

Terrorism Insurance

Prior to the terrorist attacks of September 11, 2001, standard commercial insurance policies included terrorism coverage as part of the package, effectively free of charge. Today, terrorism coverage is generally offered separately at a price that more adequately reflects the current risk.

Insurance losses attributable to terrorist acts under these commercial policies are insured by private insurers and reinsured or “backstopped” by the federal government pursuant to the Terrorism Risk and Insurance Act (TRIA), enacted by Congress in 2002. The Act was renewed for two years in December 2005 and renewed again in 2007 for another seven years. On 2015, President Obama extended the program through December 31, 2020.

Under TRIA, owners of commercial property, such as office buildings, factories, shopping malls and apartment buildings, must be offered the opportunity to purchase terrorism coverage. For the terrorism coverage to be triggered under TRIA for commercial policies, a terrorist attack has to be declared a “certified act” by the Secretary of the Treasury. This requirement also applies to your Business Owners Policy (BOP) — your insurer must offer terrorism coverage as mandated by TRIA. In some cases, insurers still include terrorism for no additional premium. In other cases there is a separate charge.

Property damage to commercial buildings from a terrorist attack also may include claims for business interruption. Business interruption insurance (sometimes referred to as business income coverage) covers financial losses that occur when a firm is forced to suspend business operations either due to direct damage to its premises or because civil authorities limit access to an area after the attack and those actions prevent entry to the business premises. It is important to note that TRIA excludes certain lines, such as burglary and theft and commercial auto. Workers compensation is the only line of insurance that automatically covers acts of terrorism.

If you have any questions as to whether or not your BOP or other package policy provides terrorism coverage, give u a call at 508-347-9343.

(Sources: <https://www.iii.org/publications/insuring-your-business-small-business-owners-guide-to-insurance/small-business-insurance-basics>; <https://www.iii.org/article/understanding-terrorism-insurance>)