

Supporting Claims for Recovery of Financial Losses Due to COVID-19 Events

The impact of COVID-19 has ground many industries to a halt and redefined business as usual for others. As the financial impacts of these changes begin to emerge, US private sector, public sector, and non-profit organizations may be eligible for recovery of financial losses from multiple sources such as insurance, government agencies, stimulus packages, and other grants.

To expedite recovery, affected entities should consider proactively documenting their losses, not only for insurance recovery, but also for governmental funding being contemplated at federal, state, and local levels. The means by which funding might be dispersed will continue to evolve, but experience suggests that those entities that document their losses most completely and expeditiously will find greater receptiveness to their requests for reimbursement.

Governments will likely institute a strict documentation process for qualifying for COVID-19 relief funds. There is also the potential for “clawback” provisions via an eventual audit process once the emergency begins to abate.

Potential sources of recovery, include, but are not limited to:

- Various insurance coverages.
- Federal Emergency Management Agency (FEMA).
- Emerging governmental grant and stimulus programs, including the congressionally-approved CARES Act.

Insurance

In the first instance, your insurance policies may address COVID-19 impacts. Consult with your broker to determine whether to notify your insurers of a potential claim. Timeliness is essential as many policies require prompt notice to your insurers. This step is also important because governmental funding typically requires insurance proceeds to be pursued as a primary source of recovery.

FEMA

On March 13, 2020, President Trump announced a COVID-19 emergency declaration pursuant to the Stafford Act. State, territorial, tribal, local government entities, and certain private non-profit organizations became eligible to apply for public assistance. Eligible emergency protective measures taken to respond to the COVID-19 emergency at the direction or guidance of public health officials may be reimbursed under Category B of the agency's public assistance program. Emergency protective measures could include a wide range of qualifying costs such as emergency operations center costs, emergency medical care, medical sheltering, security, communications of general health information, specialized cleaning supplies, personal protective equipment for employees, and more.

CARES Act

On March 27, 2020, President Trump signed the Coronavirus Aid, Relief, and Economic Security or the CARES Act. The bill provides relief to businesses through a combination of loans, grants, direct reimbursements, changes to the tax code via temporary adjustments, and other provisions targeted to specific industries. These funds target specific industries and classes of employers based on size of operations, magnitude of losses sustained, ability to recover, and other criteria.

Pertinent documentation to consider assembling now might include the following:

Documenting Key Events

- Documentation of confirmed cases of COVID-19, both within your property and nearby cases — particularly at high-profile establishments.
- Documentation of closures of properties that attract business to your enterprise, including airports, amusement parks, state parks, major business parks, and cancelled citywide conventions.
- Documentation for governmental-ordered cancellations, closures, declarations, pronouncements, and advisories that specifically cite COVID-19, along with release dates and other relevant information.
- Documentation/analysis supporting the reason for the closure of any of your properties.
- Paper or pdf copies of key information disseminated via web links. Often web links disappear over time, risking the loss of key pronouncements.
- Illustration of key events via a timeline or time study. This could be a persuasive way of demonstrating COVID-19's impacts on your organization.



Documenting Additional Expenses

- Capture unusual costs on separate disaster code accounts within your general ledger in order to keep the P&L clean of non-recurring, COVID-19 related entries.
- Expenses incurred specific to COVID-19, such as extra or specialized cleaning supplies, personal protective equipment for employees or customers, vendor services for cleaning/disinfection, special screenings, etc. Documentation might include purchase orders, invoices, contracts, and/or proof of payment.
- Documentation detailing in-house labor who performed tasks specific to COVID-19, such as extra cleaning and disinfecting. Documentation might include name or unique identifier code by proxy, date, hours, and/or itemized description by task.
- If available, document your cleaning protocols before COVID-19 and any new, escalated cleaning protocols. This will help to isolate the incremental increase in cleaning protocols.
- Cost data for contaminated and discarded inventory, including the cost to dispose of same.


Documenting Business Interruption

- Detailed monthly budget versus actual P&Ls for all departments for the current year.
- The most recent full-year forecast nearest the moment in time when COVID-19 began affecting the property. It is important to get the most current snapshot of expectations prior to the outbreak as it relates to each property.
- Industry reports for your competitive set of businesses, if applicable, for the current year. COVID-19 will also affect the competitive set. Your industry data provider may eventually address the impact in special reports.
- Monthly budgeted versus actual P&L for the prior two full calendar years, which is important for demonstrating trending.
- Industry reports for the prior two full calendar years.
- Marketing plan and/or documentation of operational changes supporting any unusual growth anticipated in budgeted or forecast revenues. This would mitigate possible skepticism by auditors for the funding entities.
- Explanations as to how payroll might be changing:
 - Documentation of any layoffs, re-purposing, etc.
 - Identification of any labor paid, but not working.

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Marsh Risk Consulting's Forensic Accounting and Claims Services (FACS) Practice is available to assist clients by preparing and properly documenting their COVID-19 claims.



For more information on how Marsh can assist your organization, please visit our [Pandemic Risk Hub](#) or contact your local Marsh representative.

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