



A message from  
Patrick DeNobrega, Vice President, Account Executive  
PSA Insurance & Financial Services

There have been many questions on the Coronavirus and what relief may be offered by your insurance policies. All businesses are asking the same and it is not good news. We were at an insurance conference yesterday and asked the same question of an Insurance Company President. He could only say he did not know, and his claims department and attorneys are reviewing the situation.

Here is my opinion based on everything I know and have read. The insurance industry has never contemplated or anticipated a major outbreak like the Coronavirus, and also has not drafted any policy to provide specific coverage for it. We are in uncharted territory, but it is unlikely there will be any major relief provided by Insurance policies. At its very basic level, it is uninsurable. The bottom line is a virus outbreak is uninsurable. There are 2 main components for anything to be insurable. The first is you have to be able to predict Frequency, and the Second is you have to be able to predict Severity. If both of these cannot be quantified, it does not meet the definition of insurance, and is not insurable. Ironically, by not meeting the 2 criteria, it does meet definition of gambling, as it becomes a game of chance. I believe as claims are submitted and insurance companies are challenged, the industry will argue it never intended to cover them, and to avoid future court challenges, more carriers will design more specific exclusions. We have seen this happen in the past with exclusions for War, Nuclear Hazard, Flood, Terrorism, and even Sexual Abuse. Most companies already have exclusions for Virus in the Property and Business Interruption policies: “We will not pay for loss or damage caused by or resulting from any virus, bacterium or other micro-organism that induces or is capable of inducing physical distress, illness, or disease.”

The area where we may see some coverage is for a directly infected employee, if it can be proven the infection was in the course of employment. Currently if an employee catches the flu or cold, and thinks it was from someone at work, there is no coverage. In this case, because Coronavirus is a specifically identifiable virus, if the employee can prove they caught the virus at work, I would argue it will be a work-related injury. If the employee cannot prove it, meaning no direct line of infection can be discovered, it will not be work related or covered. Even worse, if the business, job site, or location, is shut down because of an infection, and employees are told to stay home, that does not meet any definition of a work related injury or illness, as they are not infected, and no Work Comp policy will pay them or reimburse you. The additional challenge is Work Comp injuries and illnesses are specifically defined by Statute by each State, so each Statute will need to be reviewed to determine coverage.

While single location businesses normally purchase business interruption, many contractors don't normally purchase business interruption policies, as their operations are in the field, and not from a specific office or location. So, as respects jobs being shut down, there will be no coverage for a job site being quarantined or shut down. For other business locations, like offices, retail stores and manufacturers, that do have site specific business interruption, they will also likely not be covered, as it will not meet the definition of a covered peril or loss. In order for coverage to be triggered, most policies require there must be Physical Damage to the premises. In case of Quarantine or closing down locations, stores, or factories to stop the virus spread, there is no physical damage, and likely no coverage. In addition, as most carriers already have the virus exclusion mentioned above, that clearly eliminates any claim. Simply speaking there is no policy specifically written to cover shutdown from a virus or quarantine.



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On some large Employer Health plans that have Short Term Disability policies, a few of the carriers are offering quarantine coverage for employees who are quarantined at home but not sick.

In addition, due to the fact there will be no insurance solution, some states and the Federal Government are looking at some type of relief to provide workers unemployment benefits for being quarantined at homes or relief for businesses. This is in the works but currently nothing is in place.

The virus is having major impacts around the world and is just now beginning to be felt in the United States. Tourism, Airlines, Factories, Businesses, and the Stock Market are being directly affected. Stores have shut their doors, employees are being told to stay home or being quarantined, even if they don't have the virus. There are definitive losses that are occurring and will continue to occur, but again insurance was not designed to cover this. Ultimately, this will likely be challenged in the courts, but it will be years before coverage issues will be resolved.

The only advice we can currently give is to follow the CDC guidelines and educate your employees on how to practice good hygiene and stop the spread of the virus. For now, prevention is the best offense we have.

If you have claim or find yourself with a shutdown or injured employee, you should still report this to us and the carrier, so a determination of coverage can be made.

Here is an article from the NY Times that further elaborates on the topic of the Coronavirus not being an insurable event:

<https://www.nytimes.com/2020/03/05/business/coronavirus-business-insurance.html>

As more develops, I will send out further info you can share with your staff.

Be safe!

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