

Dear

Insurance Policy Reference:

Claim reference:

Insurance claim for business closure due to Coronavirus pandemic.

We wanted to write to you in more detail about how the policy you hold with us operates in the context of claims arising out of the Covid-19 pandemic.

Coronavirus has presented us all with new and difficult challenges. The insurance market has had to respond to a surge of claims and enquiries about an unprecedented event.

We should first be clear that the vast majority of our business insurance policies, in common with those available across the UK insurance market, were not designed to provide cover for systemic situations such as the current coronavirus pandemic. The cost of insurance cover for such risks would be prohibitive for many businesses, and to pay claims that were never intended to be covered and for which premiums have not been collected would threaten the stability of the insurance industry.

However, prompted by those claims and enquiries Covéa Insurance has already received about the insurance cover provided by the Bridge Business Protection Policy (marketed by Balens Limited and underwritten by Covea), we are writing to you to explain the circumstances that must prevail to help us to consider a claim for any losses from interruption to your business that you may have incurred as a consequence of Covid-19.

We have given careful consideration to the scope and interpretation of the cover provided by this policy and how it should respond to the claims that have been reported to us. We are sorry that this process has taken some time, but we have worked on this as quickly as we possibly could given the unprecedented volume of claims arising out of the pandemic.

Looking specifically at the terms of the cover under your policy, Section **4. Loss of Income** is the section which details the nature of those business interruption claims which we are able to cover. Your policy schedule will tell you whether you have this section of cover.

The main type of business interruption insurance provided by this section of the policy covers loss of income (from which you pay the expenses of running the business and generate a profit) due to an interruption to your business caused by material damage to property, such as the buildings at your business premises, or your trade contents. The property which is damaged must either be insured under your policy or be property used by you at premises which are insured under this policy or a similar policy.

As contamination by Covid-19 does not constitute material damage to property, you will not have cover under the main type of loss of income insurance provided by your policy. Moreover, we specifically exclude, as causes of any insured damage, pollution and contamination (which is defined in the policy to include disease and epidemic).

So most claims will instead fall for consideration under the 'Additional cover' extension, which provides cover for certain other situations which result in business interruption, including some where there has been no material damage to property.

This extension covers you, amongst other things, for:

Additional cover

Loss as insured by this section resulting from interruption of or interference with the business in consequence of...

e) the occurrence at the premises of any outbreak of human infectious or contagious disease other than acquired immune deficiency syndrome (AIDS) or an AIDS related condition

We have underlined the key parts of this cover, to highlight the essential criteria which need to be met to trigger an acceptable claim under the policy. The criteria for a claim to be accepted must be:

1. an outbreak of a human infectious or contagious disease

2. the outbreak must be at your premises; and

3. the outbreak at the premises must be the effective cause of the interruption to your business

In each case we will ask, was the effective cause of the loss the outbreak of disease at your premises? If it was not, unfortunately you will not have cover. So, if your financial loss has been caused because your business was closed due to the Government's closure of non-essential businesses and the legislation of 26 March which implemented that (which in England was the Health Protection (Coronavirus, Restrictions) (England) Regulations 2020), or if your business was closed because you were adhering to general guidance produced by a trade association of which you are a member, your claim will not be covered.

To succeed with your claim you will have to prove, on the balance of probabilities, that there was an outbreak of human infectious or contagious disease at the premises. Any infectious or contagious disease is covered, so you won't have to prove that it was Covid-19; just an infectious or contagious disease. The requirement that there must be an '*outbreak*' of disease would tend to suggest that there must be a suddenness to the disease occurring at the premises. The World Health Organisation says that '*a disease outbreak is the occurrence of disease cases in excess of normal expectancy*' and some medical dictionaries suggest an outbreak is the '*occurrence of infection with a particular disease in a small, localised group*'. In the context of your insurance, we would take the view that an outbreak has to be more than just a single staff member or the odd customer coming down sick (otherwise the policy could be repeatedly triggered by minor illnesses). We are, accordingly, looking for some evidence of there being a sudden cluster of cases at the premises for there to be an "*outbreak*" triggering the cover. We are not suggesting that the disease would need to have started at your premises.

