

# Client Briefing

25 FEBRUARY 2020

## Coronavirus insurance coverage

Material damage and business interruption policies placed with most New Zealand insurance companies primarily cover loss or damage to physical property, and business interruption loss or extra expense arising from loss or damage to physical property.

Policies often extend a degree of business interruption coverage to loss for other specific reasons, for example loss due to the act of a public authority because of some type of property damage or injury. This extension of cover is usually implemented by a clause that deems such loss to be loss due to damage to the insured's property.

The exact coverage on offer depends on the wording, which is usually a non-negotiable wording imposed by the insurers. There can be quite a lot of variation between wordings. Sometimes *threat or fear* of illness is a coverage trigger; and other times there has to be actual illness. Sometimes illness or fear of illness must occur "*in the vicinity*" of (one of) the insured's business premises; other times it must occur within a specified distance in kilometres of those premises. There may be restrictions on what kinds of illnesses can give rise to cover.

We expect that few if any New Zealand policies will cover loss of attraction of customers. So far as we are aware, this specialist loss of attraction coverage is very seldom available to or purchased by New Zealand companies; and even where arranged is likely to be limited to loss of attraction due to physical damage.

Some New Zealand policies used to provide extended but sub-limited cover for closure of the insured's premises because of a notifiable disease. However, to the best of our knowledge all the main NZ insurers have long since withdrawn this cover, apparently because of exclusions in their own reinsurance arrangements, perhaps as a result of outbreaks like SARS in 2002-3. This is usually done in a specific exclusion or condition.

Most (but not all) New Zealand insurers will go further and **exclude** cover for illness caused by an infectious and/or notifiable disease. As from 30 Jan 2020, "Novel coronavirus capable of causing severe respiratory illness" (2019-nCoV) was listed as a notifiable disease under the Health Act 1956.<sup>1</sup>

This may be relevant distinction, as there may be a case to be made for cover under policies which withdraw cover for notifiable diseases but do not exclude it, and which still offer cover for actions of public authorities following illness or perhaps threat of illness nearby.

Coverage varies from insurer-to-insurer, and from policy to policy, and is absolutely essential to check the relevant policy carefully and in the light of actual facts.

<sup>1</sup> <https://www.health.govt.nz/our-work/diseases-and-conditions/notifiable-diseases>

As a general expectation we would anticipate the following:

| Scenario   | Marsh initial expectation  | Policy wording to look for in the business interruption section/ policy or in its extensions, "memoranda" or schedule   | But also look for  |
|--|--|---|--|
| <p><b>Insured's premises are closed due to illness (or threat or fear of illness) at or near the insured's premises.</b></p>               | <p>There <u>might</u> be coverage, if a public authority has intervened and the illness or threat (if covered) is nearby. It will depend on the exact facts and the exact wording of the policy and its extensions.</p> <p>Most NZ insurers exclude cover if loss is caused directly or indirectly by an infectious and/or notifiable disease.</p> <p>As of 30 Jan 2020 Coronavirus became notifiable.</p> | <p>An extension for loss</p> <p><i>"resulting from any action of a public authority consequent upon bodily injury, murder, suicide or illness to any person on or within X kilometres of (or in the vicinity of) the Premises".</i></p> <p>Potentially the extension may extend to "threat or fear" of illness.</p> | <p>An exclusion for loss:</p> <p><i>"directly or indirectly caused by a notifiable disease under the Biosecurity Act 1993 or an infectious disease notifiable under the Health Act 1956".</i></p> <p>However simply deleting any coverage extension for infectious diseases may not be enough to exclude coverage.</p> |
| <p><b>Potential visitors from overseas are barred or deterred from entering New Zealand because of the concerns of NZ authorities.</b></p> | <p>We do not expect many insureds to have business interruption coverage for this cause of loss.</p>   | <p>A "loss of attraction" extension.</p> <p>This cover will very rarely if ever have been sought or granted.</p> <p>Where it does exist it may be limited to loss arising from physical damage and/or still be subject to a notifiable disease exclusion.</p>   |  |
| <p><b>Potential visitors from overseas don't leave their home country to travel to NZ because of illness in their home country.</b></p>    | <p>We do not expect any insureds to have business interruption coverage for this cause of loss.</p>  |   |  |

If you have any questions or require assistance, contact your Marsh client representative or visit:

<https://www.marsh.com/nz/insights/risk-in-context/>

About Marsh: [Marsh](#) is the world's leading insurance broker and risk adviser. With over 35,000 colleagues operating in more than 130 countries, Marsh serves commercial and individual clients with data driven risk solutions and advisory services. Marsh is a business of [Marsh & McLennan Companies](#) (NYSE: MMC), the leading global professional services firm in the areas of risk, strategy and people. With annual revenue approaching US\$17 billion and 76,000 colleagues worldwide, MMC helps clients navigate an increasingly dynamic and complex environment through four market-leading businesses: [Marsh](#), [Guy Carpenter](#), [Mercer](#), and [Oliver Wyman](#). Follow Marsh on Twitter [@MarshGlobal](#); [LinkedIn](#); [Facebook](#); and [YouTube](#), or subscribe to [BRINK](#).

Disclaimer: The information contained in this publication is based on sources we believe reliable, but we do not guarantee its accuracy. No liability arising for any reason is accepted for the content of this publication. This information provides only a general overview of the subjects covered and should not be understood to be financial advice. Any statements concerning legal matters should be understood to be general observations based solely on our experience as insurance brokers and risk consultants and should not be relied upon as legal advice, which we are not authorised to provide. All such matters should be reviewed with your own qualified legal advisors.