

By **LESLIE SCISM**

The website for Timothy Zeak's insurance-claims adjustment company in Lakeland, Fla., includes an aerial photo of a sinkhole swallowing part of a residential neighborhood. "Making the odds even," says Mr. Zeak's homepage, which touts his success helping policyholders win payments from insurers.

An army of public adjusters with fliers, billboards, websites or phone-call pitches made to consumers is helping fuel what regulators call a surge in sinkhole-related property-insurance claims. For example, Citizens Property Insurance Corp., the largest insurer of Florida homes, gets about 200 sinkhole claims a month, nearly double the rate a year ago.

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St. Petersburg Times/Zuma Press

Florida insurers want new laws to prevent frivolous sinkhole claims. Here, a Tampa-area sinkhole last year.

"It's an alarming increase," says Susanne Murphy, chief administration officer of Citizens, a state-run insurer. Some Florida officials are worried that sinkhole claims could threaten the solvency of weaker small insurers, including companies that the state helped nurture to expand the availability of hurricane insurance.

The number of public adjusters, who are hired directly by policyholders, has grown to 2,914 as of 2009 from 678 in 2004, according to a January report by state public-policy analysts. And since public adjusters typically earn as much as 20% of a claims payout, some likely are encouraging consumers to pursue questionable sinkhole claims, some regulators say, especially given the lack of major hurricane damage since Hurricane Wilma hit in 2005.

Adjusters have had to "direct their attention elsewhere," says Kevin McCarty, commissioner of Florida's office of insurance regulation. "It's like Whac-A-Mole."

Public adjusters say the surge in claims for sinkholes, or depressions in the land surface that can undermine a home's stability, isn't their fault. Overdevelopment has left ground susceptible to sinkholes, they say. Another reason for the jump: Some homeowners are trying to protect themselves in case insurers make coverage cutbacks.

So many insurers are citing sinkholes in rate-increase requests that Florida's insurance department asked insurers last month to submit four years of sinkhole-claims data. A legislative committee also is gathering information. Many insurers in Florida have won double-digit percentage rate increases, while others are seeking approval for rate increases.

Sinkholes occur in other U.S. states, but Florida is more prone to problems because of underground limestone that dissolves under certain conditions, according to geologists.

While giant sinkholes grab most of the attention, claims often stem from cracks in driveways and walls. Citizens says its average sinkhole claim last year cost the insurer \$86,297. The insurer paid out a total of \$97 million—or five times the premiums collected from policyholders for sinkhole coverage.

While the trend cuts across all types of insurers, such costs can be especially painful to about two dozen insurers that Florida officials helped launch during the past decade, regulators and executives say. A state requirement that the insurers buy large amounts of reinsurance for storm claims leaves them with tight budgets for sinkholes and other non-catastrophic claims.

"Gone unchecked, this [rise in sinkhole claims] could have a very significant destabilizing effect on an already-fragile market," Mr. McCarty says.

It costs about \$10,000 just to verify the presence of a sinkhole, says Ms. Murphy, the Citizens executive. Under current law, even if experts can't rule out a sinkhole, the insurer might still be on the hook for repairs caused by normal foundation settlement that could safely be ignored, she adds.

Insurers have pushed for changes in the law that would include specifying the amount of sinkhole damage that could trigger a claim, such as a dip in the foundation by a certain number of degrees.

Many insurers also want tighter restrictions on public adjusters. Florida has 16 public adjusters per 100,000 residents. Other disaster-prone states have one to seven adjusters per 100,000 residents, according to state researchers.

Mr. Zeak, president and chief executive of Florida Public Adjusting, blames politicians for the problems. "Authorities have allowed many large subdivisions to be built in areas known to be prone" to sinkholes, he says.

One of Mr. Zeak's customers, Sean Alderman, says the adjuster gave him "more justice" than any of the other parties he dealt with about his house in Lakeland, Fla. An insurer recently paid out \$1.6 million on Mr. Alderman's sinkhole claim, he says.

The car salesman and owner of trucking and debris-removal firms is fighting in court with a contractor who was involved in stabilizing the house by pumping concrete beneath it.

Some homeowners have complained to regulators and lawmakers about aggressive advertising by adjusters and lawyers, including some who blanket neighborhoods with fliers and phone calls. On an expressway in Tampa, Fla., a billboard touting a lawyer looking for cases screams "SINKHOLE DAMAGE?" with large capital letters sinking into mowed grass.

Mr. McCarty, Florida's top insurance regulator, says he wants legitimate sinkhole claims to be paid by insurers. But vulnerable homeowners who are scared "into believing you have a sinkhole" could wind up "being involved in a fraudulent claim" that also hurts their property value and pushes premiums higher, he says.

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