



Specialty Human Services

for all the *great* you doSM

March 26, 2020

Dear Policyholder:

In light of the outbreak of the novel Coronavirus pandemic, we have been asked by the New York Department of Financial Services to provide an explanation of the insurance coverage for losses related to the pandemic that may be available to our policyholders who have “business interruption,” “contingent business interruption,” or “civil authority” coverage under a policy issued by Great American. This letter is intended to be a general description of the coverages that may be available under different types of policies; it is not a determination of coverage as to any claim that you may present based on your particular circumstances. If there is any conflict between this letter and your policy (including its endorsements), the provisions of the policy will prevail.

Your property insurance policy may provide “business interruption,” “contingent business interruption,” or “civil authority” coverage. Each of these coverages requires direct physical loss of or damage to property caused by a covered cause of loss. This means there must be direct physical loss of or damage to property, and the direct physical loss of or damage to property must be caused by or have resulted from a covered cause of loss.

Furthermore, you should know that your policy likely contains an exclusion for loss caused by or resulting from any virus or bacteria that induces or is capable of inducing physical distress, illness or disease. This exclusion for loss due to virus or bacteria would likely preclude coverage for claims arising out of the COVID-19 virus under each of these three coverages.

“BUSINESS INTERRUPTION” COVERAGE

Your policy may provide coverage for “business interruption.” This coverage applies to the actual loss of business income you sustain because of the suspension of your operations during the period of restoration, which is defined in your policy. The suspension must be caused by direct physical loss of or damage to property at the described premises from a covered cause of loss.

The requirement of direct physical loss or damage by a covered cause of loss to property at your premises means that many situations that may arise as a result of the current pandemic will not be covered under “business interruption” coverage, including business income and extra expense coverage. For example, you may close your business voluntarily, or as a result of a government order to do so, in order to help prevent the spread of the virus that causes COVID-19. But if there has been no direct physical loss or damage to property at your premises, it is not likely that the requirements for the “business interruption” coverage will be satisfied. In addition, the exclusion for loss due to virus or bacteria would likely preclude coverage under these circumstances.

“CONTINGENT BUSINESS INTERRUPTION” COVERAGE

Your policy may provide coverage for the actual loss of business income you sustain due to the suspension of your operations caused by direct physical loss of or damage to a dependent property as defined in the policy. The direct physical loss or damage must be caused by a covered cause of loss. Coverage for loss of business income will apply only during the period of restoration, which is defined in your policy.

Coverage may not be afforded for “contingent business interruption” if the dependent property closed to prevent the spread of the virus that causes COVID-19 or the dependent property did not sustain direct physical loss or damage from a cause of loss that is not excluded under the policy. Loss or damage caused by a virus or bacteria is likely excluded under your policy.

“CIVIL AUTHORITY” COVERAGE

Your policy may provide coverage for the actual loss of business income you sustain due to an action of “civil authority” that prohibits access to the described premises as a result of direct physical loss of or damage to property, other than at the described premises, from a covered cause of loss. For coverage to be afforded, access to the area immediately surrounding the damaged property must be prohibited as a result of the damage, and the action of the civil authority must be taken in response to dangerous physical conditions resulting from the damage.

For the “civil authority” coverage to apply, the action of the civil authority must be taken in response to direct physical loss of or damage to property. This requirement is not met if the action of the civil authority is taken only to prevent the spread of a virus. As with the other coverages explained in this letter, the “civil authority” coverage would also be subject to the virus or bacteria exclusion.

OTHER COVERAGES THAT YOU MAY HAVE

Certain policyholders may have opted to purchase broadening endorsements for their property insurance policies that may be implicated by the pandemic.

First, limited coverage may be available in certain policies that contain endorsements providing for reimbursement of “Communicable Disease Expense.” In general, “Communicable Disease Expense” coverage may apply to certain expenses you incur when a public health authority declares that you must take action with respect to the outbreak of a communicable disease at a covered location. In particular, under the additional coverage for communicable disease expense, you may be reimbursed for actual loss of business income and necessary extra expenses you incur. Coverage is triggered by a “Communicable Disease Event,” which requires that a Public Health Authority order the evacuation, decontamination or disinfection of your location due to an outbreak of a communicable disease at the covered location. If available, the amount

of reimbursement coverage available under “Communicable Disease Expense” coverage will be listed separately on your policy.

Second, “Crisis Communication Expense” coverage may apply by endorsement to reimbursement of certain expenses you incur to obtain services from a crisis management firm due to a communicable disease event at a covered location during the policy period. Under this additional coverage, we will pay for actual crisis communication expenses you incur due to an incident giving rise to a crisis at your scheduled location. Incidents include a “Communicable Disease Event,” and a crisis is defined as the public announcement by the news media or a social networking site that an incident has occurred on your premises or at an event you sponsored. If available, the amount of reimbursement coverage available under “Crisis Communication Expense” coverage will be listed separately on your policy.

Of course, actual determination of coverage depends on the relevant facts and circumstances of each claim. We urge you to carefully read your entire policy, including the endorsement attached to your policy. If you have any questions about this communication or the coverages available under your Great American policies, please call your agent, broker or insurer.