

Sinkholes - Are They Covered?

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Twenty percent of the land in the United States is susceptible to sinkholes, according to the United States Geological Survey (USGS). Sinkholes appear around the world, often without warning, causing nearly \$300 million in damages each year. Helping clients understand the complicated issues surrounding sinkholes and insurance is another value-added service of the professional insurance agent.

Sinkholes can be natural or result from human activity, such as construction or well drilling. Heavy rains or mining can also accelerate sinkhole development. They may occur suddenly or gradually, and range in size from 3.3 to 2,000 feet in width and depth. They may be a soil-lined hole or a chasm edged in bedrock (www.wikipedia.org). Naturally occurring sinkholes develop when underground water washes away soft rock, typically limestone, below the surface, leaving a cavern below. When the cavern gets large enough, the ground above it collapses, causing a sinkhole.

While sinkholes can occur anywhere in the world, in the United States they are most common in Texas, Alabama, Missouri, Tennessee, Pennsylvania and Florida. In Pennsylvania the problem is magnified by the presence of coal mines. Holes in the ground may arise from mine subsidence and not be sinkholes. Florida averages 17 sinkhole insurance claims per day. New York

Typically, sinkholes are classified in three categories: Solution, Cover Collapse and Cover Subsidence. Solution sinkholes have a small layer of dirt over underlying bedrock, exposing bedrock to erosion by water. Cover Collapse sinkholes occur where a deeper layer of dirt covers the bedrock. Water action on the rock leads to cracks in the surrounding area, eventually leading to sinkholes. Cover Subsidence Sinkholes occur gradually. The bedrock is covered by materials that are not tightly knit together, such as sand.

Damage from naturally occurring sinkholes is excluded from coverage under standard personal lines and commercial policies. Some states, including Florida and Tennessee, require that insurers offer sinkhole coverage for an additional premium. This can be either as an endorsement or a stand-alone policy. Coverage is available for buildings and personal property damaged by sinkholes at the insured location.

Florida admitted insurers are required to include coverage for "catastrophic ground cover collapse" in their standard homeowners policies. This is more restrictive than sinkhole coverage. Catastrophic ground cover is required for damage that would make the home uninhabitable, which is defined by geological activity that meets four criteria: The abrupt



collapse of the ground cover. A depression in the ground cover clearly visible to the naked eye. Structural damage to the covered building, including the foundation. The insured structure being condemned and ordered to be vacated by the governmental agency authorized by law to issue such an order for that structure. All four criteria must be met.

Cracking or settling of foundations is not sufficient to trigger coverage. Personal property is covered only if it is actually damaged by catastrophic ground cover collapse.

While less common, large sinkholes periodically occur in the tri-state area. The summer of 2019 saw massive sinkholes in Perth Amboy, NJ and Brooklyn, NY, Both were caused by broken sewer mains under the roadway.

Regardless of the coverage available, homeowners and business owners should be proactive if they live in areas where sinkholes are known to occur. Evidence of gradually occurring sinkholes can include depressions in the ground, or cracking roads or sidewalks. In areas where sinkholes are common, water should be used sparingly during times of drought. Proper maintenance of underground pipes and other systems, such as utilities, can prevent sinkhole occurrence, by reducing water leaks that can erode the surrounding soil and rock.

Sinkholes cause millions of dollars in property damage and injury. Helping clients adjust to the changes and challenges imposed by the sharing economy is another value-added service of the professional insurance agent.

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