



INSURANCE

Coronavirus: Impact on insurance

The Coronavirus, COVID-19 has raised numerous important legal issues. However, one issue has assumed an even higher profile with the recent classification of the virus as a pandemic. This is the question of what claims can be made under the different insurance products on the market to cope with the losses, whether direct or indirect, that Portuguese businesses have been facing.

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In particular, there has been a lot of talk about the possible coverage of losses arising from the cancellations that have occurred in the business, tourism, and cultural heritage sectors. In particular, people are looking at claims under **travel insurance policies** and at what is known as **cancellation coverage**. It is not possible to give a specific response to the vast number of situations that insurers and policyholders will face in the current circumstances. This is because we are not dealing with uniform policies and it is essential analyse them individually. Moreover, the analysis must be based on the specific circumstances and provisions of the insurance policy in question.

It is also important to note that the impact will be much greater on personal insurance, including life, health, and accidents at work policies. This impact will be particularly noticeable in terms of the volume of claims and the processes necessary to deal with them. In these cases, it is expected that (i) common **health insurance** will meet the cost of diagnosis, (ii) claims can be made under **life insurance** policies in case of death or disability (if they confirm the pulmonary sequelae that have been mentioned) associated with this pandemic, and (iii) claims can also be made under **work accidents insurance** without limitations in remote work situations.

Different and more complex rules will apply to the most common non-life products such as insurance for **damage** and **civil liability**. In reality, the coverage of claims for loss and damage arising from epidemics and pandemics are, as a general rule, outside the scope of coverage of these types of products. This exclusion can appear as an express provisions or it can be included in the context of the causes of *force majeure*.

Another issue of particular relevance to the business world when confronted with the economic implications of this pandemic relates to the possibility of companies making claims under their insurance portfolios to cope with **operating losses**. In reality, not having enough workers and a shortage of suppliers and customers can lead, in many cases, to an interruption or reduction of activity with all the economic damage that causes. Experience tells us that the coverage of operating losses is not intended for this kind of situation. It also tells us that, as a general rule, it is a complement to a damage insurance policy (commonly called "all risks" insurance). A claim can be made in the event of physical damage to the insured item which, in most cases, is the industrial unit and its contents.

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Insurers that operate in the **credit insurance** niche should evaluate the effects of the Coronavirus on the global economy and the implications those effects have for their credit insurance portfolios. One immediate consequence of the current pandemic is expected to be an inability to pay financial obligations on time. In many cases, this could lead to the insolvency of clients of insured parties under credit insurance policies. These and other economic effects associated with the Coronavirus will give rise to claims under credit insurance policies.

In addition to all the points we have made above, we believe it is crucial to emphasise a final point. The risks arising from the Coronavirus are unpredictable, abnormal and exceptional. This situation, combined with the wide range of products and policy provisions available in the European market, demands a careful case-by-case analysis of the legal and contractual framework of each policy. As this is a new and fast-developing situation, there may well be other changes that affect insurance policies. For this reason, we must pay close attention to any developments. ■

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