



SUMMARY OF ANSWERS
FIDES CONSULTATION
BUSINESS INTERRUPTION
COVERAGE (COVID-19)



FIDES
Federación Interamericana
de Empresas de Seguros



Consultation on Business Interruption Insurance

The **American Property and Casualty Insurance Association (APCIA)** is investigating which government authorities have stated that most Business Interruption Insurance does not include pandemic risks. Therefore, they are requesting to know if a country's supervisor or government has said something about the limitations on pandemic coverage under Business Interruption Insurance.





Background Information

The UK Financial Conduct Authority (FCA) issued a [Dear CEO letter](#) addressing SME business interruption noting:

“Based on our conversations with the industry to date, our estimate is that most policies have basic cover, don’t cover pandemics and therefore would have no obligation to pay out in relation to the COVID-19 pandemic. While this may be disappointing for the policyholder we see no reasonable grounds to intervene in such circumstances.”

That said, it goes on to say:

“In contrast, there are policies where it is clear that the firm has an obligation to pay out on a policy. For these policies, it is important that claims be assessed and settled quickly...If reasonable grounds to pay part of a claim but not to make a payment of such claims in full, we would like you and your Board to adopt an approach of making an interim payment.”

The Organisation for Economic Cooperation and Development (OECD) stated in a note "*Initial assessment of insurance coverage and gaps for tackling COVID-19 impacts*" that "a broad expansion of the scope of insurance coverage could have implications for insurance companies' ability to meet their regulatory and contractual obligations."



Countries that responded the consultation

12 countries submitted an answer:

BOLIVIA



CHILE



ECUADOR



EL SALVADOR



ESPAÑA



GUATEMALA



HONDURAS



MÉXICO



NICARAGUA



PANAMÁ

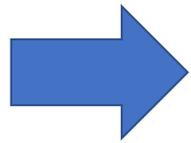


REP. DOMINICANA



URUGUAY





None of these countries has had a statement issued by the government or supervisor about the limitations on pandemic coverage under Business Interruption Insurance.

In **Honduras**, there has been no pronouncement regarding whether or not, although **from** insurers **or they** have **coverage**. The **en** that business **is not covered** if there is no physical damage to the insured property.

In **Spain**, UNESPA sent a message to the European Federation of Insurance Associations (Insurance Europe) explaining the Spanish insurers' position regarding the coverage of claims as a result of the measures adopted in response to the COVID19 pandemic, and their recommendation that an **extraordinary system, such as a public fund**, should be the appropriate instrument by which this type of risk should be covered, instead of using the ordinary insurance.



Answers by country

COUNTRY		ANSWER
	Bolivia	In Bolivia, Insurance policies do not cover business interruptions because of a pandemic (in this case COVID-19) and no government or inspection authority has made any pronouncement on this regard.
	Chile	The insurance industry is covering Covid-19 claims voluntarily, but we could not accept this imposition by law, because it would set precedents.
	Ecuador	In Ecuador, no comments or statement have been made by any of our authorities, with regard of BI coverage related to COVID-19 pandemic.
	El Salvador	In El Salvador, there's no statements or suggestions from the Salvadorian regulator regarding business interruption. If anything changes, I will let you know.
	España	For this kind of coverage to take place, there must be a material damage covered by the insurance policy occurring on the insured good. Therefore, business interruption caused by disruptions in suppliers, due to the mandatory public measures regarding Coronavirus, won't activate the coverage, even if it is provided by a competent authority. There must be material damage. Nevertheless, Spanish insurers agree that an extraordinary system, such as a public fund, should be the appropriate instrument by which this type of risk should be covered, instead of using the ordinary insurance.
	Guatemala	Business interruption insurance in Guatemala is part of the fire policy, so you can request such coverage only in the cases provided by the fire policy. The Superintendency of Banks has not ruled on these policies, nor has the Government.



Answers by country

COUNTRY		ANSWER
	Honduras	<p>In the case of Honduras, there has been no pronouncement from the supervisor regarding whether or not to cover Business Interruption, although they have requested information from insurance companies regarding whether they have policies that could provide that coverage. The response at the sector level has been that business interruption due to a pandemic is not covered if there is no physical damage to the insured property.</p> <p>The insurance companies are sending a weekly report to the regulator with the amount of claims that occurred during the emergency and that are related to it, including losses due to looting. This is done because the regulator is monitoring the effects of the pandemic on the loss ratio to anticipate needs for flexibility of reserves.</p>
	México	<p>In México, none of the regulators has made any statement or suggestion regarding Business Interruption. I will let you know if it becomes an issue in Mexico.</p>
	Nicaragua	<p>The government has been the great absentee when it comes to Covid-19. Until now, there has been no pronouncement regarding Business Interruption Coverage; at least, none that we have heard of.</p>
	Panamá	<p>No statements in Panama.</p>
	Rep Dominicana	<p>Our Insurance Supervisor has not issued any provision on Business Insurance Coverage. However, I can inform that some clients have claimed this coverage, but the insurance companies have declined them.</p>
	Uruguay	<p>No statements or suggestions have been made by the Uruguayan regulator on BI. Will let you know if anything arises.</p>



Spain's complete answer



According to your request, and although Spanish public authorities have not addressed to insurers any communication regarding the limitations on pandemic coverage under business interruption insurance, hereby I send you a few lines with the message that we sent yesterday to the European Federation of Insurance Associations, Insurance Europe, explaining the high-level ideas on which the Spanish insurers are building its position with regard to the coverage of claims as a result of the measures adopted in response to the COVID19 pandemic.

After having asked for input to Spanish insurance and reinsurance entities operating on insurance classes covering damages in goods or multi-risks, it has been a common feedback whereby insurers stated, regarding the coverage on business interruption claims for pandemic reasons, that in order that this kind of coverage takes place, there must be a material damage covered by the insurance policy occurring on the insured good. For example, the coverage of economic losses happening due to a disruption in the supply chain or on the external supplier, will take place only in the following cases:

- i. There must be a material damage happening on the supplier or within the insured area which interrupts the business (for instance, a power cut or the impossibility of clients to access due to a damage).
- ii. This source where the damage comes from shall be covered by the policy.

Therefore, in line with the criteria outlined in the report you sent us attached, business interruption caused by disruptions in suppliers, as a consequence of implementing the mandatory public measures due to Coronavirus, won't make effects to activate the coverage, even if it is provided by a competent authority. There must be a material damage.

Nevertheless, despite all the above, the Spanish insurance sector could agree to be sensible assessing a system or mechanism to be built, so that future pandemic risks can be covered. But, likewise, due to the characterization of pandemics or epidemics as extraordinary events, the Spanish insurers agree that, therefore, an extraordinary system, such as a public fund, should be the appropriate instrument by which this type of risk should be covered, instead of using the ordinary insurance.

In this regard, it should be noted that here in Spain there is a public figure acting as a guarantee fund, the CCS, who is responsible for providing coverage for extraordinary claims that are covered by insurance policies.

Lastly, the Spanish insurance sector advocates that an analysis should be made of the type of insurance products in which it would be viable to apply pandemic coverage, and in which other cases the consequences of a pandemic would be so systemic that the insurance coverage would be unmanageable (loss of benefits, travel and event cancellations, credit insurance, etc.)