

COVID-19

and its impact on

P&C insurance

Exposed P&C coverages

April 16, 2020



pwc



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Actuarial services claims and insurance operations team

The impact of COVID-19 on insurance coverages

The spread of the COVID-19 around the globe has stifled economies and created unprecedented challenges for individuals, businesses, educational institutions, healthcare providers, and insurers. In an attempt to arrest the spread of the virus and lessen the burden on healthcare providers, many jurisdictions have imposed shelter in place orders, significantly modifying daily life. The fluidity of the situation, including the level of compliance with these orders, makes the future uncertain.

Insurance companies and large corporations that retain a significant portion of their risk, must begin to identify and understand the potential effects of this pandemic on their exposures or lines of business. To assist with this effort, we have assessed various insurance coverages and loss exposures for susceptibility to COVID-19 related claims and included links to articles or information sources that may provide greater insights into specific topics. If you have any questions or would like to discuss this further, please direct your inquiries to PwC's Actuarial Services Claims and Insurance Operations team, listed at the end of this paper.

Exposed property and casualty coverages

Casualty insurance policies provide liability coverage to entities that are legally responsible for an incident that causes injury to another person or damage to another person's belongings. COVID-19 related losses could trigger coverage under a variety of individual casualty policies or several lines of business under a single package policy. For example, a healthcare entity may have COVID-19 related claims that fall under its workers' compensation (WC) and employers' liability (EPL) policy and a comprehensive commercial liability policy that includes general liability, medical malpractice and directors and officers coverage. Different policy limits may apply to individual lines, and separate or overall policy aggregate limits may apply as well.

Coverage is contingent upon the specific language in an insurer's direct policy, including any amendments intended to clarify or redefine coverage, endorsements that expand coverage, and exclusions that remove coverage. Insurers will need to assess coverage by performing an extensive analysis of the facts presented and consider the unique legal, regulatory and judicial environment across the various jurisdictions in which they do business. In addition, disputes between insurers and their policyholders can further complicate relationships and prolong resolution of the coverage issues.

Prior to issuing a final coverage assessment, an insurer may face immediate expense obligations from its duty to defend a policyholder, which is broader than its duty to indemnify. An expense obligation can be costly under policies which provide coverage for expenses 'in addition to the limit' rather than "within the limit". Insurers may also encounter significant legal expenses to defend coverage actions brought by policyholders, and these expenses are not subject to any type of policy limit.

The unprecedented impact of COVID-19 on society, the US healthcare system, and the economy may also result in legislation that impacts coverage and exposure assessments. For example, legislators may introduce bills designed to limit, in part or in whole, the liability of individuals and businesses working on the front lines or providing other essential services. Other legislative efforts may direct insurers to provide coverage for losses, such as business interruption, that would not otherwise apply.

Business Interruption

Commercial property and multi-peril insurance policies may include coverage for business Interruption, the loss of income a business incurs due to a defined peril. The loss of income may relate to the business closing as a result of an event, such as the COVID-19 pandemic and the associated 'stay at home' orders, or the rebuilding process after an event, such as a hurricane. Policyholders in various industries will likely pursue business interruption claims due to the COVID-19 pandemic, but the

applicability of coverage depends on the specific policy language. Numerous industries including, but not limited to, hospitality, travel, transportation, manufacturing, distribution, retail, schools, professional services, and entertainment, have exposure to business interruption losses from the COVID-19 pandemic.

Common business interruption policy provisions

Insured peril. Business interruption coverage applies when damage is caused by an insured peril. Policies may specifically exclude infectious diseases, but legislation can negate these exclusions and broaden business interruption coverage. For example, the New Jersey legislature advanced bill [A3844](#), mandating the interpretation of business interruption coverage to include infectious diseases/pandemic, regardless of policy exclusions; the Bill is temporarily on hold pending further developments.

Another example is a March 18 letter from Members of Congress to the American Property Casualty Insurance Association (APCIA), the National Association of Mutual Insurance Companies (NAMIC), the Independent Insurance Agents & Brokers of America (IIABA), and the Council of Insurance Agents and Brokers (CIAB) to request that members of these organizations “retroactively recognize financial losses relating to COVID-19 under commercial business interruption coverage in cases where it is currently not covered”. An article in The Insurance Journal on March 20 indicates that these industry groups denied the request, as this interpretation of coverage was not anticipated in the transfer of risk or policy pricing. Insurance industry stakeholders will need to watch closely as others attempt to expand coverage since any successful expansion of coverage could have far reaching implications to the industry.

