

COVID-19: First Party Claims Considerations

5 May, 2020

Today's Panel



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Risk Management Webcast Series

1 **Managing Employers' Liability During a Crisis**
[\[Replay Available\]](#)

2 **COVID-19 Property Risk Profile Changes**
[\[Replay Available\]](#)

3 **Risk Profile Changes in the New World**
[\[Replay Available\]](#)

4 **Maximising Recovery from the COVID-19 Pandemic**
[\[Replay Available\]](#)

5 **COVID-19 - First Party Claims Considerations**
[\[05/05 – 1PM\]](#)



Q&A

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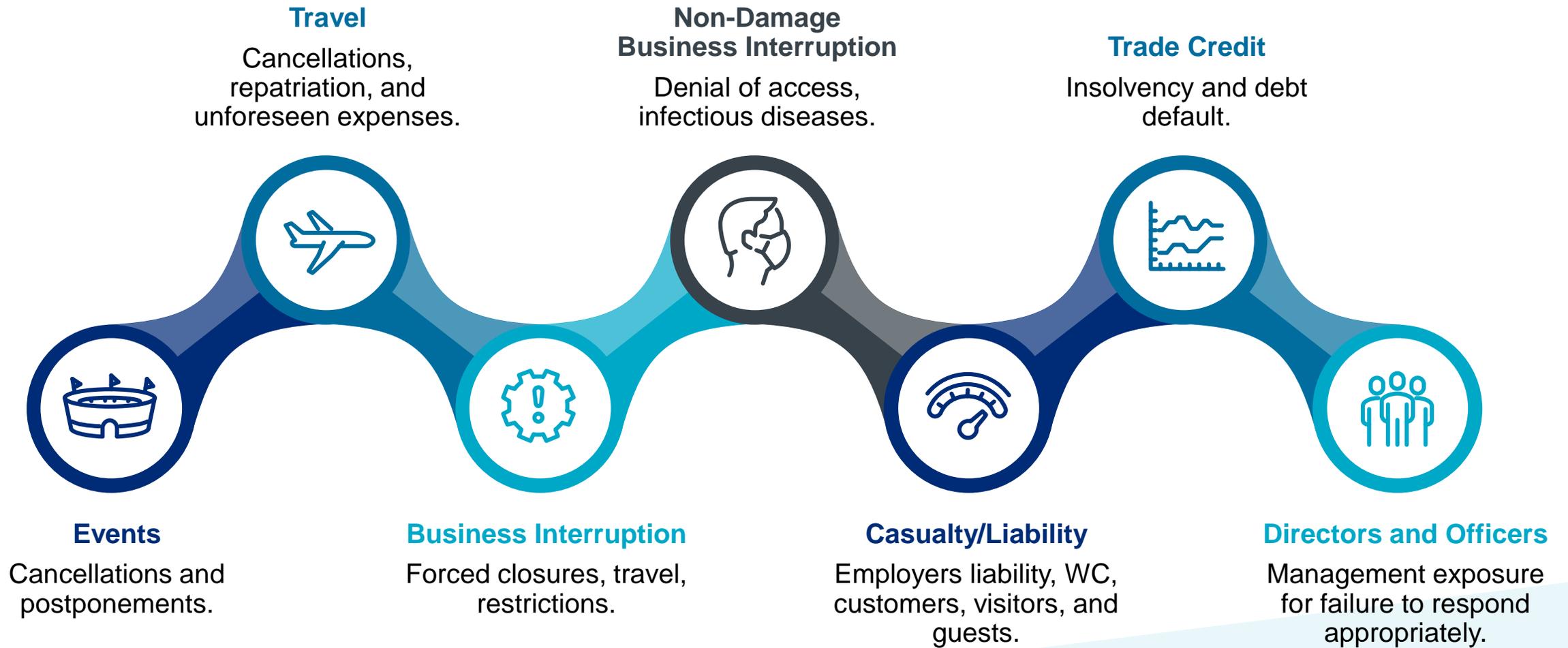
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Rob Powell

