

Is Disinfection Coverage Available for Coronavirus (COVID-19) Under Environmental Insurance Policies?

The outbreak of the coronavirus, COVID-19, may cause a significant economic impact for businesses. As we've seen in numerous cities across China, authorities have closed theaters, museums and other venues as well as transportation hubs to limit the spread of the virus. Businesses may be concerned about impacts from the virus, including costs associated with disinfecting facilities after exposure to the virus. Although hospitals are at the forefront of a likely exposure, it is possible that contact could occur with an as-yet-asymptomatic infected person while at school, work, a hotel or similar type of insured commercial property.

At Aon, our specialists have fielded many inquiries about whether exposure to COVID-19 would be considered insurable "pollution" and what, if any, coverage might be available under a pollution liability policy in the event of exposure at an insured property. This alert is intended to offer some guidance on the likely challenges for coverage.

Liability Protection including Disinfection/Decontamination

Environmental insurance products may be designed to include affirmative cleanup, disinfection and decontamination coverage as a result of, among other things, a discharge, dispersal, release or escape of bacteria and viruses. Under pollution policies, disinfection expenses are specifically defined, and coverage is only provided for the properties which are scheduled to an insurance policy. Additionally, policies may require an order from a local, state or federal governmental or public health agency or entity to disinfect the property in order to trigger coverage. Even with affirmative coverage for disinfection expenses in the policy, there may be limitations to available coverage for COVID-19 depending on specific policy wording.

Some policies contain a specific exclusion for disinfection expenses associated with communicable diseases (i.e., diseases transmitted via human-to-human contact). Such policy language may preclude coverage for COVID-19. Ideally, policies will affirmatively provide for disinfection or decontamination costs arising from viruses irrespective of how those viruses are communicated.

Even in those circumstances where such disinfection/decontamination coverage may be available, policyholders should be aware that there may be unique and specific triggers including written reporting requirements to the local regulatory authorities as well as to the insurance company - often within a defined period (often 72 hours or less) of the discovery and/or reporting to regulatory authorities. The disinfection costs may also be required to be incurred within a set time frame and may be limited to those costs performed under the written direction the CDC, local health department or equivalent. In addition, the coverage may have a higher deductible and/or provide a sub-limited amount of coverage. Even for those pollution liability policies that do not have a specific communicability exclusion, *there is typically no coverage whatsoever for any claims for bodily injury or property damage arising from a facility borne illness or exposure to viruses or bacteria.* The availability of other coverage such as crisis management (to restore reputational injury as well as evacuation expenses) or business interruption expenses will depend upon the breadth (or limitation) of what falls within a triggering pollution condition or other defined term under the policy.

We're here to empower results

Contact your Aon account representative or consultant for support in developing your crisis response and in organizing, preparing and implementing your crisis communication plan. Aon crisis communication consultants are prepared to help you develop and implement your plan.

Global Programs

For clients with global environmental programs, attention must be paid to coverage provided for local operations and how that coverage may respond to COVID-19. Situations may vary depending on the jurisdiction and circumstances that exist for your operation and loss exposure.

For More Information

It is critical to review each policy of insurance in its entirety to determine the extent, if any, of coverage available for the effects of COVID-19. If you have specific coverage questions, please contact your Aon representative.

About Aon

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