

Insurance recovery considerations with COVID-19

Insurance recovery potential for COVID-19 *It depends...*

- Each applicable policy of insurance must be reviewed to determine the extent, if any, of coverage for COVID-19.
- Coverage may vary depending on the jurisdiction and circumstances.
- Every potential claim will be evaluated individually subject to the facts, circumstances and the applicable policy details.



Review policy details



Complete a coverage review and analysis of your insurance program and specific policies with with your Willis Towers Watson claim advocate.



Report the claim

Based on the review if there is potential coverage for loss or damage, consider noticing the insurer promptly to preserve policy rights.



Work with the insurer

Communicate regularly with the assigned claims professional to adjust your loss. Willis Towers Watson can provide claims advocacy, identify business impacts and costs.



Track your loss costs

Use a forensic accounting expert from your Willis Towers Watson Team for valuation and preparation of your costs.



Recovery

Submit the loss costs with supporting documents and get your claims paid.



Step 1 – Review policy details

Property insurance: Physical damage vs. business interruption

- Most commonly property policies cover physical damage to insured property from a covered peril (all risks policy).
- Without physical damage from a covered peril, COVID-19 driven income loss associated with declining revenue due to changes in customer purchasing patterns or reduced demand for residencies and services, most likely does NOT trigger the property policy for coverage.
- However, a close review of the entire policy should be taken as some policies have sub-limited coverage available for such conditions as communicable disease, decontamination and crisis management grants, offering some recovery options.
- In addition, some of these conditions require a regulatory authority or government order restricting or limiting access to the property.

Pollution, General/Professional Liability and event cancellation policies sometimes have obscure coverage give backs with sub-limits available

- COVID-19 is an unprecedented situation for insureds and insurers.
- As this is uncharted territory, if there is a reasonably based, creative way to trigger coverage, it may well be worth pursuing
- Many of the coverage extensions have strict timelines requiring prompt reporting to secure available sub-limits.
- Some coverage grants require the insurer's consent or pre-approval for costs to be reimbursed.
- Waiting periods or time limits restricting how long costs can be incurred may also be present.

Government response – Relief potential

PRIA – Pandemic Risk Insurance Act?

- TRIA (Terrorism Risk Insurance Act) created a federal backstop for insurance claims related to terrorism. PRIA, if enacted, could create a similar program for pandemic events.
- A PRIA concept is being debated at the federal level.
- Several states are also discussing legislative responses that could pay for COVID-19 business interruption from a fund formed by assessing all insurers in the state a special apportionment.
- If any of these recovery options become a reality, tracking your lost income and extra expenses now will be critical to securing any future recovery that might become available.



Step 2: Report the claim

Prompt reporting is key as some coverage grants have narrow timelines to file a claim and/or only allow for recoveries starting from date the insurer has notice.

- To ensure compliant claim notification, include all relevant information.
 - Description of the event
 - Date and time of the event
 - Community location name, address, city and state
 - Description of any equipment involved
 - Identify any federal, state or local health authorities engaged
 - Include the contact information for the individual(s) at your firm who are claim spokespeople – on site and corporate contacts



Step 3: Identifying increased operating costs

Direct costs

- Cleaning/disinfection of property
- Employee screening
- Testing
- Evacuation expenses
- Decontaminate and disinfect communities
- Removal of debris, contents and contaminated goods
- Replacement of consumable goods
- Replacement of supplies
- Internal labor incurred during impact

Indirect costs/Extra expense

- Incremental labor expense paid to employees, overtime, bonuses
- Increased cost of PPE
- “Out of pocket” and temporary expenses incurred to mitigate the impact (e.g., meals purchased for employees/residents, medical supplies, electronic equipment)
- Any other expenses incurred above and beyond normal and due to impact (e.g., outside vendors/contractors, marketing materials, food service/delivery/packaging)
- Brand and reputation damage

Identifying potential business interruption impacts

- Loss of revenue/profit from residents moving out of property
- Loss of revenue/profit from new residents that would normally move into property
- Loss of revenue/profit from cancellation of fee-based activities (onsite and offsite)
- Loss of revenue/profit from skilled nursing – Medicare revenue
- Loss of revenue/profit from guests not on property
- Any refunds given to residents



Step 4: Compilation of documentation

The financial damages sustained should be addressed, captured and quantified. In order to best support the impact, we suggest compiling the following information:

1. A daily timeline – List of location(s) and buildings impacted, dates impacted, etc.
2. Obtain any official reports/communication from the civil authority ordering a shutdown/closure.
3. Create a separate general ledger account to capture all loss-related data.
4. Identify or assign a person to be the main contact during this process to have “one voice.”
5. Invoices and/or receipts to support all expenses incurred as a direct result of COVID-19.
6. Historical monthly budgeted and actual income statements.
7. Historical monthly occupancy reports, and reason for any departures.
8. Payroll records during the impacted period.

Conclusion

Step 1	Conduct the comprehensive policy reviews – examine closely.	
Step 2	Do we have a reasonable basis for an insurance claim submission and a potential recovery?	
Step 3	Be prepared to communicate throughout the claims process.	
Step 4	Assemble and evaluate all the loss costs – even if insurance does not respond to every expense, other recovery options might be available in the future.	
Step 5	Submit the claim with documentation and secure the available recovery.	

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