

Damage to terrorist-attacked hotels covered

Damage to insured property due to actions of security personnel in an anti-terrorist operation is covered under the terrorism risk cover of fire insurance policies despite existence of an exclusion clause to the contrary, a top insurance official said here.

The standard exclusion to terrorism risk cover for property reads: 'Any loss or damage, cost or expenses of whatsoever nature directly or indirectly caused by, resulting from or in connection with any action taken in controlling, preventing, suppressing or in anyway relating to action taken in respect of any act of terrorism are not payable under the policy.'

The clause quite clearly rules out liability arising out of damage caused by any action to control or suppress any act of terrorism.

A senior official of the General Insurance Corporation of India (GIC), however, told IANS that despite the existence of this clause, damage caused by security personnel to control and suppress the acts of terrorists will be covered.

'The damage suffered by three hotel properties - Taj Mahal, Trident and Oberoi - due to the actions of security agencies in flushing out terrorists is covered and payable under the fire policy provided they have taken the terrorism risk cover,' the senior GIC official told IANS requesting anonymity.

Though the clause has been in existence for a long time, GIC in October reiterated it upon reference from some non-life insurers operating in Jammu and Kashmir state.

Some insurers in that state were paying damage claims under the terrorism clause while some others decline.

According to the official, damage to property or expenses incurred due to preventive measures against terrorist attacks are alone excluded. He rejected some news reports that suggested that claims of the three hotel managements will meet with trouble.

The companies that have insured the property of the three hotels are Tata AIG General Insurance Company Ltd., ICICI Lombard General Insurance Company Ltd., IFFCO Tokio General Insurance Company Ltd. and New India Assurance Company Ltd.

While New India has insured the Trident-Oberoi hotel property, the Taj Mahal hotel is insured jointly by Tata AIG (65 percent share), ICICI Lombard General (30 percent) and IFFCO Tokio (five percent).

'The standard exclusion clause is illogical. The action of the security agencies is to protect property and lives. Had it not acted, the damage would have been total and the loss to the insurers would have been much higher,' G.V.Rao, chairman of GVR Risk Management Associates, told IANS.

Agreeing with him, another private insurance company official said: 'Expenses or damage incurred in preventing a terrorist act is what is not payable. In the case of a fire damage claim, the insurers also pay for the damage to property caused by the water used to douse the flames.'

The official said the policy condition wording will be altered soon but only after consultation with all non-life insurers as they are members of the terrorism risk pool.

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