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**Technical Advisory**

**TA 231**

**Date: October 29, 2003**

**SUBJECT:** LDI Notice – Terrorism Coverage Is Optional

**BACKGROUND:** IIABL received several calls from member agencies indicating that a few insurance companies were making terrorism coverage mandatory and requiring policyholders to pay additional terrorism premiums. IIABL discussed this issue with the Louisiana Department of Insurance (LDI) and suggested that the federal Terrorism Risk Insurance Act of 2002 (TRIA) specifically provides policyholders with the **option** to buy terrorism coverage or to reject the coverage.

**MAIN POINTS:** LDI researched the federal Terrorism Risk Insurance Act of 2002 (TRIA) to determine whether the coverage is optional to policyholders, or if insurance companies could mandate the coverage as part of their policy. LDI concluded that, “Since the Act specifically requires an option, mandating coverage for all commercial property insurance policies would violate the provisions of TRIA”. Therefore, insurance companies may not mandate the coverage as part of their policy.

**NECESSARY ACTION:** Circulate this Technical Advisory to appropriate agency personnel that deal with terrorism coverages. Advise insurance companies of the LDI bulletin as appropriate.