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Coronavirus & Insurance

While Australia has been relatively protected from the spread of Coronavirus (COVID-2019), many businesses have been disrupted due to travel, import and or export restrictions.

The purpose of this paper is to explain and warn that general insurance is unlikely to provide the protection that it does for traditional risks such as fire, burglary or storm. This paper looks at business interruption insurance, a similar one about travel insurance is available.

Business Interruption

Traditionally, business interruption policies only cover disruption to a business as a result of damage to 'insured property'. However, over time, insurers widened the protection to provide coverage as a result of a closure of the business by a public authority for a number of risks, including infectious disease. This was designed to cover things such as an outbreak of Legionnaires disease, or measles; which can close down one or two buildings disrupting a small number of businesses. Notwithstanding this, some policies provide coverage for an outbreak up to 50 kilometres from the business location, but most only cover at or near the premises insured.

While there may be exceptions, where a specialist business has secured very specialist global insurance, the cover afforded by both business packs and standard Industry Special Risks policies, are not intended to cover disruption caused by an outbreak in a different state, let alone a different country.

The outbreak of the SARS (Severe Acute Respiratory Syndrome) in 2013, prompted insurers and reinsurers to do modelling as to just how large claims could

amount to in the event of a major pandemic such as the Spanish Flu, which lasted from January 1918 – December 1920, and resulted in the death of anywhere between 40 and 100 million people. The reality is that the global funds held by insurers could not meet business interruption claims arising from such a large-scale pandemic. We would have no insurance industry to protect against the traditional insured perils.

Not wishing to strip away the coverage that was being offered for localised infectious disease outbreaks insurers –prompted by reinsurers– added an exclusion to their policies, stating that disruption from a number of highly effective diseases were not covered. As such, diseases can arise at any time and originate from new sources, the insurance industry introduced a clause which excludes any disease that is notifiable under the *Quarantine Act* 1908 (Cth), which has been updated by many insurers in line with changes in legislation to the *Biosecurity Act* 2015 (Cth).

As of the end of January 2020, Coronavirus is a listed disease and so all, but a few, policies exclusions will take effect. This means that regrettably there is no insurance protection for disruptions to business arising from Coronavirus.

As with any other threat, it is important to consider what risk management measures you can introduce to mitigate the risk to your staff, customers and business.

Risk Management Tips

How to avoid infection:

Here is a short list of ways to minimise the spread of Coronavirus

- Practice good personal hygiene.
- Avoid contact with anyone with or suspected of having Coronavirus.
- Boost your immune system by eating well, exercising, having enough sleep, and keeping your stress levels under control.
- Cancel or delay any travel to affected areas until the crisis is over.

Recommended Actions for your organisation:

- Implement a home quarantine regime for anyone that has travelled to an infected country or is likely to have been in contact with someone infected with Coronavirus.
- Review and update, if necessary, human resources ('HR') policies on fitness for work, including possible quarantining of employees and formalising the requirement for employees to remain off work if affected.
- Consider or extend flexible working arrangements to reduce the likelihood of the spread of the virus in the workplace or the community.
- Update travel rules and arrangements limiting non-essential business travel.
- If not already in place, provide sanitized hand washing stations for use by staff and visitors.
- Review arrangements for workplace hygiene and cleaning protocols including "cough and sneeze" etiquette.
- Protect the mental wellbeing of employees concerned about the Coronavirus.
- Ensure clear and honest communication to employees on their welfare.

Keep Informed:

Everyone should remain alert for updates and advice from the relevant authorities on additional steps to manage the spread of the disease.

The health department in each state is providing excellent resources, advice and regular updates.

Before travelling, check for and take the advice of any travel warnings on smartraveller.gov.au.

Business Continuity Management Planning

A pandemic is just one risk facing modern organisations. Having a fully documented and exercised business continuity management plan is important for every business. Visit www.continuitycoach.com to learn more.

Disclaimer

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If you have difficulty reading and/or understanding the cover provided in the policy(ies) that you have please contact your insurance adviser.

LMI GROUP PTY LTD

LMI Group House, 428 Burke Road,Camberwell VIC 3124
www.LMIGroup.com
CustomerRelations@LMIGroup.com
+61 3 9835 9900