

Terrorism and Church



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Commentators in many fields have stated that the terrorist attacks in the USA on 11 September 2001 have changed the 'world stage'. While this may be debated in many areas, there is little doubt that the effects on the insurance industry are such that this global financial institution will alter irretrievably.

While the insured loss is still to be accurately assessed but is believed to be in the order of US\$70 billion, the economic loss and human cost will never be measured. The magnitude of this event was never contemplated and worldwide, insurers and their reinsurance partners are reeling from the financial impact of this catastrophe.

Their inability to forecast a disaster of this size and hence to assess the cost for protection against it has caused the global reinsurance market to take dramatic steps – the principal one being to eliminate any future exposure from their portfolios as soon as possible.

For many years, all insurance policies have carried a 'War Exclusion' on the basis that the capacity and responsibility to fund compensation from such events rests with Governments alone. The USA attacks have convinced reinsurers that the peril of terrorism is akin to war and that the financial consequences of similar attacks exceed the resources and responsibilities of the insurance

industry. The financial reserves of the worldwide industry are simply insufficient to provide this cover into the future and the industry views terrorist acts as a 'social problem' which requires solutions funded by society through Governments.

For this reason, reinsurers in all markets will no longer provide reinsurance protection to Catholic Church Insurances nor any other insurer against death, injury, loss, damage or liability from terrorist acts. Without the benefit of this support, insurers are similarly unable to provide cover to their policyholders. To do so, would mean that this financial exposure to terrorist activities would be borne solely by insurers and would exceed the financial capacity of those companies.

The new 'Terrorism Exclusion' is accepted as the international exclusion and, regretfully, we must advise you that this will be included into your policy wording as an amendment to the existing 'War Exclusion' from the renewal of your cover.

We have sought clarification of this aspect from our reinsurers and have a written assurance that no act of malicious damage, vandalism or arson, which has previously been suffered by the Church and protected by our reinsurers, would now be excluded by this wording.

Terrorism Exclusion

Notwithstanding any provision to the contrary within this policy or any endorsement thereto it is agreed that this policy excludes death, injury, illness, loss, damage, cost or expense of whatsoever nature directly or indirectly caused by, resulting from or in connection with any Act of Terrorism regardless of any other cause or event contributing concurrently or in any other sequence to the loss.

For the purpose of this exclusion Act of Terrorism means an act, including but not limited to the use of force or violence and/or threat thereof, of any person or group(s) of persons, whether acting alone or on behalf of or in connection with any organisation(s) or government(s) which from its nature or context is done for, or in connection with, political, religious, ideological, ethnic or similar purposes or reasons, including the intention to influence any government and/or to put the public, or any section of the public, in fear.

This policy also excludes death, injury, illness, loss, damage, cost or expense of whatsoever nature directly or indirectly caused by, resulting from or in connection with any action taken in controlling, preventing, suppressing or in any way relating to any Act of Terrorism.

It is important to read this exclusion in the context of the wording. An element of this is the intention of the terrorist(s) to influence any Government and/or to put the public in fear.

The insurance industry in Australia is continuing dialogue with the Federal and State Governments in an effort to establish some protection and/or relief in the event of loss or damage caused by the acts of terrorists.

At the same time, we are investigating how Catholic Church Insurances might continue to offer some degree of financial security to the Church, independent of our reinsurance arrangements. This is not an easy task and will take some time to finalise, if indeed it is achievable at all.

We will keep you informed of developments.

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