



PRESIDENT BUSH SIGNS TERRORISM RISK INSURANCE ACT OF 2002

President George W. Bush signed the Terrorism Risk Insurance Act of 2002 into law November 26. The legislation establishes a short-term program under which the Federal Government will share in the payment of certain insured losses caused by acts of terrorism.

“Our insurers fully support this legislation,” says LRS&C partner Tom Schimmel, “and our firm supports programs that benefit our customers.”

The terrorist attacks of September 11, 2001 significantly affected the market for terrorism insurance coverage. The attacks resulted in the largest insured catastrophic loss in history and made it difficult for insurers to price the risk and determine appropriate premiums.

In many cases, terrorism insurance had been automatically provided within general insurance coverage with no separate additional premium charge, but insurers were reluctant to continue this after the attacks. The result was a reduction in the availability of terrorism insurance.

Increased availability of insurance will help many sectors of the economy. It should, for instance, facilitate the financing of new construction and avoid the risk of further ratings downgrades of securities that are collateralized by inadequately insured properties. It also puts in place a system for processing claims and establishing the scope of the Federal government's obligation in the payment of losses in the event of another attack, which would help mitigate adverse economic consequences resulting from a future attack.

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