

TECH TALK

Sinkhole Collapse ... Is it an Issue in Massachusetts? Is it Covered if it is? **CORRECTED VERSION**

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Ever since the last sinkhole in Florida that “ate” the house and the sleeping owner, I have received a few email questions regarding coverage under the HO policy.

First ... Sinkhole is NOT Covered Under the HO or DP Policy

The ISO HO-3 (HO-2000 below but similar language under ISO's HO-91 or HO-2011)

SECTION I – EXCLUSIONS

A. We do not insure for loss caused directly or indirectly by any of the following. Such loss is excluded regardless of any other cause or event contributing concurrently or in any sequence to the loss. These exclusions apply whether or not the loss event results in widespread damage or affects a substantial area.

2. Earth Movement

Earth Movement means:

- a. Earthquake, including land shock waves or tremors before, during or after a volcanic eruption;
- b. Landslide, mudslide or mudflow;
- c. Subsidence or sinkhole; or
- d. **Any other earth movement including earth sinking, rising or shifting;**
caused by or resulting from human or animal forces or any act of nature unless direct loss by fire or explosion ensues and then we will pay only for the ensuing loss.

This Exclusion A.2. does not apply to loss by theft.

The ISO DP-3 states:

GENERAL EXCLUSIONS

A. We do not insure for loss caused directly or indirectly by any of the following. Such loss is excluded regardless of any other cause or event contributing concurrently or in any sequence to the loss. These exclusions apply whether or not the loss event results in widespread damage or affects a substantial area.

2. Earth Movement

Earth Movement means:

- a. Earthquake, including land shock waves or tremors before, during or after a volcanic eruption;
- b. Landslide, mudslide or mudflow;
- c. Subsidence or sinkhole; or
- d. **Any other earth movement including earth sinking, rising or shifting;**
caused by or resulting from human or animal forces or any act of nature unless direct loss by fire or explosion ensues and then we will pay only for the ensuing loss.

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Under the HO policy the HO 04 99 Sinkhole Coverage endorsement is necessary to buy back sinkhole collapse.

HO 04 99 Sinkhole Collapse endorsement states:

A. Definitions

The following definition is added:

“Sinkhole collapse” means actual physical damage:

1. Arising out of; or
2. Caused by;
 - sudden settlement or collapse of the earth supporting such property. **The settlement or collapse must result from subterranean voids created by the action of water on limestone or similar rock formations.**

B. Coverage

We insure for direct physical loss to property covered under Section I caused by “sinkhole collapse.”

C. Exception To The Earth Movement Exclusion

The Earth Movement Exclusion does not apply to “sinkhole collapse.”

Under the DP policy one needs to add DP 04 99 Sinkhole Collapse which reads similarly.

We also must remember that the peril of earthquake is excluded and needs to be bought back. The HO 04 54 Earthquake Endorsement is necessary to add earthquake back to the homeowners policy and DP 04 69 Earthquake is used for the Dwelling Policy.

ISO CP or BOP Policy ...

Sinkhole is COVERED in commercial lines ... **not earthquake.**

CP 10 30 Special form states:

1. We will not pay for loss or damage caused directly or indirectly by any of the following. Such loss or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss.

b. Earth Movement

- (1) Earthquake, including any earth sinking, rising or shifting related to such event;
- (2) Landslide, including any earth sinking, rising or shifting related to such event;
- (3) Mine subsidence, meaning subsidence of a man-made mine, whether or not mining activity has ceased;
- (4) Earth sinking (**other than sinkhole collapse**), rising or shifting including soil conditions which cause settling, cracking or other disarrangement of foundations or other parts of realty. Soil conditions include contraction, expansion, freezing, thawing, erosion, improperly compacted soil and the action of water under the ground surface.

The Businessowners policy has similar language.

Sinkhole is a named peril in the CP 10 10 Basic Cause of Loss and the CP 10 20 Broad Cause of Loss. Only earthquake need be added back to the CP or BOP policy.

However, Sinkhole Collapse as defined in the CP 10 30 Special Form Cause of Loss is:

- a. Sinkhole collapse means the sudden sinking or collapse of land into underground empty spaces **created by the action of water on limestone or dolomite**. This cause of loss does not include:
 - (1) The cost of filling sinkholes; or
 - (2) Sinking or collapse of land into man-made underground cavities

Which is essentially the same discussion in the named perils found in the CP 10 10 Basic Form Cause of Loss or CP 10 20 Broad Form Cause of Loss

In New England ... is OUR sinking land ...what is „assumed“ in the sinkhole endorsement or commercial lines cause of loss???

Second ... for Personal Lines Where Not Covered ... Is There Really an Exposure?

