

Assaf Elrom, brief outline:

Catastrophes and Climate Events – Sinkholes: who will cover the damages?

- A sinkhole is a catastrophe. Despite the fact that its impact is usually local and sometimes isolated, the unpredicted nature of sinkholes and the fear that the ground may disappear below our feet, make sinkholes a threat not to be underestimated.
- Sinkholes are present in Israel near the Dead Sea since the 1980's, but this risk has emerged frontstage over the last couple of years due to several disasters that happened in other areas in Israel. These disasters have raised to our awareness both the substantial risks, and the complex insurance related issues.

Background – Dead Sea sinkholes:

- The nature of sinkholes and the geological mechanism that causes sinkholes in specific areas around the world.
- In Israel, the main threat is around the Dead Sea. It is caused by the fact that sea levels decrease dramatically. Fresh underground water melt salty soil under thin rock layers, thus causing the creation of underground caves or holes, in a very quick and unseen process.
- The threat is new: in 1980 there were no sinkholes. 1990 there were 200, in 2000 – 500, 2010 – 3,500 and today more than 6,000.
- The state comptroller addressed this threat back in 2009, and noted that no insurance coverage was available to sinkhole damages. The government insurance fund could have not obtained reinsurance for this risk, and no local insurers agreed to provide insurance in Dead Sea area.
- In 2018 the government has decided to promote geological surveys of the area, and to examine the possibility to purchase insurance coverage for low risk areas near the Dead Sea according to the Geological institute's surveys. However, on 2022 according to the Knesset research center these actions were not performed.
- Basically, answering the first question of this panel – who will pay for the damage – the government had no other option than providing funds to pay for Dead Sea sinkhole damages.

Sinkholes in other areas:

- As mentioned, we are all aware of several disasters and incidents of sinkholes in the central districts of Israel. Some were related to proximity to construction sites, and some were related to karst landscapes.

- The term that may be more suitable for this phenomena may be the term "Subsidence". Although the result may look similar and may usually be addressed in Hebrew in the same term- Bolan – Sinkhole.
- Subsidence frequently causes major problems in karst terrains, where dissolution of limestone by fluid flow in the subsurface creates caves. If the roof of a cave becomes too weak, it can collapse.

Insurance coverage to subsidence

- Unlike the issue of Dead Sea sinkholes, it is more questionable whether insurers can deny liability for subsidence caused sinkholes.
- Most property insurance policies exclude coverage for sinkhole damages.
- Some third party liability policies exclude coverage for "and damage caused directly or indirectly by holes known as "bolan" (sinkhole).
- Can a sinkhole caused by negligent construction works in Tel Aviv be excluded from coverage merely because we call it by the same name?
- In my view, the answer is not so simple. The result of both occurrences is a hole in the ground. The popular term for these two kinds of holes is indeed "sinkhole". But I am not sure that insurers can defend a decision to exclude coverage for the TLV sinkhole.
- First, the insurance justification for excluding sinkhole coverage is the unpredicted and unforeseen nature of the threat. In TLV, near a construction site the risk is not unpredicted, and could be foreseen or prevented (and wasn't only due to negligence by the construction company). Therefore, it should be regarded as other kinds of ground collapse that may be insured.
- Second, the geological institute maps sinkholes only in the Dead Sea. It addresses the risk only near the Dead Sea, and the government states that the risk of sinkhole is present only near the Dead Sea. Therefore, can an insurer argue that holes in areas other than the Dead Sea are "sinkholes"?

In summary, I would argue that in order to decide if sinkhole damage is covered (under a sinking ground Endorsement) or excluded (under general sinkhole exclusion) we might need to examine the causes of the sinkhole as well as its location.