

SCRIBNER INSURANCE AGENCY

Terrorism Insurance

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One of the most recent changes in the past few years in the insurance industry is the introduction of Terrorism Insurance. The unfortunate events surrounding September 11 have made this issue an important one for the insurance industry. Congress passed the Terrorism Risk Insurance Act of 2002 in order to mandate insurance companies offer protection for this risk to commercial insurance customers. Please see below for a further description of an act or terrorism as defined under the Act. * You should know that coverage provided by an insurance policy for losses caused by certified acts of terrorism is partially reimbursed by the United States under a formula established by federal law. Under this formula, the United States pay 90% of covered terrorism losses exceeding the statutorily established deductible paid by the insurance company providing the coverage.

Currently all commercial policies and some farm policies are offering this coverage as policies come up for renewal. Typically the coverage is added automatically with a page explaining the coverage and the premium. Included is usually a rejection form the insured can sign and return if they would like to opt-out of this coverage. The premium varies by company but usually runs around 1% of the base premium of the policy. One thing to note is that Terrorism coverage for Workers Compensation is statutorily required and rejection is not allowed.

Whether or not to accept this coverage is ultimately up to each insured. Evaluating your own business and assessing the risk of terrorism for your type of business should be done before deciding if this coverage is purchased. Please feel free to contact one of your agents if this is something you would like further information on.

*The following excerpt from the Act is provided for your information:

According to Section 102(1) of the Terrorism Risk Insurance Act of 2002, "The term 'act of terrorism' means any act that is certified by the Secretary of the Treasury, in concurrence with the Secretary of State, and the Attorney General of the United States—(i) To be an act of terrorism; (ii) to be a violent act or an act that is dangerous to (I) human life; (II) property; or (III) infrastructure; (iii) to have resulted in damage within the United States, or outside the United States in the case of (I) an air carrier or vessel described in paragraph (5)(B); or (II) the premises of a United States mission; and (iv) to have been committed by an individual or individuals acting on behalf of any foreign person or foreign interest, as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion." Section 102(1)(B) states, "No act shall be certified by the Secretary as an act of terrorism if (I) the act is committed as part of the course of war declared by the Congress, except that this clause shall not apply with respect to any coverage for workers' compensation: or (ii) property and casualty insurance losses resulting from the act, in the aggregate, do not exceed \$5,000,000." Section 102(1)(C) and (D) specify that the determinations are final and not subject to judicial review and that the Secretary of the Treasury cannot delegate the determination to anyone.