Coronavirus Disruption: Will Losses be Covered by Insurance Policies?

GRASSI & CO James O'Brien (May 12, 2020)

The spread of coronavirus (COVID-19) worldwide to the pandemic level has changed all aspects of normal life. Businesses are experiencing major operational challenges.

The spread of coronavirus (COVID-19) worldwide to the pandemic level has changed all aspects of normal life. Businesses are experiencing major operational challenges. Supermarkets look like a major hurricane or snowstorm is coming with shelves empty. However, with COVID-19, instead of being impacted for a few days, the disruption to normal living as well as business operations will last for weeks at a minimum and potentially months. The business losses are already mounting as a result of government-mandated shutdowns and quarantines.

As businesses continue to experience large financial losses due to the pandemic, it is important for business owners to determine whether insurance policies provide coverage for those losses. Insurance policies can provide coverage to protect for these types of losses, but the clauses and terms can be complicated to navigate.

Review Your Insurance Policy

First, it is important to review your policy to determine whether coverage is provided. For example, coverage may include event cancellation, business interruption insurance, commercial liability (i.e. someone gets infected at your event), environmental (decontamination costs), employment practices, directors and officers, errors and omissions. The language in the policy is critical to determining whether the loss will be a covered event. If you do not have a complete copy of the policy, request one from your broker to determine which unique terms can help substantiate coverage or exclude coverage. You will also need to reach out to your insurer (not the broker) to provide timely written notice of any losses that you believe to be covered.

Substantiate Claims

Insurance claims tend to be complex in nature because the claim predicts revenues and costs that did not occur as a result of the event. Generally, this complexity gives insurance companies leverage because of the skills necessary to properly substantiate a claim based on what is covered. It is important to consult with a specialist such as a forensic accountant who has the specialized expertise to help quantify and substantiate the claim. Quite often, the insurance policies provide additional coverage to perform the claim preparation that also eliminates the out-of-pocket costs that insureds may incur to substantiate the claim.

Mitigate Losses

It is critical to document and keep the financial records that will substantiate the impact to the financial operations. In addition, it is important to consider reasonable steps to mitigate losses. This includes documenting and tracking any extra expenses incurred during the loss.

For more information on Grassi's Forensic Accounting Services and how we can help you quantify commercial damages resulting from the COVID-19 pandemic, please contact James O'Brien, Partner in the Forensic, Litigation & Valuation Services Group, at 609.922.3042 or jobrien@grassicpas.com.

Source URL: http://www.iitaly.org/magazine/focus/facts-stories/article/coronavirus-disruption-will-losses-be-covered-insurance

Links
[1] http://www.iitaly.org/files/grassicovidpng-0