

COVID-19 Client Update

Crawford Business Interruption Response

2 April 2020

Business Interruption

There are few risks more resilient and more difficult to control than pandemic and as we are all experiencing a pandemic outbreak has the potential to impact a broad range of insurance programs.

Business interruption (BI) is routinely triggered by direct physical damage to or loss of property stemming from a covered peril, specialty BI policies with pandemic related triggers do not require physical damage are available but cover is limited.

At Crawford, we are able to offer multiple solutions for addressing policy and procedural issues arising from Covid-19 and how this will impact our handling of new instructions **and** existing losses.

All our solutions promote social distancing, comply with government restrictions and reduce the risk for our adjusters and your customers.

We are able to offer solutions for:

- Covid-19
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- Claims presented under policy extensions.
- Existing property damage and BI claims.
- New claims – normal perils.

Through the quick adoption of an agile service model utilising our self-service application, [YouGoLook](#), and video streaming we are able to inspect loss sites where a visit is not safe. This technology provides a “real time” visit allowing adjuster and insurers to attend site. All material digitally captured for later analysis, if required.

Our recently launched decontamination service has the potential to reduce business interruption where disease is on the premises.

We have a network of business interruption and forensic accountants available throughout the UK and desk based adjusters with the capability and expertise to handle instructions to handle complex claims without risk.

Your claims will be in safe hands.

Covid-19 Claims – Policy Extensions

BI claims are likely to be presented under the following policy extensions:

- Infectious / notifiable disease
- Denial of access – non damage
- Loss of attraction

Where cover is identified it is likely to be under an extension contained within bespoke wordings for individual broker and affinity schemes.

We recommend that a legal opinion is obtained and once liability is confirmed that a communication and settlement strategy is agreed with all parties. Consistency of approach is vital when dealing with potentially hundreds of claimants and we have solutions available to assist with the claims process from notification through to settlement by our Crawford Forensic Accountancy Services

team. This includes an online portal which allows policyholders or their accountant to upload pre-determined information and documentation. This allows for a swift assessment of the claim.

We have a tiered resource that enables us to tailor the response from desktop assessment and settlement through a full forensic deep dive into quantum and coverage issues.

We would urge caution even when policy coverage is engaged as the key issue on the majority of claims will be the application of the “other circumstances clause” and consequently the “but for” test. This is supported by the Orient Express legal case.

On 16 March, the public was advised to avoid the hospitality sector and other non-essential travel but there was no closure of these premises. The closure came into force on Friday 20 March followed by the “lockdown” on Monday 23 March.

Whether insurers accept that cover applies from 16 March when there was a general guidance not to go to such premises or when premises were told to close by the government continues to be debated. Often there may have been very little business being done after 16 March and consequently the closure order will have had little impact on trade in any event.

The next issue is whether the “lockdown” on 23 March prevents or limits further indemnification under the policy. This is a pertinent and sensitive issue.

At Crawford, we have the specialist skills and people who are able to guide your through, not only the complex policy issues, but also the indemnity calculations and settlement options. Agreeing these across a portfolio is an important element and provides certainty.

Covid-19 – Existing Property Damage and Business Interruption Claims

In addition to any new claims arising there is also a potential impact for Covid-19 on most businesses already claiming business interruption, including those from the recent floods. As such those who have already have ongoing claims are in no better position than those more recently affected. This arises either as a result of businesses being instructed by Government to close, issues with employees or suppliers and of course lack of customers due to homeworking restrictions imposed by Government leading to a reduced demand for their products and services.

The ‘other circumstances’ clause of the BI policy states that adjustments will be made as necessary for trends of the business, variations and other circumstances affecting the business which would have affected the business had the incident not occurred. The impact of Covid-19 will have to be considered in relation to any existing claim i.e. a pre-Covid-19 loss, in so far as this impacts the business interruption loss. Relatively few businesses are likely to be unaffected.

In addition inevitably, there are likely to be delays in material damage reinstatement programs due to contractors’ availability through self-isolation, shortage of materials and other factors. It is possible that repair costs may increase.

Where there is both a formal and informal contract in force between the insured and the contractor, Force Majeure may apply.

We are currently reviewing all claims for potential issues with priority given to the following areas where we consider the greatest impact is to be felt:-

BI Claims which have ongoing losses and which will be impacted by the potential issues of the lockdown and the application of the special circumstances clause may potentially mean that ongoing payments are curtailed or reduced.

Loss of Rent – where the delay in repairs being completed could exhaust the indemnity period.

Alternative Accommodation – where the delay in being able to reoccupy the risk address could cause costs to exceed the policy limit.

Covid-19 – New Claims – Normal Perils

Our adjusters are committed to providing a timely, technical and quality service during this period for all perils such as escape of water, fire, storm and much more.

Our investment in leading edge technology will enable us to continue to support you through the use of our self-service app, video streaming and site visits where appropriate and safe.

Summary

Overall, most general policies will not cover the impact of Covid-19 even where there are bespoke wordings, careful consideration needs to be given to the coverage issue. Once cover is accepted there are likely to be numerous claimants each of which require careful and detail consideration before making payment.

In these uncertain times, you can trust Crawford to understand the complexity and to have the systems, processes and the skills to help guide you, your brokers and customers through the pitfalls to provide clarity. Our online portal enables us to deal with high volumes of claims as well as having expertise within Crawford Forensic Accountancy Services to deal with high value, high complexity and where necessary multi territory claims.

To find out more or to see a demonstration of our portal, please contact us or visit - <https://cfas.global/products-services/cfas-toolkit/>

As a company, we have capacity to assist you and will work with you to review and flex business processes so we can serve your customers and protect our people. You can keep up-to-date with our response to the coronavirus on our dedicated webpage - <https://www.crawco.com/covid-19/coronavirus-response>.

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