

COVID-19 – Risk Mitigation Tools

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Latest Developments

- March 11, 2020 – World Health Organization designates COVID-19 (coronavirus) a pandemic.
- March 11, 2020 – Russia and Saudi Arabia have a dispute over oil production and reduction of output.
- March 11-14, 2020 – Most major sports and events cancelled due to concern over spread of COVID-19, including NBA season, NCAA Championship tournament, PGA Tour, several tennis tournaments, and numerous events.
- March 14, 2020 – Almost 40 states have declared a state of emergency in response to COVID-19.
- March 14, 2020 – U.S. federal government declares national emergency in response to COVID-19.
- March 16, 2020 and beyond – Market continues to struggle and further restrictions on mass gatherings are announced

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Risk Mitigation Tools

Companies can mitigate the financial impact of coronavirus by: (1) examining their insurance policies that may transfer these losses to their insurers; and (2) consider provisions that may relieve them of their contractual obligations.

Insurance

- There are several types of insurance that may respond to the coronavirus outbreak, including but not limited to:
 - Communicable disease coverage;
 - Decontamination coverage;
 - Civil or military authority coverage;
 - Traditional business-interruption/contingent business-interruption coverage;
 - Event insurance (predominantly travel and entertainment industry);
 - Trade-disruption insurance; and
 - Traditional CGL policies.

Force Majeure Clauses

- Companies may benefit from or be harmed by the triggering of a force majeure clause

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Potential Coverage: Property Policies

Commercial property policies may contain a number of applicable coverage parts and endorsements.

Communicable Disease Coverage

- Some include endorsements that specifically provide coverage for communicable diseases, including viruses.
- These endorsements may require the “actual” presence of the virus in order to trigger coverage, not merely the threat or fear of the virus.

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Potential Coverage: Property Policies

Business-Interruption Coverage

- **Traditional business-interruption coverage:** Protects businesses from loss of income resulting from disruptions in operations. Typically requires "direct physical loss of or damage to" insured property.
- **Contingent business-interruption coverage:** Covers financial losses resulting from disruptions to a business's customers or suppliers. Typically requires "direct physical loss of or damage to" suppliers' or customers' property.
- **Civil authority:** Covers financial losses caused by a government or similar order or action.
- **Ingress/Egress:** Covers financial losses caused by inability to access business.

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Other Types of Potentially Responsive Coverage

Event insurance (predominantly travel and entertainment industry)

- Covers financial losses if an event has to be cancelled or postponed due to an occurrence "outside the control" of the policyholder.
- These policies, however, note that the mere threat or fear of an occurrence is not sufficient to trigger coverage under these policies.

Trade-disruption insurance (TDI)

- Covers the consequential loss that results from a loss of earnings, extra expenses and contractual penalties incurred because of delays or disruptions in trade flows.
- TDI differs from the standard business interruption coverage afforded by marine cargo or property forms by not requiring that there be a direct physical loss to goods or their conveyances.

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