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# Terrorism Insurance Overview

CHRIS CONNELLY, ARTHUR J. GALLAGHER & CO | MAY 11, 2017

JACKIE BAYNARD, SORM



# Agenda

- Describe terrorism
- What is a covered terrorist loss?
- Is a terrorist event covered under my property insurance?
- Business Interruption and Terrorism

# Terrorism

- TRIA is the Terrorism Risk Insurance Act. Defined as any act certified by the Secretary of the Treasury, in concurrence with the Secretary of State and Attorney General. Note, the current Property Program does not include TRIA coverage.
- **Any** act of terrorism will be excluded under the property policy, but could be covered via the terrorism policy.
- The Statewide Insurance Property Program optional stand-alone terrorism policy offered to client agencies has much broader coverage than as defined by TRIA.

# Terrorism Policy Language

- “For the purpose of the Insurance, an Act of Terrorism means an act or series of acts, including the use of force or violence, of any person or group(s) of persons, whether acting alone or on behalf of or in connection with any organization(s), **committed for political, religious or ideological purposes** including the intention to influence any government and/or to put the public in fear for such purposes.”
- “For the purpose of this Insurance, an act of sabotage means a subversive act or series of such acts **committed for political, religious or ideological purposes** including the intention to influence any government and/or to put the public in fear for such purpose.”

# What is a covered terrorism loss?

- The optional terrorism policy reads that there **must be intent behind the act.**
- In the event of a loss, the adjuster will investigate to determine if there was intent.
- If there is intent, the policy may respond.

# Is a terrorist event covered under my property insurance?

- If the act was committed by a person acting with no motive (i.e. no terrorist intent), then it would NOT be covered under the terrorism policy.
  - It may, however, be covered under the property policy.
- The adjuster would determine whether it would be covered under the property policy or the terrorism policy, if terrorism was purchased by the client agency.

# Examples of Terrorist Events

- Oklahoma City Bombing
  - Prior to TRIA, aid after the event came from federal FEMA disaster assistance
  - Today, this clearly would be both a federal declared “act of terrorism” and also trigger all standalone terrorism policies
- Boston Marathon Bombing
  - Never declared an official “Act of Terrorism” by federal government although generally considered a terrorist action

# Business Interruption and Terrorism

- Business Interruption and Extra Expense for Covered Losses are covered in both the Property Policy and the Stand-Alone terrorism policies.
- If there is an event such as a bombing or other “act or series of acts” **committed for political, religious or ideological purposes**, and if expenses would need to be available (such as moving expenses, phone lines, etc.), then the entity should have terrorism coverage to provide for those expenses. Otherwise, the expense will be out of pocket.



# Business Interruption and Terrorism

- The terrorism policy contains a “Business Interruption Extension” which will cover the actual loss sustained by the Insured resulting directly from such necessary interruption of business from a terrorist attack.
- It is subject to a deductible and the interruption should be concluded within 18 months or less.

# Example: Loss Due to Threat

- Expanded terms on SORM's terrorism policy to include **threats** of terrorism that lead to revenue loss
- Example:
  - Revenue generated from sporting event at university
  - Threat of credible terrorist threat causes necessary shutdown of the stadium for that weekend
  - Losses as a result of this interruption would be covered up to \$5M within the SORM terrorism program



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**Chris Connelly**  
**Jackie Baynard**  
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