



Do I Need Terrorism Insurance for My Business?

Terrorism insurance is a type of insurance that property owners purchase to cover the potential losses and liabilities that may occur as a result of terrorist activities. Terrorism insurance is provided by a public-private risk-sharing partnership that gives the government and the insurers the responsibility of *sharing* the losses that result from a terrorist attack. The coverage is offered as a special add-on feature or endorsement to commercial property insurance.

In the wake of the terrorist attack of September 11, 2001, Congress implemented the Terrorism Risk Insurance Act (TRIA) in 2002 to fill a critical and financial void at a time of great national uncertainty. Because of the nature and scale of 9/11, terrorism coverage became difficult to find and insurers priced it as separate coverage. Now, as a result of TRIA, all U.S. insurance companies that offer property and casualty coverage are required to offer terrorism insurance. The federal government shares the financial responsibility for insured losses with private insurers in the event of a terrorist attack.

What Does Terrorism Insurance Cover?

A commercial terrorism policy covers damaged equipment, furnishings, and buildings. The policy may also cover other losses associated with terror attacks, such as monetary losses that result from business interruption. In addition, the policy may cover liability claims against a business after a terrorist attack.

What Does Terrorism Insurance Exclude?

In some states, fire damage is excluded from coverage. Biological, nuclear, radiological, and chemical attacks are also typically excluded. Terrorism insurance does not typically cover incidents that involve online attacks, where computer networks and data breaches are involved. Cyber liability insurance comes into play in these scenarios, and it will cover the cost of recovering from and addressing a data breach.

How Terrorism Insurance Works

If the U.S. Department of Treasury classifies an event as a terrorist attack, the ensuing losses are covered if the act causes at least \$5 million in insured losses. Coverage will not be triggered without this official declaration. The U.S. Department of Treasury will classify an event as a terrorist attack if the act is violent and the actors had the intent to coerce government officials or civilians. In addition, the *aggregate* insured losses from certified acts of terrorism must be at least \$100 million in a year for coverage to be triggered.

Purchasing Considerations

According to recent estimates, approximately 60 percent of U.S. businesses have terrorism coverage. Below are three major items to consider when purchasing this type of insurance:

1. **Business location** – Train stations, airports, and large commercial urban centers are more likely to be targeted by terrorists. Residential and rural areas are less likely to be targeted.
2. **Business type** – Certain industries face higher risks than others. For example, businesses in the energy sector are more likely to be targeted for terrorist attacks than businesses in the retail industry.
3. **Cost** – Premiums are based on coverage amounts, which are calculated based on each increment of \$1 million insured. The average rates per million are \$19 to \$49. Premiums also depend on the size of the business. As a general rule, terrorism insurance makes up about 5 percent or less of a company's annual property insurance expenses.

Americans have seen the effects of terrorist attacks, and they know these attacks can happen anywhere – college campuses, shopping districts, sporting events, and even night clubs. These lessons have also shown businessowners that no commercial building is completely safe. To learn more about your terrorism insurance coverage options, contact one of our insurance advisors today.