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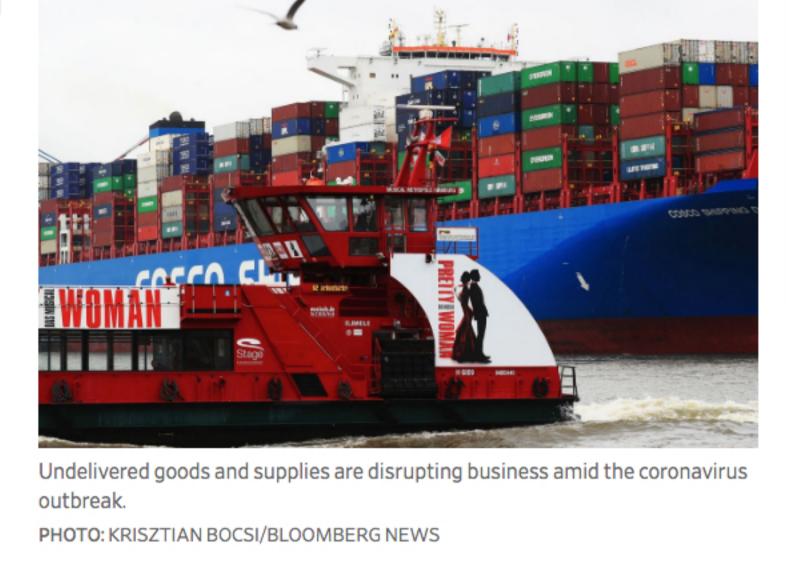
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U.S. Businesses Gear Up for Legal Disputes With Insurers Over Coronavirus Claims Business-interruption insurance policies typically exclude communicable diseases from coverage



By Leslie Scism March 6, 2020 10:00 am ET

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contractual language.

Many U.S. companies think their insurance policies cover lost revenue from the coronavirus outbreak. But that may be up to the courts to

Corporations already have had claims rejected for payments under a popular type of coverage called business-interruption insurance, according to industry brokers and lawyers. In the rejections, insurers cited various terms and conditions, signaling that companies' battle

for recoveries will be slugged out almost policy by policy based on

"There is no guesswork here: There will be insurance-coverage

disputes," said Kirk Pasich, an insurance-recovery attorney in Los

Mr. Pasich represents several clients from the retail, construction and entertainment industries who are gearing up for legal action after their business-interruption claims were rejected. They filed those claims related to projects in China or Italy that got caught in quarantines or other government action that revoked their ability to operate, costing clients up to tens of millions of dollars, he said. "There is so much money at stake and strong differences of opinions

Growing numbers of companies are facing disruptions: closed plants, employees stuck at home, and undelivered goods and supplies.

The claims are mounting as the virus continues to spread globally.

as to whether insurance applies," he said.

Companies typically buy business-interruption insurance policies to cover lost income following hurricanes, earthquakes or events that cause physical damage to their property. However, insurers have

diseases as triggers, forewarned by the SARS scare in the early 2000s

added language over the years to seek to exclude communicable

of the potential costs stemming from unknown viruses, according to brokers and lawyers. If an insurer rejects a claim, policyholders can seek to identify ambiguities and nuances in policies to challenge in court. Legal experts say ambiguities typically are construed in favor of policyholders.

"History shows that necessity has always been the mother of creative

insurance-coverage lawyer in Philadelphia at White & Williams LLP

interpretation of insurance policies," said Randy Maniloff, an

should bear the main costs of lost revenue

Best Co.

courts.

who represents insurers. It is a pattern that insurers SHARE YOUR THOUGHTS know all too well from past disasters. Insurers for In the face of a global health crisis, who

from interrupted business, corporations or responsibility for much their insurers? Join the conversation asbestos-related damage, below. lawyers said. The industry

payouts, according to the most-recent data from ratings firm A.M.

