

Request For Board Action

REFERRED TO BOARD: December 21, 2015

AGENDA ITEM NO: 15

ORIGINATING DEPARTMENT: Administration

SUBJECT: Consideration of terrorism insurance coverage

SUMMARY AND BACKGROUND OF SUBJECT MATTER:

The Terrorism Risk Insurance Act, (TRIA) was signed into law in 2002 following the attacks on the World Trade Center. Because the 9/11 attacks resulted in over \$40 billion in insured property losses, insurance companies began to exclude terrorism from their policies. This situation was a serious threat to industries and entities where lenders and investors required terrorism protection for their investments. Real estate, transportation, construction, energy, and utility sectors of the economy were vulnerable, creating broader threats to the national economy.

Congress responded by enacting TRIA in November 2002 to provide a government reinsurance backstop in case of large-scale terrorist attacks, requiring that business insurers offer terrorism coverage for the types of insurance included in the act. Congress extended and amended TRIA in December 2005, December 2007 and again in 2015. The act has changed since inception and will only respond or be “triggered” with a certified act of terrorism. It is important to note, to date the act has not been triggered by any terrorist act in the US including the Boston Marathon in 2013 and the most recent events in California.

Certified Acts of Terrorism Under TRIA

Only certified acts are eligible for coverage through TRIA. An event can be certified if the Secretary of the Treasury acting in consultation with the Secretary of Homeland Security of the United States determines the act meets all the following criteria:

- It is considered an act of terrorism.
- It is violent or dangerous to human life, property, or infrastructure.
- It results in damage within the United States, (including US air carriers, vessels, and/or US missions, as described in the Act).
- It is committed by an individual or individuals, as part of an effort to coerce the US civilian population or to influence the policy or affect the conduct of the US government by coercion.
- It causes property and casualty insurance losses exceeding a \$5 million threshold in the aggregate

An event cannot be certified, or if the act is committed as part of the course of a war declared by Congress. (Note: This shall not apply with respect to any coverage for workers’ compensation).

If an act of terrorism occurred which did not meet the above threshold of a certified act of terrorism, the Brit policy would respond with same coverages, limits and deductibles as any other claim.

RECOMMENDED MOTION:

Move to Authorize the Village Administrator to bind insurance coverage waiving TRIA.