With everything going on regarding COVID-19, we wanted to inform nonprofits about how their current policies might (or might not) respond as a result of quarantines, claims, events and conference cancellations. It is good to understand that most property policies include standard language that likely excludes claims for business income loss due to bacteria, virus or any other microorganism. As a matter of fact, all (admitted) NY carriers already must issue an additional notice explicitly re-stating this exclusion on all property policies issued. Here’s an excerpt from that exclusion:

"for loss or damage caused by or resulting from any virus, bacterium or other microorganism that induces or is capable of inducing physical distress, illness or disease."

That pretty much describes the novel coronavirus. We are getting a lot of calls regarding concerns of office closures and potential work and/or income loss as a result of staff being quarantined. The bottom line is most every policy excludes business income and expense claims for COVID-19. There is talk that the company that develops (universal) policy language, the Insurance Services Office (ISO), is developing an optional endorsement for insurance companies to adopt that carves-in civil ordered quarantines, but we highly doubt insurance companies will adopt such an endorsement at the present time.

With technology the way it is today, it is recommended that nonprofits address the risk of quarantine loss by developing remote work (work from home) policies and procedures, if possible.

Another concern for nonprofits is workers compensation and liability surrounding COVID-19 in the workplace. While an employee who contracts COVID-19 in the workplace would likely have a valid workers comp claim, the nonprofit’s General Liability coverage may also come into play if there is a third party allegation that the nonprofit negligently kept an infected employee on the job, thus allowing the spread of COVID-19 to a third party. Be aware that ISO has previously issued language that excludes coverage for bodily injury, property damage, and personal and advertising injury arising out of the actual or alleged transmission of a communicable disease. It is recommended that you read your policies and talk to your insurance broker about what is in your policy and what your concerns might be.

We are also getting inquiries regarding event cancellation claims. These are claims related to the loss of income, expenses incurred and/or deposits lost due to the cancellation of a scheduled event or conference. Event cancellation coverage is a separately purchased policy and all event cancellation companies we have spoken with have been specifically excluding coverage for cancellations in response to COVID-19 on all policies issued after January 2020. For a COVID-19 cancellation claim to be valid, the policy most likely would have needed to have been purchased before January 2020 and would have had to extend coverage to cancellation due to communicable disease. At this moment, any event that is canceled due to COVID-19, without an event cancellation policy in place prior to January, is most likely not insurable.

While ISO may issue language that is universally adopted in policies, individual insurance carriers may amend that language through policy endorsements that either enhances (or broadens) coverage or excludes additional acts or circumstances. For example, your policy may have additional coverage endorsements for conference cancellations or crisis events. Keep in mind that this may not be for your conferences and events but may be for reimbursement of expenses for staff who have registered for other conferences that are cancelled due to communicable disease outbreaks.

Again, it’s a good idea to think about the situations, read your policies and work with your broker to gain a better understanding.

Stay safe!

Mr. Andrew is President and CEO of Council Services Plus, an insurance brokerage headquartered in New York State. Mr. Andrew has more than 25 years of experience in the insurance industry and currently holds licenses for Life, Health, Property and Casualty. He is also a Certified Professional Insurance Agent (CPIA).

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