officer of Brooksville-based L.R.E. Ground Services, told Hernando Today recently there is no doubt there are unscrupulous companies throughout Florida preying on people's fears of sinkhole activity on their property.

The results, in many cases, are insurance claim payoffs to homeowners, many of whom may not even have legitimate sinkhole activity.

"People are making money off of it and they know how to play the system — they know how to do it," Woolever told Hernando Today.



\$30,000  
X  
1,200  
\$36,000,000  
in taxable  
value

The increased sinkhole activity is costing Hernando County millions.

"To date we've had \$173-million taken off the tax rolls because of sinkholes," stated deputy appraiser John Emerson.

After a sinkhole is detected, a home loses 50-percent of its assessed value immediately. Even after all the repairs, there is a permanent 10-percent reduction in assessed value.

An average of 100 sinkholes are reported every month. At the current rate, there will be 1,200 sinkholes in Hernando County by year's end. That will cost the county huge chunks of property tax revenue.

"The average taxable value of a home this year, 2011, is roughly \$62,000," Emerson said. "If you cut that in half, \$30,000, multiplied by 1,200 parcels, that's quite a bit of money."

In the meantime, Ron Rueff hopes he can keep up.

"It's active. It's extremely active now, more so than it has been in previous years."

# Just in case you missed it...

# Remember the data of non-repaired homes?

The screenshot shows the Florida Department of Financial Services website. At the top, it identifies Jeff Atwater as the Chief Financial Officer. The main navigation bar includes Home, News, Contact Us, About the Agency, Español, and Search. A left sidebar lists various services like MyProfile, Licensing & Compliance, and Education Central. The main content area is titled 'DIVISION OF AGENT AND AGENCY SERVICES' and features a 'Notice of Liquidation of HomeWise Insurance Company'. The notice text states that on November 18, 2011, HomeWise Insurance Company was ordered into receivership. It further details that HomeWise Insurance Company is a property and casualty insurance company located in Tampa, Florida, licensed in Florida and Louisiana. A 'POLICY ISSUES' section explains that HomeWise had approximately 77,500 active policies as of October 31, 2011, and that all Florida policies were assumed by Homeowners' Choice Property & Casualty Insurance Company effective November 1, 2011.

## HomeWise Insurance Ordered Into Liquidation

November 30, 2011



By Rick Cornejo

A.M. Best Company, Inc.

Florida-based homeowners writer HomeWise Insurance Co. has been ordered into liquidation. The move comes days after HomeWise sold off its Florida and Louisiana homeowners books.

The insurer was deemed insolvent under Florida statutes, according to court documents. HomeWise had direct premiums written of \$26.6 million and a policyholders' surplus of \$9.7 million in 2010, according to BestLink. It suffered a net loss of \$9.2 million that year.

The Florida Insurance Guaranty Association will help pay outstanding claims, according to the FIGA website. The maximum amount FIGA will cover is generally \$300,000 per claim. An additional \$200,000 is available for structure and contents on homeowners' claims.

However, the insurer recently sold its Louisiana and Florida books of business (Best's News Service, Nov. 14, 2011). Lighthouse Property Insurance Corp. bought more than 11,000 Louisiana policies, representing in-force premiums of about \$25 million. Terms of the deal were undisclosed. Starting Jan. 1, the policies will be renewed on Lighthouse paper, according to Lighthouse. Earlier, up to 70,000 HomeWise Florida homeowners policies were acquired by Homeowners Choice (Best's News Service, Nov. 10, 2011). Homeowners Choice Chief Executive Officer Paresh Patel said during a conference call earlier this month that HomeWise was "effectively exiting the Florida business, the Florida insurance market."

HomeWise's affiliated company, HomeWise Preferred Insurance Co also was recently placed into liquidation. HomeWise Preferred became insolvent because of sinkhole-related claims (Best's News Service, Sept. 6, 2011). Sinkhole claims more than tripled in Florida between 2006 and 2009, according to a study last year by the Florida Office of Insurance Regulation. The OIR reported that 66% of claims are concentrated in three counties -- Hernando, Pasco and Hillsborough. However, there is an increase in reported sinkholes in parts of south Florida, including Miami-Dade and Broward counties, where sinkholes historically haven't been an issue.

# Recent changes to laws regarding sinkhole loss

## *SB 408 Highlights*

- Definition of sinkhole limited to the covered building and foundation
- Changes to definition in “structural damage”
- Changes to testing procedures
- Time to report is 2 years
- Holdback – Insurer may pay Actual Cash Value until a contract to repair has been entered.
- Limit on earnings for Public Adjusters
- Changes on advertising rules for Public Adjusters (eg. No more rebates)

## **Insurance Industry Responses**

- 10% Deductible on sinkhole losses
- Mandatory inspections before coverage is offered

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CLAIM ASSISTANT.COM

Common Questions...



We are all different, but that does not mean we cannot agree!

FIRST TIME USER?

USER LOGIN >>

Username

GO

FORGOT PASSWORD?

## Claim Forum

Exchange Information



get started

A fast and easy way to establish claim information. Exchange insurance claim documents and photos immediately in a secure environment. Promote and agreement with

## Mediation

Resolve Disputes



get started

Resolve your difference without the added expense of a meeting. If a mediator is needed, limit the time spent by clearly defining the issues.

## Appraisal

Define Value



get started

Effectively manage and evaluate differences efficiently. Focus efforts on disagreements by eliminating areas of agreement. Compare complex estimates to identify areas of disputes.

# What solutions are provided?

- *Ability to underwrite for Sinkhole Exposure before providing coverage.*
- *Predicts future Claim Exposure and areas trending upward for risk management.*
- *Identify application and coverage defenses on reported claims.*
- *Evaluates connections among parties profiting from sinkhole claims.*



# What are the Benefits?

- *Over 63,000 records of indicators on properties with sinkhole issues.*
- *Over 34,000 unique records of reported sinkhole claims.*
- *Records dating back over 20 years.*
- *Detailed information for identifying trends and coverage issues.*
- *No other comprehensive resource of this size and quality available anywhere.*



# Contact Information:

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