

SHARE:

[Join Our Email List](#)

FROM THE DESK OF

Rick Parks



Society agency partners,

On March 5, I provided a [message](#) to you outlining a general view of how our policies would likely respond in the event of a wider outbreak of the COVID-19 virus. Given the fact that COVID-19 has reached pandemic status, and some states have taken steps to limit operations of certain businesses, I wanted to follow up with some guidance on questions you may be receiving from your clients.

I'll address both first-party property coverages and third-party liability coverages. As I indicated in my earlier message, while the current circumstances are unlikely to result in facts that support first-party coverage under our policies, or liability to a policyholder, we encourage any policyholder or third-party claimant who wishes to present a claim to do so.

To help facilitate answering coverage questions related to COVID-19, an email address has been established: COVID-19@societyinsurance.com

If a policyholder desires to present a claim for property or liability coverages, they can contact us at our regular claim email address: claims@societyinsurance.com

Workers compensation claims should be sent to our regular claim email address for work comp: wclaims@societyinsurance.com

We will respond to and address each email as quickly as possible.

This is how various coverages would likely respond to COVID-19 claims:

FIRST-PARTY CLAIMS

Business Income coverage:

Whether it be a full shutdown of business, a partial suspension of operations or an alteration in business operations that remain open, Business Income coverage must be due to a suspension caused by *direct physical loss of or damage to covered property at the described premises. The loss or damage must be caused by or result from a Covered Cause of Loss* . **Extra Expense** coverage also requires the same coverage triggers. In general, a quarantine of any size, or brought about by a governmental action without a Covered Cause of Loss, would likely not trigger Business Income or Extra Expense coverages under our policies.

Civil Authority coverage:

Civil Authority additional coverage pays for actual loss of Business Income and Extra Expense caused by an action of civil authority that prohibits access to the described premises when a *Covered Cause of Loss causes damage to property other than property at the described premises* . A widespread governmental imposed shutdown due to COVID-19 (coronavirus) would likely not trigger the additional coverage of Civil Authority.

Contamination coverage:

This additional coverage for Contamination will pay for costs to clean and sanitize the premise, if the insured's operations are *suspended* due to "contamination." A governmental agency, such as a Health Department, must close a specific business because of the discovery or suspicion of food contamination. Because COVID-19 is spread through human contact and is not seen as a foodborne illness, it would be unlikely to trigger this coverage.

Product Spoilage coverage:

Product Spoilage requires a specific and unique Spoilage Covered Cause of Loss. These are a change in temperature or humidity due to a mechanical breakdown or failure of equipment, or contamination by a refrigerant or power outage. Any alleged COVID-19 (coronavirus) exposures or spoilage from the extended shelf life of a product is not a Spoilage Covered Cause of Loss.

THIRD-PARTY LIABILITY AND WORKERS COMPENSATION**Liability Coverages:**

General liability coverage applies to bodily injury caused by an occurrence. COVID-19 illness allegations presented by third-party claimants would be considered on an individual basis. An important element to proving liability would be evidence that an illness occurred due to exposure at a particular business, and that the business was negligent in allowing the exposure. Both of these would be very difficult to prove in a community-spreading viral outbreak. Allegations of bodily injury by third parties should always be referred to us for review, but it's unlikely negligence could be substantiated.

Workers Compensation:

The burden to prove that Workers Compensation benefits apply for COVID-19 would be very difficult. Disease claims have specific elements outlined within the Workers Compensation statute necessary to find a claim compensable. These elements would include, but not be limited to, the following, as each state may have additional tests to be met. First a worker must show their job is at a greater risk to exposure than the general public. A worker must also show they contracted COVID-19 while in the course of their employment, and it must arise out of their employment. Both arising-out-of and in-the-course-of tests are required to find compensability. Once again, this is difficult to establish in a community-spreading viral outbreak, but all purported claims should be referred to us for review.

We realize this is a challenging time both for you and our policyholders. While the contact points I mentioned at the beginning of this message should be sufficient for most inquiries, please feel free to reach out to our Vice President-Property, Auto & Liability Claims, Bill Bunzel (bbunzel@societyinsurance.com), or our Vice President-Workers Compensation Claims, Mike Zajicek (mzajicek@societyinsurance.com), with any broader questions or concerns. They stand ready to help.

Rick Parks
President & CEO

Society Insurance | societyinsurance.com