- [March 18, 2020 Letter](#)
- [Insurers Reject House Members' Request to Cover Uninsured COVID Business Losses](#)

Physical damage. Business interruption policies commonly require physical damage to the insured property for coverage to apply. As such, insurers may argue that coverage does not apply since the COVID-19 virus does not cause direct physical property damage. Policyholders will likely assert that the virus causes property damage in the form of contamination that requires cleanup/disinfection. If courts or the legislature rule in favor of policyholders on this point, insurer exposure will increase dramatically.

“Denial of access” order. Civil Authority coverage for “denial of access” has become more common in certain sectors, including hospitality, e.g. hotels, restaurants, and schools. In the event of an order or government action, a “denial of access” provision provides business interruption coverage for loss of income to businesses as long as a policy exclusion does not apply. For example, a Business Insurance article described a lawsuit filed by a New Orleans restaurant against its insurer that seeks coverage under the business interruption provision of its all risk property insurance policy, citing that the policy covers civil authority shut downs (denial of access) and claiming:

“

It is clear that contamination of the insured premises by the COVID-19 would be a direct physical loss needing remediation to clean the surfaces of the establishment...

”

- [New Orleans restaurant sues for coronavirus interruption cover](#)

Policy extensions/endorsements. Policy extensions or other endorsements may impact the insured peril or physical damage requirement. For example, a policy extension may add coverage for damages caused by infectious or contagious diseases without a requirement of material physical damage.

If an insured does not own the property that sustained damage resulting in the loss of business income, a contingent business interruption (CBI) policy may afford coverage. A CBI policy covers business income loss resulting from loss, damage, or destruction of property owned by others, including direct “suppliers” of goods or services to the insured and/or direct “receivers” of goods or services manufactured or

provided by the insured. If the insured's policy would have provided coverage for property owned by the insured, CBI will typically cover property damage to these suppliers or receivers. The more complex the supply chain and the more tiers of indirect suppliers, the greater the likelihood that the CBI policy will not cover the loss. For example, the policy may exclude coverage for disruption caused by an indirect supplier.

Special events coverage

Special events insurance is a short-term and/or specific coverage that protects event planners from a wide variety of potential occurrences/problems, up to and including cancellation, that could negatively impact an event. Special events insurance may cover small private events, like a birthday party, or large public events, such as a music festival or professional sports games, and global events such as the Olympics. The following are two common forms of special events coverage:

1. Liability, which covers property damage and bodily injury caused during the insured event; and
2. Cancellation, which provides for recovery of costs, including loss of revenue and fees

An insured will often purchase several layers of coverage as a means of spreading the risk. Event insurance may also provide coverage for general liability, liquor liability (dram shop); and hired/non-owned auto liability; coverage may also extend to the event's agents and employees.

Around the world, government orders have led to cancellation or postponement of special events for the foreseeable future, resulting in large projected losses. While special events policies may include an endorsement that extends coverage for communicable diseases, such as the COVID-19 virus, specific terms and conditions regarding the circumstances and cancellation process may apply. For example, insurers may require policyholders to demonstrate compliance with specific policy guidelines, such as how the policyholder attempted to mitigate losses for cancellation/rescheduling after the government issued an official ban on public gatherings. Insurers may also require cancellation of special events within a defined period specified in the policy for coverage to apply. The insurance department of the state of Washington addresses these issues on its website which provides basic information about obtaining coverage for communicable diseases under a special events policy.

- [Coronavirus and event cancellation insurance](#)

In situations where coverage applies, determining damages may be challenging and will likely result in disputes.

Travel insurance

As the name implies, travel insurance policies protect a traveler from financial loss that may occur in connection with travel, such as a delayed suitcase, an overseas medical emergency, or last minute cancellation due to illness or another covered peril. In addition, travel insurance may provide access to emergency services. However, cancellation due to "fear" does not afford coverage.

CDC Level 3 Travel Health Notice. Standard travel insurance would have provided coverage for COVID-19 related medical expenses incurred while traveling abroad until such time as the CDC issued a Level 3 Travel Health Notice for the specific country: January 6 for China, February 24 for South Korea, February 28 for Iran, and March 11 for most of Europe. However, if the policy contains an exclusion for pandemics, coverage would not apply. Other terms, conditions and exclusions may also apply.

