

Coronavirus

General Client Information

The UK Government has now classified Coronavirus, also known as COVID-19, as a 'Notifiable Disease'. We have looked at how this may impact our clients and how insurers and related insurance policies are likely to respond.

Business Interruption

Many UK companies are now beginning to worry about the possible financial impact of the Coronavirus on their business. Whether it be as a result of supply chain problems, fears that they may have to close their business premises if there is an outbreak of the virus, staffing issues or simply a reduction in expected business. It is certain that businesses are now facing unprecedented challenges.

Whilst the UK Government has now classified Covid-19 as a Notifiable Disease and this is a very positive step, this will not automatically mean that insurance policies will provide cover where previously they didn't. Business Interruption insurance is primarily dependent on there being physical damage (for example, by fire or flood) to either a policyholder's property or, by extension, to that of key suppliers or customers.

Some Business Interruption insurances will also provide cover for some instances of interruption which is not a consequence of physical damage at the insured premises or elsewhere. An example is interruption of, or interference with, a business as a consequence of the outbreak of certain diseases. In the vast majority of cases the diseases for which the Insurer is providing cover against are specifically listed within the policy.

Therefore, whilst the government has extended the official list of Notifiable Diseases to include Covid-19, it will not mean that UK insurers will automatically do the same. Some insurers have yet to declare their position but a number have done so and, to date, the stance has been that they will not be extending the cover they currently provide to include the new disease.

That said, policy wordings do vary and some do not limit cover to specific or named diseases. In these cases there may be cover available for loss of income, cost of decontamination and sanitisation etc, but cover is likely to be subject to certain limitations. Cover might extend to outbreaks of a disease away from the insured premises but, invariably, this will be limited to within a narrow radius (for example, 10 miles). A reduction in trade simply resulting from an economic downturn, such as people not wishing to travel or to dine out, would not be the same as an actual outbreak of the disease nearby, and therefore would not be covered.

Employers Liability

From a liability perspective, in particular Employers Liability, there could be potential claims against the business. Diseases are covered within the scope of an Employers Liability policy (insofar as cover is not excluded). However, for an employee to make a successful claim against the business, the policyholder would have to be proven negligent in some way. For example, if an employer permitted staff to travel to areas which are against World Health Organisation (WHO) or the Government's Foreign & Commonwealth Office (FCO) advice (although for obvious reasons, such travel arrangements should firstly be discussed with your insurer).

Summary

Whilst some of the above insurance positions may not appear positive, it is consistent with the general fundamental principles of insurance. For the concept of insurance to work, it is dependent on insurers being able to assess the potential risks and price their policies in such a way that ensure they remain financially viable. Global and widespread issues (sometimes known as fundamental risks) are often too large for the insurance industry to bear. For all such risks to be covered by insurance would inevitably cause insurance premiums to rise to unaffordable and unviable levels.

The current situation is unprecedented to all of us – including businesses and insurers. There are many aspects to the business consequences of Covid-19 and we would recommend that you contact Trade Protect on 01276 423 155 if you have any questions or concerns regarding your current or future insurance arrangements.

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Director

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