

APCIA CORONAVIRUS FACT SHEET

Property casualty insurers are working with insurance regulators and policymakers to help respond to the potential threats posed by the coronavirus. Insurers play an essential role in helping to protect consumers and society from risks. Property casualty insurers are also very focused on protecting our employees from potential pandemic exposure. Many property casualty insurers are implementing contingency and continuity plans for pandemics to protect their employees and ensure they can provide uninterrupted service. Moreover, property casualty insurers are in a strong position financially to handle claims as they arise.

Property casualty insurance products exist that may provide coverage for a wide range of exposures potentially implicated in a pandemic, including business interruption (BI), civil authority, event cancellation, liability, supply chain losses, travel and workers compensation for job-related exposures. Because consumers are able to choose from a wide variety of coverage options, coverage questions and needs should be directed to consumers' insurers and/or agents.

Business Interruption Insurance Coverage

Many businesses carry BI insurance, either as a component of their first-party property insurance or as a freestanding policy. BI coverage is designed to protect against losses sustained due to periods of suspended operations arising from property damage. While BI policy coverages vary, contagious diseases do not customarily constitute insured perils for property or business interruption insurance.

Civil Authority Insurance

Some insurance policies include civil authority coverage. This coverage is designed to protect against losses incurred by a business when governmental authorities limit or restrict access to the business or surrounding areas. This coverage extension is intended to apply to losses on income, rental value, and additional expenses that result in denial of access to a business location or forced evacuation. This coverage is often limited to instances where there has been physical damage to nearby property. However, forced closures by civil authorities of private/public spaces may raise questions about the scope and applicability of specific policy language. Policies often limit coverage to instances where the damage to the property causing restricted access results from a covered peril under the policy, such as wind, hail or fire. Policies may also include waiting periods of a few days before coverage is triggered and maximum time limits on coverage between 15 and 30 days.

Event Cancellation Insurance

Some insureds may carry specialized Event Cancellation coverage. Variants of this type of insurance exist in the sports, entertainment, and event planning industries (including weddings, convention planning). Such coverage may be written to expressly include specific insurance against cancellation because of infectious diseases. It is essential to know what kind of insurance coverage you have and need, which your agent and insurer can help you understand.

Liability Insurance

Many policyholders may face a risk of liability for negligently failing to protect others from exposure to infection on their premises. General liability policies typically cover liability for bodily injury and property damage arising from an occurrence or accident, as those terms are defined in the policy and/or in applicable caselaw, unless otherwise limited or excluded. Providers of health care, transportation or hospitality services and retail establishments may be particularly vulnerable to these types of claims.

Supply Chain Insurance

Some businesses purchase supply chain insurance or Contingent Business Interruption (CBI) insurance to protect against losses stemming from supply chain disruptions. Policy coverage may be offered specifically for interruptions in the deliveries of raw materials, parts or supplies. Specialized insurance is also available to certain vulnerable industries, such as health care providers, the hospitality industry and manufacturers. CBI insurance is designed to cover economic losses, typically including increased costs, from lost or reduced operations resulting from physical damage on the premises of a named or unnamed supplier. Some supply chain and CBI policies may also cover loss of services to the insured business, such as loss of utility services.

- Importantly, CBI insurance commonly covers only losses stemming from disruptions from specific suppliers scheduled in the policy.
- Moreover, CBI coverage usually requires that the supplier suffer the type of property damage that would be covered in the insured's own first-party policy. In other words, a loss would typically need to result from an insured peril such as wind, fire, and hail. Biologic viruses are not typically covered perils in a property insurance policy because properties don't suffer losses from biologic viruses.

Travel Insurance

Travel insurance is a discretionary product that is designed to provide coverage for unexpected events that impact travel or occur while on trip. Examples of travel insurance coverage include interruption or cancellation of a trip or event; loss of baggage or personal effects; emergency evacuations; repatriation of remains; and sickness, accident, disability or death occurring during travel. Typically, cancellation of a trip based on fear of traveling or due to travel advisories, or for known/foreseeable causes of loss, is not a covered loss. Once an event becomes known it may no longer be a covered loss under the policy depending on when the trip or insurance was purchased.

Travelers can purchase a travel insurance policy that includes "cancel for any reason" (CFAR) coverage which while providing broader coverage may still have certain conditions and exclusions. For trips that have already been booked, travelers should also review the benefits that are provided with select credit cards to explore potential coverage options. A policyholder that does decide to travel and gets sick while on their trip, there may be coverage for emergency medical expenses and/or evacuation. Travel insurance policies vary, and consumers should carefully review policy terms, limitations and exclusions to determine coverage for the coronavirus and contact the insurance company directly with questions.

Workers Compensation

Workers compensation insurance is designed to provide coverage for workplace injuries and illnesses. The injury or illness must be work-related and arise out of and in the course and scope of employment. While certain diseases are covered, the illness generally must be an occupational disease characteristic and peculiar to the employer's trade, occupation or industry. For example, a medical provider who is exposed to a disease through treating patients would potentially have a covered claim if he or she subsequently became ill. There is typically no coverage for an ordinary disease of life to which the general public is equally exposed.

PROPERTY CASUALTY INDUSTRY IMPACT

Insurers as employers – Insurers are currently working with policymakers to take direct action where advised to protect employees, customers, and operations during the current any future outbreaks. Many insurers are taking precautions such as limiting travel to affected countries or widely attended conferences. Others have asked employees to stay home after traveling to a country with a serious outbreak or were otherwise exposed. Lastly, insurance companies are regularly monitoring OSHA guidelines, WHO advisories, CDC directives, and other government sources for updates that may affect employer obligations to maintain a safe workplace for employees.

Investment losses – Property casualty insurers are in a strong position financially to handle losses from coronavirus. However, insurance surplus and income may be significantly impacted by recent equity market losses and declining interest rates (such as the recent record low in Treasury yields). Finally, while the full extent of the global economic impact and persistence of the coronavirus remains speculative at this point, reduced economic activity has historically led to a reduction in insurance revenue in several lines.

Higher costs – Disruption of supply chains could also have a more direct impact on property insurance losses. For example, if supplies of auto repair parts, or building materials are disrupted, the cost of replacement parts and materials will likely increase and, or repair periods will be extended, thus raising vehicle rental costs for auto insurance and alternate living expenses for residential property insurance.

Overall outlook –Ratings agencies currently expect the overall financial impact of the coronavirus on the property casualty industry to be well within insurer and reinsurer capital tolerances. The effects of the coronavirus on the interruption or the slowdown of business activities may increase the demand for these lines of insurance in the short to medium term. Insurers are more concerned about the direct impact of the virus on their employees and consumers and will be carefully monitoring advisories from government and other policymakers.

Coronavirus and the resulting disease, COVID-19, is a public health threat, worthy of international concern. As individuals, we can take prudent steps to protect ourselves. As industries, communities and nations, we can refuse to embrace stigma, and instead work collectively towards better health and information for all.