Cancel for any reason coverage. Travel insurance may provide 'cancel for any reason' (CFAR) coverage, but policies may still exclude coverage for events that could be known or foreseeable at the time the traveler purchased the policy. For example, the coronavirus became a known event on January 22, 2020, so policies purchased after this date would not afford coverage under this theory.

- [Coronavirus \(COVID-19\) information: Travel Insurance FAQs](#)
- [COVID-19: What travel insurance will and won't cover](#)
- [COVID-19 Traveler Information](#)

While some insurers are suspending CFAR products, new markets for the product are emerging. In New York, for example, the Governor removed a ban on CFAR coverage on March 6, 2020.

- [At Novel Coronavirus Briefing, Governor Cuomo Confirms 11 Additional Cases - Bringing Statewide Total to 44](#)

Directors and Officers (D&O)

D&O coverage protects the personal assets of corporate directors and officers when sued in their capacity as directors and officers of a company for errors and omissions related to management decisions resulting in adverse financial consequences. D&O claims usually involve substantial defense costs, which typically combine with losses to erode policy limits. D&O policies provide coverage on a claims-made basis and include an aggregation of claims provision, which limits an insurer's exposure by combining subsequently reported claims that arise out of the same "facts and circumstances" as part of the initially reported claim. This provision effectively limits exposure to a single claim (one occurrence), within a single policy period, and one set of policy limits.

Event-driven. D&O litigation has become event-driven, and plaintiffs will likely file lawsuits against policyholders alleging a failure to prepare for potential operational and earnings declines, such as those resulting from the COVID-19 pandemic and efforts to slow its spread. The success of any litigation will depend on whether a company makes accurate disclosures, follows government recommendations, and has established emergency and contingency plans and supply chain alternatives.

- [Guidance to New York State Regulated Institutions and Request for Assurance Relating to Potential Financial Risk Arising from the Outbreak of the Novel Coronavirus](#)

Companies that make false claims and misleading statements in order to downplay or capitalize on the frenzy created by the pandemic may be the subject of future litigation as well. Litigation has already been filed against a cruise line for providing misinformation about the impact of COVID-19 and a pharmaceutical company for making misleading statements related to the development of a COVID-19 vaccine.

Other Coverages. D&O policies typically contain language that excludes any claim "based upon or arising out of any actual or alleged "bodily injury", i.e. the 'bodily injury exclusion'. However, limitation language may be broad and thus subject to coverage disputes. While claimants more commonly assert bodily injury claims against other lines of coverage such as GL, products and completed operations, and medical professional liability, claimants could assert unique claims against both the GL and D&O policies with separate allegations that fall under each individual line of coverage.

Medical professional liability

Medical professional liability, i.e. medical malpractice, policies provide coverage to healthcare providers and facilities against allegations of negligence or a breach in the standard of care related to their delivery of medical services. Healthcare entities, such as hospital systems and nursing homes, may purchase a standalone medical professional liability policy or a package of policies that could include general liability, medical professional liability, employment practices liability, D&O, property, auto liability and workers' compensation. Large healthcare entities often retain significant medical malpractice risk via self-insurance, trusts or captive insurance companies. Many medical professional liability policies provide coverage on a claims-made basis, which may reduce the extent of latent claim exposures and

the associated allocation issues across multiple policy years depending on the specific retroactive dates and any extended reporting provisions contained therein.

The strain on the nation's healthcare resources and limited medical supplies may open the door for future malpractice claims; however, some limitations are already in place and more will likely follow.

Negligence. Treating patients infected with the COVID-19 virus is challenging and stresses all aspects of the healthcare system, largely due to the high volume of patients, including critically ill patients in facilities with limited ICU capacity, healthcare providers working long hours under difficult conditions, and a lack of necessary equipment and supplies. Resource limitations could force doctors to have to decide which patients to treat, presenting the potential for future negligence claims against healthcare providers and healthcare entities. In addition, non-COVID-19 patients could assert negligence claims under the assertion that they did not receive complete and proper medical care due to strained healthcare resources focused on patients with COVID-19.

