

Terrorism exclusion and terrorism occurrence limit

A task force on Terrorism and Insurance Coverage established by the IBC has been meeting since mid October to develop a mechanism for addressing the exposures under original policies. As part of the mandate of this group, terrorism exclusions based on standard IBC wordings were developed with the final drafts of the task force posted last Friday on the IBC web site.

The wording developed for commercial property has been adopted by the RRC as the basis for a reinsurance exclusion and for a reinsurance occurrence limit clause. That wording addresses a number of very important issues such as concurrent causation and bio-chemical contamination exposures.

Attached to this bulletin are the two clauses recommended by the RRC:

- A clause excluding terrorism on a “new and renewal” basis
- An occurrence limit pertaining to terrorism

TERRORISM EXCLUSION CLAUSE

1. The following exclusion applies to all new, renewal or replacement policies which become effective on or after January 1, 2002. "Renewal policies" as used above shall also mean the next anniversary date on or after January 1, 2002 in respect of policies issued for a period of more than one year.
2. This Agreement does not insure loss or damage caused directly or indirectly, in whole or in part, by "Terrorism" or by any activity or decision of a government agency or other entity to prevent, respond to or terminate "Terrorism". Such loss or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss or damage.

"Terrorism" means an ideologically motivated unlawful act or acts, including but not limited to the use of violence or force or threat of violence or force, committed by or on behalf of any group(s), organization(s) or government(s) for the purpose of influencing any government and/or instilling fear in the public or a section of the public.