

3 things you need to know about terrorism insurance

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Last month's terrorist attacks in Brussels were a tragic reminder that in today's world, terrorist attacks can happen anywhere at any time.

While the primary concern, as it should be after an attack, is the loss of human life, there is always collateral damage. Businesses face threats that include property damage, loss of business and overwhelming costs associated with employee support services. These outcomes can combine to threaten the viability of many businesses. Most companies realize that saying "it won't happen to us," is not a sure bet.

Fortunately, terrorism insurance is a relatively inexpensive line of insurance that can be purchased to protect against losses. But there are some important things that businesses need to know about it. Here are three.

1. Not Every Terrorist Event is Considered a Terrorist Event

In 2002, Congress passed the Terrorism Risk Insurance Act (TRIA) to provide a federal "backstop" for insurance claims related to terrorism. This was in response to the decision of many insurance companies to enact terrorism exclusions following the September 11th attacks.

While TRIA ensured that terrorism insurance would be available, a key provision of the act is that in order to qualify for claims under the law, the event must be officially certified as an act of terrorism by the federal government.

While conventional wisdom may classify an attack as an act of terrorism that doesn't mean the government will too. For example, the Boston Marathon bombing that killed three people and injured 264 others was not certified as a terrorist attack. Meanwhile, the San Bernardino shooting has been declared a terrorist event, although it still may not qualify under TRIA if the amount of damages does not meet the necessary monetary threshold. It is imperative for businesses to understand the distinction, because if an event is not certified as terrorism it can result in denied insurance claims.

2. A Limited Number of Carriers Offer Non-Certified Terrorism Insurance

Businesses can purchase insurance for a non-certified terrorism event, but only a few carriers actually offer this type of coverage. That means coverage may cost more.

It's in their best interest to take a careful look at its necessity before making the decision to purchase this type of insurance. If the business is at a higher risk to be targeted for terrorism, this line of coverage may make sense. But in many cases there may be another line of insurance that can help fill-in the gap. Also, there may be a way to negotiate your rate down or implement a captive strategy to reduce overall costs.



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3. There Other Lines of Insurance for Terroristic-Like Threats

Terrorism is not the only external and unexpected threat that businesses face.

Workplace violence that is not terrorism-related is a far bigger risk for most businesses. It is the second leading cause of occupational fatalities in the United States.

Another common threat that has become more prominent recently is cyber-terrorism. These types of attacks coordinated on businesses by foreign countries or terrorist organizations are not necessarily covered by traditional terrorism insurance. They may however be covered by cyber insurance. Businesses dealing with sensitive information or intellectual property may be more at risk for these attacks. However, as we are learning every day no business is truly immune to this risk – in our opinion every business is a target.

Looking Ahead

The good news is that TRIA was extended last year through 2020. That means that the government backstop will continue to be in place in the case of massive terrorist attacks like 9/11. But to think that basic terrorism insurance will be enough to cover every scenario would expose companies to unnecessary risk. As unlikely as a terrorist attack is, when one happens it leaves human and emotional devastation. Better to not have the worry of having the proper insurance on top of that.

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