- [Potential Legal Liability for Withdrawing or Withholding Ventilators During COVID-19](#)

Off-label drug use. Drugs that are FDA approved for the treatment of other medical conditions, such as malaria, lupus and rheumatoid arthritis, have had some early success in treating COVID-19 positive patients. Although the FDA has granted an "emergency use authorization" for the treatment of COVID-19 using several of these drugs, including chloroquine and hydroxychloroquine, this decision does not constitute an official approval or determination of efficacy, which is pending clinical trials. The Department of Health and Human Services (HHS) granted immunity under the Public Readiness and Emergency Preparedness Act (PREP) to the entities and researchers who are accelerating the development of tests and trials of vaccines and drugs for potential expanded use in treating COVID-19 or arresting the spread of the disease. Immunity does not currently extend to healthcare providers who prescribe these drugs to treat COVID-19 as this is an off-label use not currently approved by the FDA. Prescribing for off-label use could give rise to claims alleging a breach in the standard of care should these drugs result in injury to the patient.

- [DHHS Letterhead](#)

"Super" plaintiff lawyers. Insurers should not underestimate the potential for claims from emotional families grieving the loss of loved ones who were unable to receive timely, effective care, as they see images of refrigerated trucks sitting outside hospitals to provide excess capacity for morgues overrun by the staggering number of fatalities in key metropolitan areas. Super plaintiff lawyers in certain jurisdictions known for higher verdicts, such as New York, New Jersey, Illinois, California, and Florida, will surely pursue medical malpractice claims, with or without merit, on behalf of families adversely impacted by COVID-19.

Crossover coverage. Potential claims against healthcare facilities may also trigger coverage under other lines of insurance, such as D&O. For example, claims alleging negligence or a breach in the standard of care concerning infection control and emergency preparedness may be more applicable at the highest level of an organization with the individuals responsible for ensuring that emergency response protocols are in place and followed.

Cyber liability

Cyber liability provides coverage for first and third party financial losses resulting from data breaches involving sensitive customer information, e.g. social security numbers, credit card information and personal health information, as well as other cyber events such as corruption by a cyber virus, network security breach, or ransomware attack, and the associated loss of income. These policies provide coverage under multiple sections of a cyber liability policy, and understanding the coverage afforded under each section is critical since exclusions that void coverage under one section of the policy may not apply to another section. Unique terms in cyber policies, such as waiting periods to accumulate

damages, allow time for the policyholder to mitigate the damages before coverage actually “kicks in”. For example, a standard cyber policy may only cover accumulated damages after a 24 hour waiting period, during which the insurer expects the policyholder to put forth effort to fix the problem, such as rerouting a hacked network to an alternative source, during this period.

Nonadherence to security protocols. With a significant increase in remote workers that do not regularly telecommute, employees may not fully adhere to security policies and procedures due to a lack of familiarity or understanding of their significance. For example, employees may unintentionally store personally identifiable or protected information on unsecured or unencrypted storage or personal devices or improperly dispose of such information. This nonadherence may give rise to a security breach and ultimately lead to cyber claims.

Cyber crime. Taking advantage of the chaos resulting from the ongoing pandemic and rising anxiety as the statistics continue to rise, cybercriminals are launching phishing attacks for political, financial and other nefarious ends. The increased number of employees working remotely on less than secure / unsecured networks and who lack familiarity with the required security protocols, are exacerbating the situation. These employees may inadvertently click on links that introduce malware and/or ransomware into the network. For example an email allegedly from the CDC with new information about COVID-19 could actually contain ransomware that holds a company’s network hostage until it pays a ransom.

- [U.S. Health Agency Suffers Cyber-Attack During COVID-19 Outbreak](#)
- [UN tackles 'infodemic' of misinformation and cybercrime in COVID-19 crisis](#)

Computer system failures. Cyber insurance may also provide coverage for loss of income and additional expenses due to a computer failure that halts business if the failure results from an insured peril. For example, if a policy only defines an insured peril as a data breach, the policy may not cover loss of income due to a system outage.

Other coverages. Technology errors and omissions coverage is available to technology companies to offer protection from failures in technology to perform as intended, e.g. negligent coding that causes a program not to work correctly or triggers network outages. Another coverage, contingent business interruption, is evolving to include events driven by an outsourced network provider (‘supplier’). Exclusions, including losses arising from the transfer of money or deceptive practices, may also apply. Should an entity that relies on an outside service provider to manage their network face a system outage, the entity may be able to file a claim against their service provider, who can then seek coverage from their insurer under this clause. Other coverages may impact the order in which coverages respond to a loss. For example, a third party property general liability policy may respond first to a bodily injury or property damage claim followed by the technology errors and omissions coverage. A coverage determination in this area will require an examination of the service provider agreements and its insurance policies.

