

# Managing Your Insurance during COVID-19

**The information provided below is general and is intended to highlight some issues that you may wish to review with your insurance broker/adviser. Insurance policies are complex and therefore it is essential that you seek your own professional advice regarding your particular insurance arrangements and take steps to protect your business during the COVID-19 crisis.**

## **Making a claim**

### **Q. Do Business Interruption policies cover financial loss related to COVID-19?**

Some insurance policies have limited forms of cover for losses caused by certain diseases interrupting and/or interfering with the business.

Different policy wordings are used by different insurers and even the same insurer might use different wording for policies marketed at different businesses in the same sector.

Many businesses might be disappointed to find that their policies do not cover losses arising from COVID-19. This may be because it is a condition of the policy that the disease is present at the premises or within a specified radius of the premises or the policy might only provide cover for named diseases. Some policies recognise COVID-19 and may provide cover for losses arising from the related business closure once certain conditions are met. The possibility of making a successful claim should be explored by reviewing your policy and consulting your broker/insurer if you believe the cover should apply to your business. You should also consider seeking your own legal advice where necessary.

Typically business interruption cover is triggered by physical damage to property caused by fire for example, requiring a period of closure to allow the business to be reinstated and open its doors again. Some insurance policies supplement the standard cover with an extension of cover for an infectious disease or a notifiable disease, as it

is sometimes called. This extension of cover is usually arranged when the policy is taken out. The extent of the cover is typically further limited by a sub-limit of indemnity or an indemnity period of 3 months or so.

Every insurance policy is different and it is prudent for every business to review its policy to establish whether it has business interruption cover and if so, what conditions need to be met in order to avail of that cover. If the level of cover is unclear, businesses should consult their insurance brokers or independent insurance expert.

As stated, some business interruption policies have very limited cover for disruption due to infectious diseases or notifiable diseases, but the conditions for a valid claim might be contingent on:

- a particular list of named diseases. If COVID-19 is not mentioned it is unlikely to be covered;
- the policy might cover infectious diseases and specifically exclude certain diseases such as HIV, Aids and SARS. If COVID-19 is not specifically excluded it could be reasonably argued that COVID-19 is covered.
- the disease of concern has to be shown to have occurred at the insured premises or that the disease has occurred within a specified radius of the business premises and the premises has been ordered by an appropriate competent authority to fully or partly close (a mere request by a competent authority to close the premises is unlikely to be sufficient).
- Once the particular conditions for a valid claim are met and the insurer accepts the claim, the policyholder might find that the policy has an inner indemnity limit for infectious disease losses which will be considerably less than the losses caused by, for example, fire damage to the property.

## Seeking a premium reduction

### **Q. What premium reductions might be achievable for your current insurance period?**

- **Annually adjustable premiums:** Some insurers may be agreeable to premium reductions or refunds for categories of insurance, particularly Employers Liability and Public/Product Liability as a result of the risk being reduced for the period of business closure. The closure of a business as a result of COVID-19 will undoubtedly result in diminished turnover and reduced payroll cost. These elements are often directly related to premium payments set by insurers and any premium adjustments made throughout the life of the policy. Businesses should therefore engage with their insurer/broker to ascertain whether a premium reduction/refund may be negotiated in the current circumstances.

- **Stock Insurance:** If it is anticipated that stock levels will be lower than expected for the duration of the crisis, agreement should be sought from your insurer to levy premiums on the basis of the average stock value at risk during the insurance period.
- **Business Interruption Gross Profit:** A saving may be made if the level of cover required for the policy indemnity period is affected due to the reduced trading situation.
- **Motor Insurance:** For motor insurance reduction, speak to your insurer directly.

