

Coronavirus: As an Insurance Matter in Review

As the coronavirus spreads further into the United States and globally, companies have increasing concerns around their business continuity, supply chain management, employee welfare, insurance coverage, and a host of other business-related impacts.

Unfortunately, from an insurance standpoint, there is no way to fully quantify the impact of the coronavirus on a client's business or employees until an actual loss/claim arises. It is important to understand that in the current insurance market, most carriers/policies do not contemplate coverage for disease-related exposure as potential losses are unquantifiable from an underwriting perspective and would present a potential for devastatingly large losses across the entire insurance industry.

Nevertheless, companies fearing the threat of the coronavirus to their normal business operations should be encouraged to review their policies in order to gain an understanding of any and all coverage(s) that may potentially respond in the event of a claim arising. It must be stressed, however, that a determination of actual coverage (or lack thereof) will not be possible until the facts of an actual claim is sustained as there are far too many variables that could potentially implicate and/or invalidate coverage under any given perceived scenario.

The most important thing to embrace is that the specific facts of each circumstance, relevant policy wording, and applicable law, will ultimately be the determining factors for coverage related to coronavirus-related losses. Accordingly, each company will need to address concerns on a case-by-case basis as it applies to their enterprise.

If and when claims arise, the following policies should be reviewed for potential coverage: Property (including any affirmative Business Interruption coverage, General Liability, Workers' Compensation, Event Cancellation, Travel Accident, Pollution, Employee Benefit Plans, Errors & Omissions, as well as Directors and Officers Liability.

Policies should be reviewed via specific Insuring Agreement (e.g., business interruption, civil authority), for narrowly tailored policy trigger language, as well as from a specific exclusion perspective (e.g., communicable disease, pollution, acts and decisions). You will be looking for gray trigger areas and broad policy language, as well as to argue that, in absence of specific exclusions, coverage should be otherwise triggered.

It's worth noting that property policies cover physical loss or damage to insured property resulting in a coverage peril (all risk). Without physical damage from the covered peril—income loss associated with individuals choosing not to travel for business-related occurrence (even if travel is restricted by the government) isn't triggered. In regards to contingent business income, the coverage requires a direct physical loss to a supplier or customer. If the virus is not causing physical damage to property thus void of triggering an income loss, then coverage will most likely not directly apply to a supply chain issue.

Please know that this issue has been fast moving and has many governments and states working swiftly to address the impediment in commerce it is causing. Each company should work with their agent to question coverage applicability from all potential policies and specific coverages in general and the actual facts and circumstances facing that particular organization. For more information regarding the virus, please contact the Centers for Disease Control Prevention at www.cdc.gov

For more information, contact your Alliant broker.

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