Commercial general liability

Commercial general liability (CGL) policies protect insured entities against liability claims for bodily injury and property damage arising out of premises, operations, products and completed operations as well as advertising and personal injury liability. Typical CGL policy wording provides coverage for “sums that the insured becomes legally obligated to pay as damages caused by an “occurrence”.

Contagious Disease Exclusions. CGL policies typically exclude coverage for claims resulting from the spread of contagious diseases, like the flu or COVID-19. However, the effectiveness of these exclusions will depend on the specific policy language as well as a given jurisdiction’s legal system and its propensity for litigation and class action suits. Entities may be able to mitigate these losses by engaging in appropriate pandemic containment and response activities, such as limiting employee travel, creating

telecommuting opportunities, mandating a ban on public gatherings, and creating sufficient testing facilities and protocols.

Lawsuits that could trigger coverage under CGL policies are already being filed. For example, a lawsuit filed against the St. Tammany Jail in New Orleans alleges overcrowding conditions in holding cells that are in violation of Louisiana's very own minimum jail standards. The suit also alleges the jail violated the prisoners' rights under the Fourteenth Amendment to the US Constitution by failing to enforce conditions conducive to practicing social distancing in the face of COVID-19,

- [Zurik: Lawsuit filed over cramped St. Tammany holding cells, lawyers concerned for social distancing amid COVID-19](#)

Products liability insurance

Products liability insurance is a form of general liability insurance that provides coverage to businesses for claims of bodily injury, property damage or financial losses that are determined to be caused by the company's products. Insurers may issue a separate products liability policy or include it as products and completed operations (PCO) liability coverage with separate limits within an entity's commercial GL policy.

Pharmaceutical and medical equipment manufacturers. Manufacturers of products directly or indirectly related to the medical field, including medications, medical devices and personal protective equipment, are under pressure to produce products quickly and, in some cases, manufacturers may not have previously produced these products. These companies could be the target of products liability claims down the road, unless the government grants these entities immunity. To minimize their risk, these manufacturers should establish and follow manufacturing and product use protocols aligned with leading practices. Below are examples that could expose an entity to future liability:

- Recommending the use of medication to treat COVID-19 that has not yet been approved by the Food & Drug Administration (FDA) for such use that could result in adverse reactions and further injury to patients.
- Recommending the reuse of personal protective equipment designed for a single use. Reuse may render PPE ineffective against COVID-19 and unknowingly expose healthcare workers, including physicians, nurses, and technicians.

Plaintiff attorneys are already advertising for products liability and civil cases related to COVID-19.

Clinical Trials. In the race to create a vaccine and treatments for COVID-19, pharmaceutical manufacturers are accelerating clinical trials. To address the associated potential for liability, on March 10, 2020, HHS issued a declaration pursuant to the PREP Act, known as the COVID-19 Declaration, which grants tort immunity to entities involved in creating and distributing countermeasures to the COVID-19 virus.

- [Declaration Under the Public Readiness and Emergency Preparedness Act for Medical Countermeasures Against COVID-19](#)

Workers' compensation

Workers' compensation (WC) insurance provides medical expenses, lost wages, and rehabilitation costs to employees who are injured or become ill on the job and pays death benefits to the families of employees who are killed while on the job. WC is effectively a "social contract" as an exclusive remedy whereby employers that provide workers' compensation coverage have protection against civil lawsuits filed by employees injured on the job. WC is state mandated, with wage and medical benefits that vary by state, and underwritten by insurance companies or publicly supported state funds.

Employees in various industries, ranging from healthcare providers to grocery store clerks to delivery drivers, may contract COVID-19 while on the job. These employees could reasonably file a workers' compensation claim to recoup lost wages and medical expenses. These effects on WC claims are above and beyond the impacts observed in prior economic downturns relating to the incentive for an employee to file a WC claim if they fear being laid off. Below are additional considerations that may impact COVID-19 related workers' compensation claims.

Statutory exclusions. States may enact statutes that prohibit the filing of WC claims from certain causes. If such a state statute exists, an employee could not file a WC claim even if the employee contracted a virus at work. For example, some workers' compensation statutes exclude coverage for 'ordinary diseases of life'. Should the courts, legislature or executive branch deem COVID-19 an 'ordinary disease of life', an employee would need to establish a causal link between their employment and exposure in order to successfully file a WC claim. Retail employees and/or their families are beginning to file lawsuits against employers alleging sickness or death from COVID-19.

