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Insurance warning -- check definitions following NY terrorism

In the long run, Wichita insurance experts say, the costs of the terrorist attack on the **World Trade Center** are likely to make insurance companies more conservative and rates higher for certain types of insurance.

The New York terrorist attack is the largest ever loss for the insurance industry by a significant margin. In fact, the final figure could be twice the \$16 billion incurred by the industry's largest single event, Hurricane Andrew in 1992.

Provisions will be placed in each insurance company's account before year-end for the potential claims -- to be paid out over the next several years.

This will test a number of insurance company balance sheets. Industry experts don't expect any insurance companies to go under due to excessive claims. Nevertheless, the event ultimately means a rethink for both insurers and the insured, says Chris Shank (CPCU) vice president with local independent insurance agents, Dulaney, Johnston & Priest.

"Carriers will be more circumspect about the exposures they're willing to take," says Shank. "All companies will be affected by these events. It will impact on the availability and pricing of property and casualty insurance -- deemed by the industry at large to be somewhat under-priced."

The type of property and casualty insurance that companies typically carry includes: General liability, property, auto and workers' compensation. The area where most losses are expected to be claimed against, says Shank, is in business interruption.

With great uncertainty over definitions of war and terrorism, and what constitutes a legitimate business interruption, Shank says, commercial customers will be more mindful of the coverage they're purchasing and the coverage a policy provides.

With the spotlight on the insurance industry, Shank says, it would be timely for all companies to themselves key questions, including:

- Would we be adequately covered if we were the victim of a terrorist, and or any other type of attack tomorrow?
- How well do we understand the policies written on our behalf by agents?
- What type of coverage is appropriate for us and what kind of protection will it give us?

"It's difficult at times like this to focus on matters as esoteric as insurance," Shank says. "But a catastrophe of this magnitude means we need to understand the ways we're insured -- and the way that insurance would perform when called upon. Be sure you understand the type of coverage you're purchasing and how it protects you."