

HOUSE RESEARCH

Bill Summary

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Authors: Wilkin and others

Subject: Terrorism coverage in commercial property insurance

Analyst: Thomas R. Pender (651 296-1885)

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Overview

This bill involves terrorism coverage in insurance policies issued to businesses to cover fire and other damage to business property. It makes coverage against losses caused by terrorism available only as a separate endorsement to the policy, for which a separate premium would be charged. This bill is a response to the federal Terrorism Risk Insurance Act of 2002, enacted in November 2002. That federal act temporarily wipes out any terrorism exclusions in existing policies, requires insurers to offer terrorism coverage separately to commercial customers as an extra-cost endorsement, and provides the insurance industry with backup federal coverage in the event of major terrorism losses.

Section

- 1 Policy provisions.** Provides that losses caused by terrorism are not covered in a commercial property insurance policy, unless an endorsement is attached to the policy, specifically covering losses caused by terrorism.
- 2 Effective date; application.** Makes this bill effective immediately.