Overview

Claims

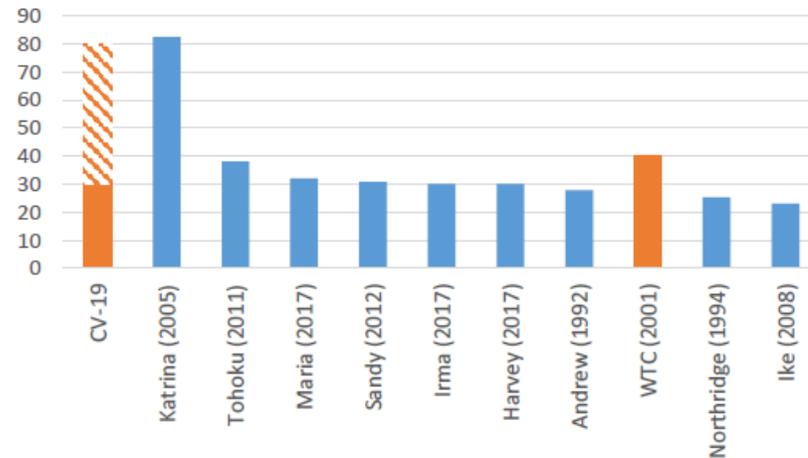


COVID-19 Losses Against Historical Events

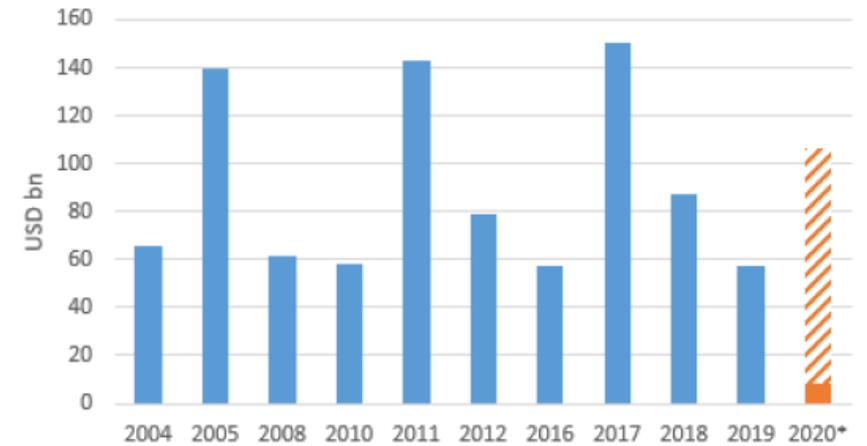
The average industry loss consensus is US\$52 billion

\$bn	Low	High
VJ Dowling	40	80
Citi	26	56
Lloyd's*	60	90
UBS	22	42
Average	37	67

Top 10 insured losses and COVID-19

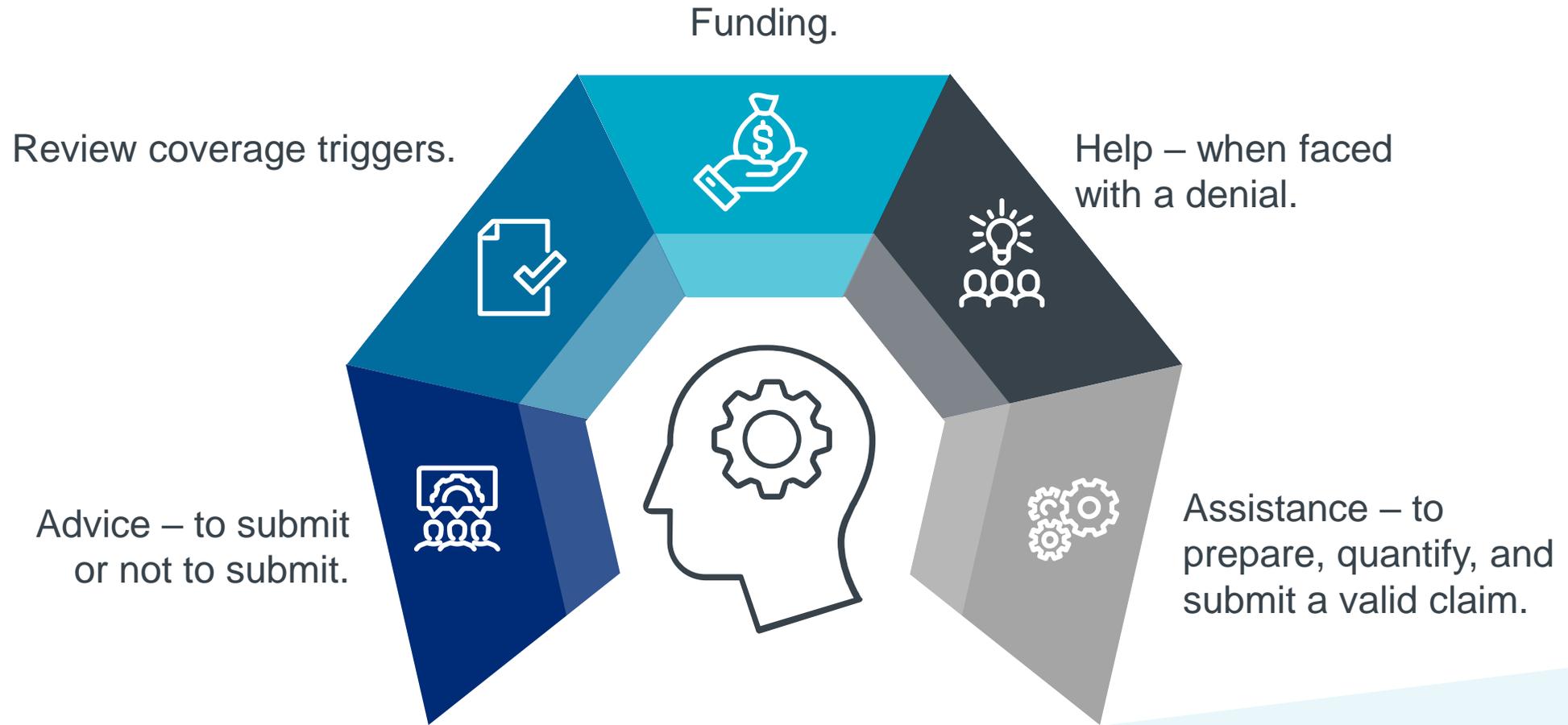


Largest losses and Q1, 2020



** Lloyd's estimates based on current range for Harvey, Irma, and Maria losses.
Data Source: Guy Carpenter.

Client's Expectations



The Way Forward



Client retention and payment of claims are inextricably linked.



