

Note: *This document was prepared by Grant, Jones & Stuart Insurance as a service to their clients on Feb 16, 2004.*

Coverage for Terrorism & 'Cyber Risk'

As a result of the events of September 11, 2001 in the United States, the insurance industry has suffered the largest unexpected loss in its history. While the final numbers will likely not be known for a number of years, the estimated claims payout from this single event is expected to be between \$30 and \$70 billion U.S. (approximately \$48.4 - \$113 Billion Canadian). All Insurance Companies buy what is called reinsurance, which is basically insurance on insurance. In order to protect themselves and the general public, the Insurance Companies reinsure portions of their business to guard against large losses that could affect their financial stability. This is a method of spreading risk.

As of January 1st, 2002, most reinsurers have decided to exclude terrorism from the coverage that they will provide to the primary insurers. As such, virtually every major primary insurance company in Canada has applied a Terrorism Exclusion to their policies effective that date. In addition, there have also been new exclusions created for 'cyber risk' (hackers, theft of intellectual property, loss or corruption of 'data') for the same reason - the reinsurance market is unable or unwilling to provide this kind of coverage.

Please read the Terrorism and Data exclusions endorsements contained in your policy carefully and let us know if you have any questions.

There is a limited market available providing some coverage for both of the above and if you wish, we can contact them to determine coverage availability and pricing.

Please feel free to contact us if you would like further information.