



SOLUTIONS...DEFINED, DESIGNED, AND DELIVERED.

TERRORISM VERSUS POLITICAL VIOLENCE – ARE YOU COVERED?





TERRORISM AND WAR ARE STANDARD EXCLUSIONS FROM PROPERTY DAMAGE POLICIES.

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Rarely does a day go by without media coverage on acts of terrorism or politically motivated civil unrest. Have you ever thought how your insurance might respond to related incidents?

Terrorism is a standard exclusion from property damage policies as will be war, invasion, act of foreign enemy, hostilities (whether war be declared or not), civil war, rebellion, revolution, insurrection, mutiny, military, or usurped power; and in some policies, so might riot, strike, lockout, and civil commotion.

Traditional property damage insurers may be willing to reinsert riot, strike, lockout, and civil commotion, but terrorism typically requires a separate policy (except in Great Britain where it can be bought back in the policy).

Terrorism however, is differently defined and the buy-back/separate policy may not mirror the exclusion, resulting in a gap. Some insurers are prepared to tailor the definition in order to close that gap.

A definition of terrorism might be:

“means an act, 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 organisation(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.”

But then might go on to exclude:

“loss or damage occasioned directly or indirectly by war, invasion or warlike operations (whether war be declared or not), hostile acts of sovereign or government entities, civil war, rebellion, revolution, insurrection, civil commotion assuming the proportions of or amounting to an uprising, military or usurped power or martial law or confiscation by order of any government or public authority”.

As far as we are aware, Islamic State (ISIS) has not yet become a sovereign state but they are being accused of war crimes. Sooner or later the definitions of terrorism, politically motivated civil unrest, and warlike operations will be challenged in determining whether something is insured, and in the separate terrorism policy it is likely that it will contain a clause placing the onus on the insured to demonstrate that the loss is covered by the policy.

A political violence policy can provide much wider cover to include war (except involving the major powers), civil war, revolution, rebellion, insurrection, or any hostile act by a belligerent power and terrorism group (plus riots, strikes, civil commotions, or malicious damage - if these risks have not been bought back in the main property damage insurance).

Where the cover is available, the difference in cost between a terrorism only policy and a political violence policy is relatively modest. Worth considering!

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