

Property and Novel Coronavirus (2019-nCoV): Is My Business Covered?

The outbreak of 2019-nCoV may cause a significant economic impact for businesses. As we've seen in numerous cities across China, authorities have closed theaters, museums and other venues as well as transportation hubs to limit the spread of the virus. It is anticipated that China's economic growth could fall below forecasted growth if the virus is not stabilized by March. Business closures and lost sales will naturally give rise to questions as respects business interruption coverage under property policies. Examples of the impacts associated with 2019-nCoV may include:

- Cost of sanitizing and testing insured property
- Costs of evacuation of an insured property
- Resulting loss of income, either from the closure of the premises during sanitization or the loss of customers due to identification of the virus at the insured premises
- Contingent business interruption or extra expense due to the closure of a facility of a key customer or supplier

Aon offers the following observations regarding these types of costs and income losses.

IMPORTANT: Any coverage analysis must be based upon the wording of an insured's specific policy(ies) of insurance.

Physical Damage

The trigger for any property insurance policy and resulting time element coverage is physical damage to insured property by an insured peril. Insurers are likely to argue that the introduction of a virus does not constitute direct physical loss or damage to insured property nor is it a covered peril. While the introduction of 2019-nCoV to insured property may be considered a fortuitous (unforeseen) event (similar to other triggers that are typically covered under property policies), it is most likely not covered due to standard policy exclusions. Insurers may point to exclusions related to loss or damage arising from delay, loss or market, loss of use or indirect or remote loss or damage. Alternatively, a policy may contain a contamination exclusion which embeds virus, disease or illness causing agent in the definition of contaminant. Most property policies, including ISO, specific insurer forms and most manuscript policies, do not cover a loss resulting from a virus.

Time Element

If the physical damage trigger is not met, the exclusion will also apply to most resulting time element losses. However, there are some select policies designed with specific industries in mind, such as hospitality or retail, that might address some losses caused solely by such a virus. This specific coverage can be referred to in clauses titled "Loss of Attraction," "Communicable Diseases" or "Special Perils Business Interruption.". The coverage is almost always subject to a low sublimit – usually under \$5 million – and is often aggregated as well.

Such an extension may only apply to the extra expenses associated with evacuation, disinfection and testing after a building has been closed due to the introduction of a virus, and may not extend to any loss of income.

If these types of extensions are in place, they are subject to the policy indemnity periods and

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generally, the time period for recovery is the length of time that it takes to repair or replace the damaged property (in this case, to sanitize) and possibly any extended period of indemnity.

Further, if coverage does apply, an issue may exist as to the number of occurrences or events for which coverage is available. The facts of each claim will determine the answer to the question of number of occurrences. Aon raises this issue for consideration in light of the pattern of previous infectious disease outbreaks where there was significant time between waves of illness.

Other questions may arise as respects the application of the “Civil or Military Authority” clause, which is another time element extension that is triggered only by physical damage and a directive by a governmental authority that affects access to an insured’s premises. Any discussion of whether or not this extension will apply has to be based upon the specific circumstances of a closure and the actual wording in any policy.

Global Programs

For clients with global property programs, attention must be paid to coverage provided for local operations and how that coverage may respond to 2019-nCoV. Situations may vary depending on the jurisdiction and circumstances that exist for your operation and loss exposure. If supply chains are disrupted due to any closures or quarantines, the same physical damage and insured peril triggers will apply except perhaps where stand-alone supply chain or trade disruption policies may be in place.

Disclaimer: This Coronavirus Response Site report has been provided as an informational resource for Aon clients and business partners. It is intended to provide general guidance on potential exposures and is not intended to provide medical advice or address medical concerns or specific risk circumstances. Due to the dynamic nature of the coronavirus, and infectious disease in general, Aon cannot be held liable for the guidance provided. We strongly encourage visitors to seek additional safety, medical and epidemiologic information from credible sources such as the Centers for Disease Control and Prevention and World Health Organization. As regards insurance coverage questions, whether coverage applies or a policy will respond to any risk or circumstance is subject to the specific terms and conditions of the insurance policies and contracts at issue and underwriter determinations.

For More Information

It is critical to review each policy of insurance in its entirety to determine the extent, if any, of coverage available for the effects of the coronavirus. If you have specific coverage questions, please contact your Aon representative.

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