- [COVID-19 and Workers Compensation: What You Need to Know](#)

Occupational risk. For employees in healthcare and other sectors who are in direct contact with infected persons, the virus is an occupational risk, and their employer's will feel the greatest WC-related impact from COVID-19. An unknown number of emergency room doctors, nursing home staff, and first responders have already acquired COVID-19 infections, resulting in illness or death.

"Essential services" presumptive disease. With more than half of US states issuing 'shelter in place' orders for everyone except those they deem in "essential services", including grocery store and restaurant workers and food and retail delivery drivers, there is growing concern about the increased risk of the COVID-19 exposure faced by these employees. As a result, lawmakers could designate COVID-19 as a presumptive disease for workers in these essential services, forcing WC carriers to accept claims that WC policies would otherwise exclude. It is important to note that the status of the worker as an independent contractor or sub-contractor may impact their ability to seek a workers' compensation claim. Making a final coverage determination will require assessment of employment and service contracts, insurance agreements, and unique jurisdictional issues that may apply.

As with any COVID-19 impact, containment and response strategies around social distancing may help mitigate losses.

Employment practices liability

Employment practices liability insurance, also known as EPL or EPLI, provides coverage to employers against claims made by employees alleging disparity in the company's hiring and discrimination (on the basis of sex, race, age or disability), wrongful termination, harassment, failure to maintain safe working conditions, and other employment related issues.

Employment practices claims will likely rise as a result of the COVID-19 pandemic unless the government intervenes. Standards of reasonableness will likely come into play but, even then, companies and insurers could incur significant defense costs.

Discrimination/Harassment. The global dynamics of COVID-19 related to stigmas around its origination and epicenters of death and disease may result in discrimination or harassment on the basis of race or nationality, particularly those from Asia or Europe. Certain groups may be able to pursue discrimination or harassment claims on the basis of personal characteristics or other protected status under US law. Discrimination lawsuits may arise if an employer uses COVID-19 as an excuse to treat one employee or group of employees differently than others, e.g. barring certain ethnic groups from entering a building, or if an employer allows workers to single out a coworker on the basis of race or country of origin. In addition, anti-discrimination laws under the Americans with Disability Act (ADA) prohibit employers from inquiring about an employee's health status unless it believes the employee poses a direct threat to other employees. Employers who require employees to provide their temperature could be accused of violating

the ADA. If the Equal Employment Opportunity Commission (EEOC), which oversees the ADA, classifies the COVID-19 pandemic as a “direct threat”, employers would have greater latitude to take employee temperatures.

- [Reducing Stigma](#)

Duty of care. An employer’s duty of care to its employees includes providing a safe and healthy environment for workers, but some employers are unable to obtain personal protective equipment (PPE), such as surgical masks and hand sanitizer, due to severe shortages that have resulted from the COVID-19 pandemic. However, a standard of reasonableness will likely apply, such that employers may not be held liable if they can show that they reasonably attempted to obtain and provide PPE. Employers may still need to consider whether employees should perform certain tasks if the risk of infection is high. Healthcare systems could see a rise in EPL claims resulting from a lack of PPE or the need/requirement to wear the same masks multiple times, although the determination of whether the system provided a reasonable duty of care will have to consider the current PPE shortages, COVID-19 exposure risks, the individual provider’s job function, and any potential government interventions.

- [Coronavirus Disease 2019 \(Covid- 19\) - implications for EC and liability insurers](#)

- [Safety and Health Topics | COVID-19 - Control and Prevention](#)

- [Guidance on Preparing Workplaces for COVID-19](#)

Wrongful termination/retaliation. Employees laid off in the wake of business closures, whether voluntary or mandatory, may file wrongful termination or retaliation claims. In Chicago, for example, a former nurse filed a lawsuit against a hospital, alleging that she was wrongfully terminated for warning about ineffective COVID-19 masks. Employees that refuse to enter a COVID-19 affected area or request a leave-of-absence to care for family members who have contracted COVID-19 may also file EPL claims on the basis of wrongful termination.

- [Chicago Nurse’s Lawsuit Alleges She Was Fired For Warning About ‘Ineffective’ COVID-19 Masks](#)

Credit default insurance

Credit default insurance allows a financial institution to transfer its credit risk without transferring the underlying asset. The most common credit default vehicle is a credit default swap (CDS), which transfers credit risk, but not interest rate risk. A total return swap (TRS) provides insurance against non-payment, i.e. buyer credit protection, transferring both credit and interest rate risk.