Mike Russell

The Challenges

The Challenges

Typical to Property/First Party Policies



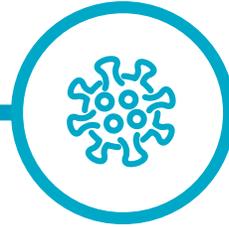
Property Damage

This is the main trigger to most policies, without which there is usually no access to business interruption coverage. Whether the presence of the virus at the premises can be considered “physical damage” is likely to be dependent upon jurisdiction.



Government Action

In many countries, businesses are closed and events have been cancelled upon the order of the government.



Notifiable Disease

There are many variants to the coverages provided under policies but generally most provide a coverage for named infectious diseases and also many for unnamed “notifiable” diseases provided they occur in the vicinity of the premises (which is usually defined in the policy).



Prevention of Access

In all risks property/business interruption policies, a physical damage trigger is usually required, but there are many non-damage wordings in existence.

The Challenges



Occurrence at the Premises

Many wordings stipulate that the damage, or for infectious disease cover, the outbreak must “occur” at the premises. Whether the widespread pandemic can be argued to be everywhere i.e. at the premises and/or in the vicinity will be a point of debate.



Single/Stacking limits

In the event of coverage, consideration needs to be given to whether certain sub-limits can stack. This is relevant not only for sub-limits but also for clients with multiple locations and even geographies.



Vicinity

Denial of access cover may refer to either damage, disease, or government action occurring in the “vicinity” which hinders or prevents access to the premises. There will be much debate on what constitutes vicinity, given the disease, and now the government action on lockdown applies to an entire country.



Wide Area Damage/ But for Test

We expect insurers may argue that even if the (covered) loss event had not occurred, then revenues would have been affected by the global economic impact of the pandemic. This is known as the “Wide Area Damage” argument and was seen in *Orient Express Hotels Ltd vs. Assicurazioni Generali Spa* (UK 2010).



Neil Greaves

Preparation and Validation

COVID-19 Insurance Considerations

Claims



Business interruption (BI) cover is currently the primary claims focus for businesses facing a reduction in income and increase in costs as they try to cope with containment measures and in anticipation of severe supply chain disruption/mass absence of employees and customers.

Most policies require notification of a BI claim as soon as practical/possible so many claims are being notified on a precautionary basis despite uncertainty on policy trigger or extent of loss.

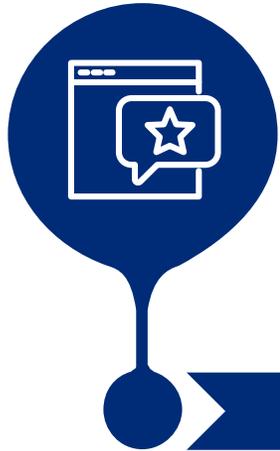
For many businesses the absence of a damage trigger has resulted in claim notifications under contingent BI extensions including infectious diseases, non-damage denial of access, suppliers, and customers, and loss of attraction.

Most insurers are yet to take a definitive position on coverage. If coverage is accepted we anticipate significant challenges over quantification/measurement of loss particularly in relation to the extent that financial losses are attributable to the policy trigger rather than the wider COVID-19 impact.

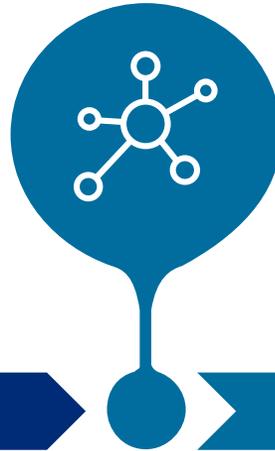
COVID-19 Insurance Considerations

Claims

Recommended next steps:



Based on business impact (or anticipated impact), assess potential BI coverage triggers and, if appropriate, consider notification of a claim as soon as possible.



Do not delay quantification. Model the preliminary business interruption claim based on current information, to support an interim payment request and/or to demonstrate size of loss in relation to policy limits.



Drive the claim forward. Following the preliminary claim submission, commence dialogue with insurers and/or their advisers as soon as possible and seek interim funding as appropriate.

Q&A

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Managing COVID-19 Risks



CORONAVIRUS
Protect your people, operations and revenue from its impacts

Coronavirus (COVID-19) is affecting the entire world, from local businesses to global enterprises. We offer insights, guidance and information to help you keep on top of what this worldwide outbreak means for your organisation.

The time to take action is now. Organisations must move from planning to response.

It is important to take a People-First approach by listening to employees' concerns to ease anxiety and preparing to amend policies and plans based on evolving advice from governments and health officials.

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- [Business Implications](#)
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- [Risk Management](#)

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