Similarly, insurers said their standard homeowners policies excluded

flood damage from Hurricane Katrina in 2005 in Louisiana, but they

ultimately shelled out billions of dollars as desperate homeowners

turned to the industry's deep pockets and found some sympathetic

years resisted

still has some \$18.4 billion

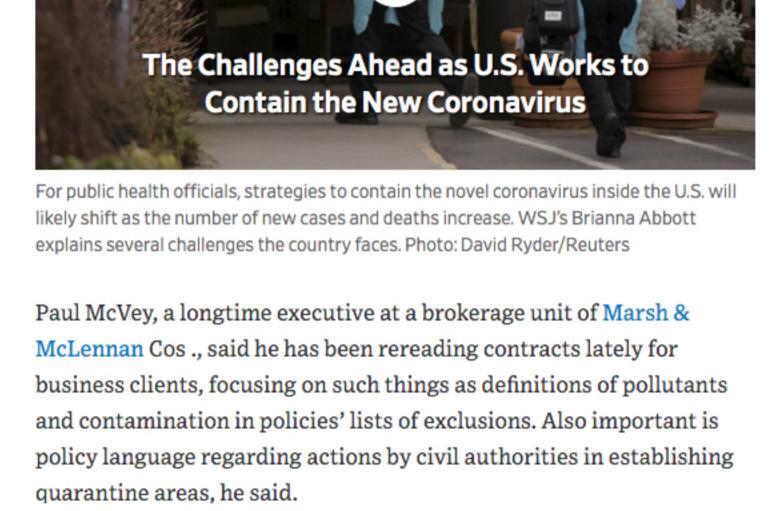
in net reserves for future

Insurance broker Robert Lane urges his clients to "presume there is coverage." Mr. Lane, an executive vice president at brokerage Alliant Insurance Services Inc. in Newport Beach, Calif., said a few of his U.S.

He said one global insurer recently told him that it already had gotten "thousands of claims."

policyholders have filed business-interruption claims tied to the

disruptions in Asia, and he expects many more.



Some companies have said publicly that they expect little in the way of coronavirus payouts from business-interruption policies.

"I think the right assumption here is that there will be relatively few

policies that are implicated by the coronavirus," said Marriott

Some policyholders "will say 'I have too much exposure' " to not

pursue a potential claim, even if the insurer says coverage isn't

applicable, Mr. McVey said.

International Inc. Chief Executive Arne Sorenson on his company's fourth-quarter earnings call on Feb. 27. "We'll obviously watch that and make sure we study it." Many large U.S. and European property-casualty insurers said on their recent earnings calls that they have limited exposure to

Among insurers that have publicly addressed the matter, Chubb Ltd. Chief Executive Evan Greenberg told investors last month, "We see very minimal loss exposure from this," thanks to underwriting practices that reflect lessons learned from "past pandemics and/or

coronavirus-related claims under any type of coverage they sell.

potential pandemics." Chubb declined to comment further on the matter. American International Group Inc. President Peter Zaffino said in a Feb. 13 earnings call that language in individual business-insurance policies will be key. He noted that AIG also has potential exposure as

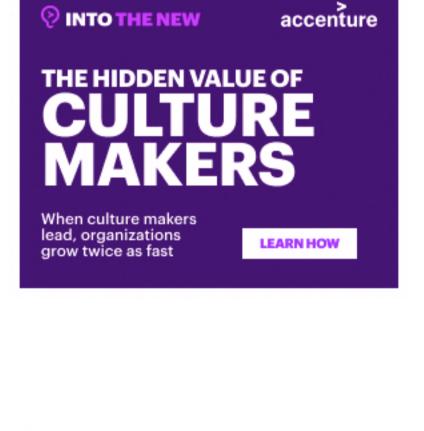
one of the world's biggest sellers of travel insurance. But "there's no indication in terms of claims activity" that is troubling, he said. The company declined to update the comments. Insurers may also have exposure to the virus through directors-andofficers and errors-and-omissions liability policies, workers'

compensation, general commercial liability, and travel insurance,

Write to Leslie Scism at leslie.scism@wsj.com

brokers and lawyers say.





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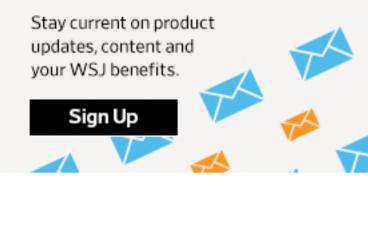
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