**Q. Which of our insurance policies might reasonably be cancelled to generate premium refunds?**

- Quite possibly none, although it is advisable to consult your insurer or broker to ensure that risks are assessed and cover remains in place where necessary.
- In the case of say a Money Policy perhaps there is no cash at risk presently as whatever the business has, is in the bank, and so there is no exposure to loss at the business premises or in transit but the premium for such a policy is generally quite small and also possibly a minimum annual premium
- Other exposures such as Cyber Risks, Fidelity/Internal and/or External Fraud continue, though possibly at a reduced level;
- Certain policies operate on the basis of when a claim is made rather than when the damage occurred. You should consult your insurer or broker before deciding to cancel these types of policies which include:
  - Personal Liability policies for Directors and Officers of businesses
  - Professional Indemnity insurance in respect of services provided

**Q. Should an opportunity arise to use our facilities for other than what we normally do (for example step down facilities to the HSE) what insurance issues arise?**

In this event, it is critical that you inform your insurer and obtain their agreement if it is proposed to use your facilities for any such purpose. The risks which your insurers agreed to cover in respect of buildings, property damage, employers and public liability insurance would potentially be very different to the new risks presented by offering your facilities for this purpose. Some insurers may not be prepared to provide cover at all and others may restrict the cover provided. The consequence of not obtaining agreement from the insurer could be mean that no insurance cover is in place and the business would be exposed to significant financial risk.

The solution may involve having the party interested in contracting with you provide an indemnity to you in relation to any liability claims that may arise. The wording of any proposed indemnity should be reviewed with your broker/insurer with a view to ensuring that all restrictions introduced by your insurer are being dealt with.

**Q. What do I need to consider in relation to my insurance cover in light of COVID-19?**

**1. Review your insurance policies and consult your broker/insurer regarding the adequacy of cover.** With businesses closed or partially closed the risk of property damage is higher than usual. Should a major fire occur it will be essential to have policies which provide sufficient cover to:

- Reinstatement of the building and contents
- Reimbursement for financial loss incurred as a result of the insured damage
- Payment of business interruption loss for the full interruption period (i.e. from the date of insured damage to the date on which it is considered that the business has sufficiently recovered to the operating level that would have prevailed had the insured damage not occurred. In many instances, this may extend beyond 12 months.

## **2. Take extra precautions during unscheduled periods of unoccupancy.**

Property policies often require extra precautions to be taken when a property is unoccupied. Often, cover is only in place for a limited period of unoccupancy, typically 30 days. Insurers must be advised if a premises is closed for business even on a temporary basis and they will require measures along the following lines to protect an unoccupied premises:

- Remove all waste – waste and skip bins in the open should be at least 10 metres from the building and 2 metres from a perimeter fence – if not practical to do so use lockable enclosed metal skips
- Ensure the premises are secured against unlawful entry
- Disconnect services at the mains, if possible, other than electricity where it is required to maintain lighting and alarm systems and also water to the extent that it is required for sprinkler systems
- Drain water tanks and heating systems
- Keep internal and external lights on to give the impression of occupancy and also to create a degree of vulnerability for trespassers
- Continue checking and maintaining protocols for alarms, CCTV, fire doors, sprinkler systems, fire extinguishers and emergency lighting
- Inspect the premises thoroughly at least weekly, keeping a record of the inspections and carry out any work necessary to maintain the security of the premises.

Reportedly some insurance companies will agree to extend their policy unoccupancy periods to 60 or 90 days. It is advisable to consult your policy for the conditions relating to unoccupied property and implement the measures required by the policy as well as notifying your insurer if the unoccupancy period is exceeded.

**3. Remember the Health and Safety of your employees temporarily working from home.** Under the Safety, Health and Welfare Act, 2005, employers have specific duties to ensure the safety, health and welfare of their employees. These duties extend to homeworking and the precautions taken in this regard should include at least the following being assessed for employees:

- A suitable space at home to work from with enough workspace to accommodate office equipment, files etc
- The space should be easily and safely accessible
- There should be adequate light, ventilation and heat to allow one work comfortably
- Ensure there are no trailing cables that might be a trip/slip hazard for the employee or a member of their household

Employers should provide specific guidance in relation to using screen display equipment for long periods.

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