SINKHOLES

and CATASTROPHIC Ground Cover Collapse

Department of Financial Services
1-877-MY-FL-CFO (1-877-693-5236)
www.MyFloridaCFO.com

WHAT YOU SHOULD KNOW

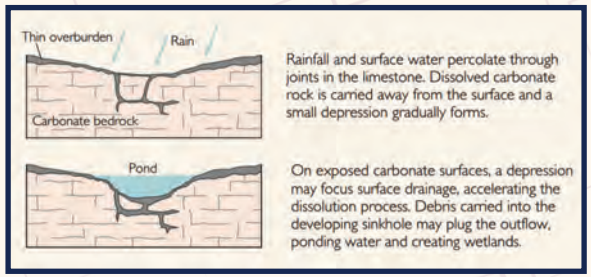
Florida has more sinkholes than any other state in the nation. That is because in many areas of central and north Florida, the soil, sediment, and rock near the ground surface sit atop a supporting substrate consisting of limestone or similar semi porous material. As subterranean ground water levels rise and fall from year to year, the limestone base is susceptible to gradual dissolvement, forming voids within the limestone. When the underlying limestone substrate can no longer support the weight of the overlaying surface material, it may fracture, and the soil above can subside or sink into the resulting void below, resulting in a sinkhole. The size and scope of the subterranean void determines how wide and deep the sinkhole becomes and how abruptly it develops. Not all homeowners' policies provide coverage for damage to your home resulting from sinkholes. However, Florida law does require insurance companies to cover "catastrophic ground cover collapse."

SINKHOLE COVERAGE VS. CATASTROPHIC GROUND COVER COLLAPSE (CGCC)

All insurance companies licensed in Florida must "offer" sinkhole coverage, however an insurance company's willingness to actually provide sinkhole coverage is contingent upon the characteristics of the ground structure beneath your home. If geological testing reveals that sinkhole activity is present on the property or within a certain distance of the property to be insured, the insurance company may decline to provide sinkhole coverage. However, if an insurance company is willing to insure your home, regardless of its location, the policy must include CGCC coverage.

Florida law defines a "sinkhole" as "a land form created by subsidence of soil, sediment or rock as underlying strata are dissolved by groundwater. "Catastrophic ground cover collapse" is defined as "geological activity that results in all of the following:

1. The abrupt collapse of the ground cover;
2. depression in the ground cover clearly visible to the naked eye;
3. Structural damage to the building including the foundation; and
4. The insured structure being condemned and ordered to be vacated by the government agency authorized by law to issue such an order for that structure."



Therefore, if your home sustains damage resulting from a sinkhole, but any of the foregoing four (4) criteria are not present or do not occur, and your policy does not include sinkhole coverage, your insurance company will likely not pay for the damage. If your policy does include sinkhole coverage and your home sustains damage that results from sinkhole activity, your policy MAY provide coverage. In order for sinkhole coverage to apply, Florida law requires that there be "structural damage." Section 627.706(k), Florida Statutes provides a comprehensive definition of what constitutes "structural damage", but in generic terms, there must be damage to the home's structural support system that significantly impacts the structural integrity of the home or causes the likelihood of imminent collapse. A crack stretching across an interior wall or floor tiles popping up from the home's foundation may not constitute "structural damage" as defined in statute.

IF YOU ARE BUYING A HOME

- Call an insurance agent to determine whether the home is insurable.
- Check with your city or county officials about recent sinkhole activity in the area.
- If you want to purchase sinkhole coverage, be sure to tell your insurance agent and make sure the coverage is included in your policy or a rider.
- Hire a home inspector who can help you identify signs of potential sinkhole activity, like cracks in the foundation or walls.
- Consider sinkhole testing. An insurance company may require you to have this testing done prior to granting you coverage. 4-point inspections normally do not address the potential for sinkholes on your property.

IF YOU HAVE A SINKHOLE OR CGCC

Here are some immediate steps you should take if a sinkhole has opened on your property, or if a portion of your home has shifted or sunk due to CGCC:

- Provide for the personal safety of your family. Evacuate, if necessary.
- Secure or remove your valuable possessions, if you can do so safely.
- Notify your insurance company or insurance agent immediately.
- Notify your city or county building inspection department.
- Mark the sinkhole or property with fencing, rope or tape to warn others of the danger. You could be held liable if someone is injured on your property.
- If you have sinkhole coverage, your insurance company will probably perform geological testing that will establish the cause of the damage. If the testing confirms that a sinkhole was the cause and your home sustained “structural damage”, your insurance policy should pay for the testing and repairs, less any applicable deductibles.
- If your insurance company denies your sinkhole claim or you disagree with whether damage was caused by a sinkhole, or you disagree with the method of repair, by law, you are entitled to participate in the Florida Department of Financial Services’ Neutral Evaluation Program.
- The Neutral Evaluation program provides a professional engineer or geologist to serve as an objective third party to determine the existence of sinkhole activity and the method of repair and remediation.

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