So, for example, we will need to know;

1. How many staff members exhibited symptoms (and what proportion of your total staff that amounts to)?
2. Whether they were required to self-isolate and over what dates?
3. Whether any staff members tested positive with Covid-19?

Equally important, the Policy only covers interruption or interference with the business “*in consequence of*” the occurrence at the premises of an outbreak of human infectious or contagious disease. This means that any loss of income (or additional expenditure) which you claim under the policy has to be proven to have been caused by the disease at your premises. The policy does not cover loss of income or additional expenditure caused by:

1. the wider Covid-19 pandemic and the restrictions placed by the Government or other bodies (such as trade associations) on certain types of business trading;
2. the Government’s advice on social distancing or the movement of people which may have deterred persons from visiting your premises in any event;
3. staff members or persons who would usually visit your premises self-isolating out of precaution because of contact with other people who might have had symptoms of Covid-19;
4. staff members or persons who would usually visit your premises who self-isolated with symptoms themselves, but did not in fact have any disease at your premises; or
5. decisions taken by your business not to expose your staff to the risk of the virus coming onto the premises.

If you are able to provide us with some evidence that persons at your premises suffered disease, when that was, and how it affected your business, then we would be prepared to entertain a claim under sub-clause (e) of the Additional Cover to Section 4 of your policy. However, we need to be clear exactly what amounts you would be claiming under this sub-clause, and how your losses are attributable specifically to the occurrence of disease at your premises (rather than the wider Covid-19 pandemic and Government or trade association restrictions).

In this regard, we would refer you to the basis of claim settlement provisions on page 29 of the policy, which explain how we would normally calculate the amount payable under the Loss of Income section of your policy, in the event of a valid claim. We need to compare the income which you actually earned over the period during which your business was affected by the outbreak of disease at your premises, against that which you would otherwise have earned, had there been no disease at your premises. In those circumstances, it seems likely that your business would have closed (or at least stopped allowing non-staff members to visit your premises) with effect from the date on which the Government imposed trading restrictions on non-essential businesses and on the free movement of people (which for most businesses in England would have been no later than 26

March 2020). Such closures or restrictions would have affected the income which you would have earned irrespective of whether or not there was any disease present in persons at your premises.

We also imagine that in the lead up to the Government restrictions and increased social distancing, your customers/service users would have been more and more reluctant to attend your premises. If bookings were down, before any disease was present at your premises, that too has to be taken into account in assessing what income you might have expected to earn if there had been no disease at your premises.

We are sorry this letter is rather lengthy and detailed, but we feel that such an important matter to you needs to be fully explained, especially if you are thinking of obtaining expert advice on the position we are taking.

So, what happens next? If you believe you have a valid claim and can meet the policy criteria then you should tell us, formally register your claim (if you have not already done so) by email to our technical claims team manager James.Kemp@coveainsurance.co.uk and explain the specific circumstances of the outbreak at your premises answering the questions listed above. We will then take matters forward and may appoint a loss adjuster, to check the evidence of the circumstances with you and help you with the validation of your business loss according to the terms of the policy.

If your claim is unsuccessful, we will direct you to our Customer Relations Team who will provide you with details of our complaints policy and how you can refer a complaint to the Financial Ombudsman Service.

You may also be aware that the Financial Conduct Authority (FCA) is seeking legal clarity on business interruption (BI) insurance during the coronavirus (Covid-19) crisis. Further information can be found on their dedicated webpage using the undernoted link.

<https://www.fca.org.uk/firms/business-interruption-insurance>

Please be assured that we sympathise with our customers and the very many businesses in a similar situation, for the stress and uncertainty that the pandemic is causing. If you are disappointed by the content of this email we hope that our explanation as to how we are dealing with claims under this policy is clear.

Finally, and for the avoidance of any doubt, the content of this email is for information purposes only and does not set out the full terms and conditions of your contract with Covea Insurance.

Kind regards