

Sinkholes and insurance

Understand the causes and implications of this geological risk

Homeowners + Renters Insurance

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Sinkholes—depressions in the surface of the ground caused by the sudden settlement or collapse of the land—are a natural component of the landscape in many states. While the risk of a sinkhole is low, the fallout is potentially devastating to a homeowner.

How are sinkholes formed?

Sinkholes tend to form in areas where underground water supplies, such as from an aquifer, dissolve rock—typically limestone. Moving water dissolves small amounts of rock and carries it away, which enlarges natural pores and cracks in the bedrock. Over time, as more and more

limestone disintegrates, large cavities and caves form. When the land surface gives way to fill in the voids, a sinkhole occurs.

No one knows for certain where or when a sinkhole can happen, but there are contributing factors that make them more likely to develop, such as building in vulnerable areas and falling water tables. Drought conditions—or dry spells followed by sudden rains—can cause the limestone to shift, which increases sinkhole activity.

Sinkhole risk

Sinkholes are found all over the world. In the United States, sinkholes are especially common in Texas, Alabama, Missouri, Kentucky, Tennessee, Pennsylvania and Florida, according to the U.S. Geological Survey. The actuarial risk of a catastrophic sinkhole happening is low—researchers put it at a one-in-100 chance of occurring in any given year.

The U.S. Geological Survey says there is not yet an efficient system to determine if there is—or isn't—a sinkhole on your property. Their advice is to keep your eyes open for things such as small holes in the ground or cracks forming in a structure's foundation.

To learn of sinkhole activity in your area, check with your county property appraiser or inquire about the availability of a statewide sinkhole database.

Sinkholes and insurance

Sinkhole coverage presents unique challenges when it comes to insurance coverage. When homeowners insurance policies are priced, the real estate value of the land is excluded—that is, the property is insured for what it would cost to rebuild the home's structure, without respect to the price of the land.

Therefore, most property insurance policies in the U.S. exclude damage related to movement of the earth and those living in areas with high risk of earthquakes—the most common catastrophic earth movement—must purchase that insurance separately. Sinkholes, unlike earthquakes, are hard to predict, and difficult to investigate. They are also extremely costly to repair.

There are some states that require insurers to offer optional sinkhole coverage for an additional premium. Depending on the mandates established by state insurance regulators, sinkhole coverage can be offered either as an endorsement to a property insurance policy or as a stand-

alone policy. Just as California property insurers offer optional [earthquake coverage](#), Florida and Tennessee insurers are required to offer optional sinkhole coverage, which provides comprehensive protection against sinkhole damage.

Florida property insurers are also required to provide insurance for “catastrophic ground cover collapse” as part of the [standard homeowners policy](#). This is for damage severe enough to make a home uninhabitable. It is defined according to 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.

If you live in a high-risk area, consult your insurance professional to find out whether additional coverage for earth movement is available to you. Note that property insurance companies will conduct a visual inspection of your home prior to issuing a sinkhole insurance policy.

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