

# Development of Sinkhole Assessment Methodology

Confidential Insurance Client



*karst geology  
insurance claims  
geotechnical investigation*

Terraphase was retained by an insurance company writing household insurance policies in Florida which covered damages due to “sinkhole activity.” Under then Florida law, homeowners could claim sinkhole “activity” was affecting their home (a single crack in stucco was sufficient to make a claim), leaving the insurance company to investigate the claim and prove the negative (that sinkhole “activity” was not occurring). Between 2006 and 2010, there were 24,671 open and closed sinkhole claims in Florida with \$1.4 billion in total sinkhole costs.

Local geotechnical firms benefited, because insurance companies were required to investigate all sinkhole damage claims – and had little incentive to not find “sinkhole activity.” Investigating sinkholes had become a large part of their business in 2010 as development work had dried up during the recession. Homeowners, many upside down on mortgages, were highly motivated to find sinkhole activity to get out from under their debts.

Terraphase prepared a methodology to assess sinkhole “activity” claims that could be implemented cost-effectively to assess whether cracks in stucco surfaces were due to sinkholes rather than expected wear and tear. The methodology involved developing conceptual site models for each structure to assess what potential cause the damage pattern in the structure was compatible with: sinkhole activity, poor construction, or expansive clays.

The insurance company implemented the Terraphase methodology with a new group of geotechnical firms and was pleased with the results. Florida changed the laws associated with sinkhole activity in 2011 requiring that there be structural damage to a home before an insurance claim could be made. Sinkhole damage claims fell by 95% once the law changed.

If you have already retained a lawyer for this matter please disregard this postcard.

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