COVID-19 induced economic crisis. S&P recently advised that COVID-19 will generate significant pressure on distressed companies, which may lead to defaults. Industries, such as travel and hospitality, were hit hard early and will likely suffer the most. Should a prolonged recession occur, credit issues will likely spread to other industries.

- [S&P Sees ‘Intense Credit Pressure’ From COVID-19](#)

- [COVID-19 Credit Update: The Sudden Economic Stop Will Bring Intense Credit Pressure](#)

Trade credit insurance

Trade credit insurance provides coverage to an insured entity when its customers are not able to pay for goods or services purchased on credit.

Correlation with the global equity market. Trade credit insurance market results correlate with the global equity market. As equity markets drop due to COVID-19 prevention measures, this segment may suffer significant losses.

- [Insurers face double whammy from coronavirus crisis](#)

- [Best's Commentary: COVID-19 May Have Long-Term Implications on Trade Credit Insurance Market](#)

Surety bonds

Unlike insurance, which protects an insured against risk, a surety bond is a credit instrument under which one party (the surety) guarantees the performance of certain obligations by a second party (the principal) to a third party (the obligee). For example, construction contractors typically must provide the party that hired them with a surety bond guaranteeing completion of the project by the date specified in the construction contract in accordance with all plans and specifications. In this example, the contractor is the principal, the party that hired the construction company is the obligee, and the insurance company/surety bond company is the surety. A business might also obtain a surety bond from a supplier to ensure the delivery of goods within a specified time frame.

“Force majeure” coverage. As legislation enacted to slow the spread of COVID-19 calls for business closures and suspension of construction projects, contractors may experience construction delays beyond their control. Whether the surety bond covers the associated losses depends largely on whether or not the insurance agreement contains language that excludes coverage for a “force majeure” - an unforeseeable event that prevents fulfillment of a contract. In the absence of this exclusion, the insurer will provide coverage but expect the contractor to attempt to mitigate damages by, for example, finding alternative suppliers or entering into change orders with their clients.

- [Will COVID- 19 Be Considered a Force Majeure?](#)
- [The COVID-19 Potential Impact on Contract Surety](#)

Mortgage Insurance (PMI)

Mortgage insurance, aka private mortgage insurance, protects a mortgage lender in the event that a borrower defaults on the covered mortgage. Lenders generally require conventional loan borrowers to purchase PMI if their down payment is less than 20% of the home's market value. Mortgage insurance is highly cyclical, tending to be very profitable in a good economy and very unprofitable in an economic downturn.

COVID-19 mortgage defaults. COVID-19 may trigger mortgage insurance claims by increasing the risk of default as unemployment rises and homeowners face challenges in meeting their financial obligations. Some states have enacted legislation to waive mortgage payments for a period of time, which may mitigate damages. However, if homeowners are unable to make mortgage payments after any waivers expire, defaults will increase, triggering mortgage insurance claims. An extended recession could cause a housing market decline, further increasing mortgage insurance claims, particularly where borrowers are ‘bottom-up’ in their mortgage, i.e. borrowers owe more than their home is worth.

- [State Action on Coronavirus \(COVID-19\)](#)



As the COVID-19 pandemic unfolds, the insurance industry must continue to monitor the impact on property & casualty insurance coverages. Considerations must include the rapidly evolving spread of the disease, mitigation efforts, and direct governmental interventions, such as the granting of immunity from liability for certain groups. To discuss these items in greater detail, please reach out to a member of PwC's Actuarial Services Claims and Insurance Operations team listed at the end of this paper.

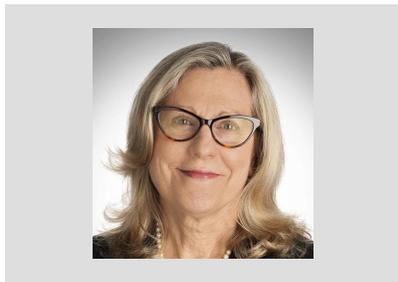
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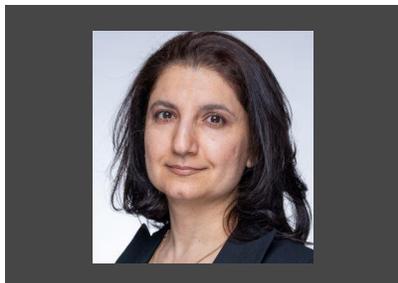
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