

Does your insurance cover terrorism?

By [Pat Curry](#) • Bankrate.com

The United States is still at war, and the government says it's prepared to pay the considerable cost. Your homeowners insurance carrier may not be quite so willing.

Virtually every homeowners insurance policy carries an "act of war" exclusion. Simply put, if the Iraqi army manages to launch an attack on U.S. soil and your property is damaged as a result, your insurance company isn't required to hand over a check.

The rules are equally clear for nuclear disaster: Insurance companies don't pay for that either.

But it starts to get a little foggy when you start talking about acts of terrorism. Then it becomes more a question of who did what to whom.

In fact, very little in this area of insurance coverage is black and white. For example, while we said above that your insurance company isn't required to pay for something under the "act of war" exclusion, you'll notice that we didn't say they won't pay for repairs.

War coverage? Well, maybe

State Farm Insurance Co. insures more houses in the country than anyone else; more than one in five U.S. homeowners have their policies with them. Initially, a State Farm spokesman confirmed that acts of war are excluded on their homeowners policy. Within hours, however, he reported that while it's not covered, they still might pay a claim.

"While coverage is excluded for war damage, the application depends on the claim," says Kip Diggs with State Farm. "While we do have an exclusion in place, it's one of those case-by-case situations."

His advice: if you have a war-related claim, file it anyway. You might get lucky and get some cash.

Virtually all insurance policies exclude losses arising out of nuclear explosions, radiation and contamination, says Bill Wilson, director of the Independent Insurance Agents and Brokers of America's Virtual University, an information resource for the insurance industry. That's true whether it's caused by an act of war, terrorism or anything else.

State Farm has had an exclusion on its homeowners policy for nuclear damage since the Cold War era, Diggs says. Recently, it expanded that position to include the automobiles it insures.

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Terror confusion

Where the situation gets really murky is if there's damage caused by a terrorist attack that can't be clearly linked to the Iraqi military.

"That's when the claim reps really earn their money," Diggs says.

Emily Daly, a spokeswoman for Allstate Insurance, says her company has the same policy. Acts of war aren't covered; damage from terrorist attacks are handled individually.

"There are a lot of hypotheticals out there," she says. "Each would be evaluated on a case-by-case basis."

About the only kind of insurance that regularly covers acts of war is workers' compensation, Wilson says.

On the business side, Congress acted last year to require property insurance coverage for foreign terrorist acts here in the United States if the total losses from the act exceed \$5 million, Wilson says. If it's less than \$5 million, coverage isn't required by law. Again, the key word is "required."

Under the Terrorism Risk Insurance Act, which has no impact on homeowners insurance, it takes agreement from the Secretary of State, the Secretary of the Treasury and the Attorney General to decide if an act is considered terrorism.

"There is no absolute answer," Wilson says. "It really depends upon the details of the act itself, who committed it, and ultimately whether the Secretary of Treasury determines it to be terrorism or not."

If ever there were a poster child for shopping around for the best rates, terrorism coverage is it. In February 2003, Wilson polled insurance agents on what insurers were charging for the coverage. The answers ranged from nothing to more than 100 percent of the cost of the existing policy, with the 5 percent to 10 percent range being fairly common.

The most interesting response was from an agent who said he got a quote from an insurer that regularly covers wind and hail damage. That insurer is charging 10 percent of the premium or \$400, whichever is greater, for "wind and hail losses caused by foreign terrorists."

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