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November 23, 2002

Insurance firms guard themselves from terrorism

Policies no longer cover losses due to terror acts

It came as quite a shock when I received the renewal of one of my insurance policies in the mail last week. After the events of Sept. 11, I suppose I should not have been surprised, but there it was buried in tiny print on page five: "Terrorism Exclusion Endorsement."

Without my knowledge or consent, the insurance policy had been amended to state that the insurance company will not insure against "loss or damage caused, directly or indirectly, in whole or in part, by terrorism."

It goes on to state that there is no coverage for any government activity designed to prevent, respond to, or terminate terrorism except for ensuing loss or damage resulting from fire or explosion.

There is also no personal or premises liability protection or "personal catastrophe shield" coverage due to terrorism, nor is there any mass evacuation additional living expense coverage for the same reason.

Immediately after reading these chilling words, I telephoned my trusted insurance adviser, Helen Wolwyn, at Firstbrook Cassie & Anderson Ltd. She has been looking after my property and car insurance for years. I told her I wasn't happy with the terrorism exclusion, and asked how much of an additional premium it would cost to take that exclusion out of my policy.

It turns out I simply can't buy it for my umbrella liability insurance policy renewal. (An umbrella policy provides third-party liability coverage over the standard \$1 million in most home insurance policies.) I also probably won't be able to buy terrorism protection when my home insurance policy renews next year.

The timing of my policy renewal came within days of the leak of a supposed list of Canadian terrorist targets, said to have been compiled by the U.S. State Department.

That list includes locations not far from where I live, work and travel every day the CN Tower, the subway, Air Canada Centre, Royal Ontario Museum, two synagogues, and (scariest of all) the Pickering Nuclear Generating Station.

When I spoke to my insurance adviser, I couldn't help but remember all the law firms in the World Trade Center whose offices and records were turned into the dust I was breathing on the streets of Manhattan months later.

One has to be lucky to escape terrorist incidents, but to have a home or business wiped out without insurance coverage could financially destroy any Canadian.

I called Stan Griffin, a spokesperson for the Insurance Bureau of Canada. He told me the terrorism exclusion was rapidly becoming industry practice, and would be introduced into as many as 70 per cent of Canadian property and liability policies as they come up for renewal.

In light of the Sept. 11 attacks, which could cost American insurers as much as \$50 billion (U.S.), it is not difficult to understand the insurance industry's position.

U.S. treasury secretary Paul O'Neill is on record as saying the lack of this type of insurance put American businesses and the economy at risk.

Last month, U.S. President George W. Bush said that \$15.5 billion in construction projects in 17 American states have been stalled or cancelled because of the scarcity of terrorism insurance. How long will it be before this phenomenon arrives in Canada?

After a year of effort, the U.S. House of Representatives last week passed the Terrorism Risk Protection Act. Under this new law, the U.S. government would provide as much as \$100 billion over three years to cover 90 per cent of future terrorism-related insurance claims.

On the same day the legislation was passed, former New York mayor Rudolph Giuliani was in Toronto warning Canadians to "prepare ourselves for the possibility" of terrorism.

With the threat of terrorism on our doorstep, and the unwillingness of the insurance industry to provide coverage to Canadian homeowners and businesses, it is vital for the Canadian government to step in and provide us with the same kind of insurance the U.S. Congress just approved for its citizens.

Let's hope it won't take a disaster like the World Trade Center in Canada to prod the government into action.

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