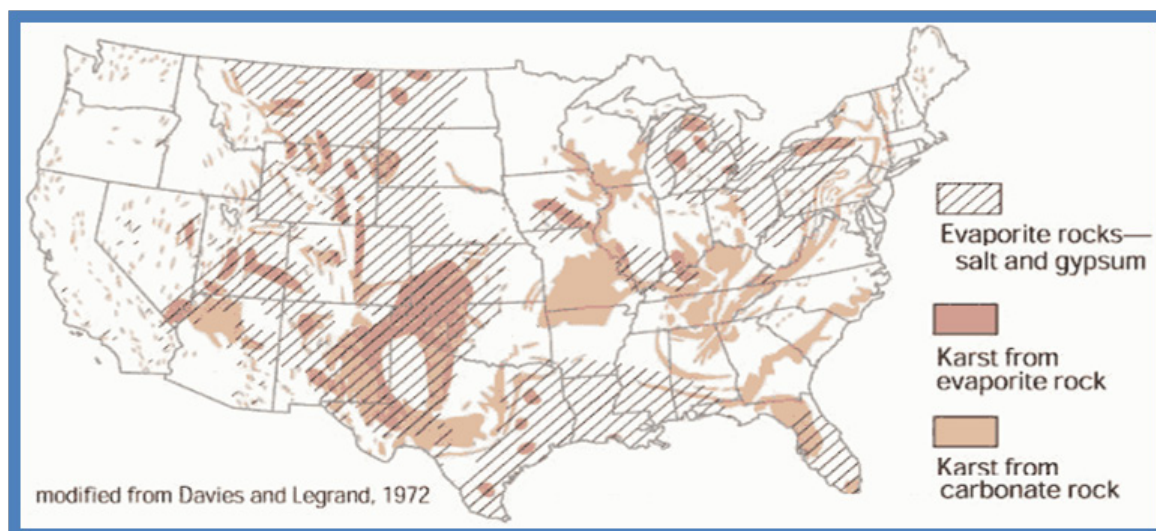
Interesting. At first I didn't think there was an exposure in Massachusetts.

How does a sinkhole form?

In my research ...

Sinkholes occur in areas that feature "karst terrain" -- a geological term that means an area overlying soluble sedimentary rock, such as limestone, dolomite, and marble. According to the U.S. Geological Survey, about 20 percent of the country fits the bill; any area with a solution cave (formed when acidic groundwater dissolves carbonate rocks) is suspect, as caves are sinkholes in the making. And the problem can be exacerbated by human exploitation, as when groundwater pumping disrupts the ground-water fluid pressure. When the groundwater levels fall, the bedrock can fail and the ground sinks.

According to the U.S. Geological Survey, (USGS) vulnerable states are: Florida, Texas, Kentucky, Alabama, Missouri, Tennessee and Pennsylvania. Any state such as Pennsylvania that has extensive mining has the issue of mine subsidence as well. None of the New England states were mentioned as those having the right "geological mix" to have the apparent exposure. The following map could make one feel peace of mind if it were just a "geological problem"



but ..there can be other triggers such as hurricanes, other excessive rain events, earthquakes and man-made causes.

In one article:

Can humans cause sinkholes? Yes. According to an interview with Randall Orndorff a U.S. Geological Survey supervisory geologist, human activities like drilling for a well or mining, which lower water levels underground, can cause sinkholes. So can putting up buildings and parking lots, he added, which changes where water drains. "Instead of the water naturally soaking into the ground, it's now running off and being concentrated—being put into the ground at one point," he said.

I also found:

Loose soil and leaky, century-old underground water pipes are to blame for the municipal nightmare, which came to a head on the New Year's Eve when a 50-foot sinkhole yawned open along Fourth Street, the Wall Street Journal reported.

Well ...THESE "causes" can be more of a potential in Massachusetts -- ancient underground sewer or water pipes, excessive rain, earthquakes, and continual building and development.

Did you know that Massachusetts has already suffered sinkholes?

Road buckles in Fall River creating huge sinkhole - March 30, 2010

Water main break causes sinkhole in Lowell - October 12, 2011

17 foot deep sinkhole emerges in Holyoke, MA - March 13, 2013

So ... how lucky do YOU feel today ... three different areas in Massachusetts. I'm not a geologist ... it appears we have "sink holes" ... but is it of the same type as Florida where sinkholes are more prevalent? Would adding the endorsement to personal lines policies do us any good??? The coverage of the personal lines endorsement is essentially that found automatically in commercial lines. Does the commercial lines coverage do our New England risks much good? Does the insurance company know? Will we need a NEW endorsement or definition created for what is going on in New England???

Guess it's time to call my agent and ask HIM to find out for me if adding sinkhole collapse to my home and dwelling policies will do me any good. I already have earthquake coverage and know that this will NOT apply. Oh well ... so many exposures ... so little opportunities to be covered.

Good luck. If I can be of service to you, please call me, Irene Morrill, Vice President of Technical Affairs, at 800.870.7091 or email me at imorrill@massagent.com.

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