

COVID-19

How to Minimize Insurance Cost During the Quarantine

While massive efforts are underway to slow down the novel coronavirus, the unexpected costs, that many businesses are incurring now, must be managed.

If you are looking to reduce your insurance cash flow and/or costs over the next few months, here are a few suggestions:

- 1. Reduce the premium basis** – Policies that are based on gross sales, payroll, or number of employees can be adjusted now to reflect new projections that take the impact of COVID-19 into account. Here are a few lines to consider...

General Liability - typically based on gross sales or payroll (some policies are based on square footage which would not be adjustable)

Umbrella/Excess Liability – premium based on general liability premium

Employment Practices Liability – number of employees

Professional Liability – gross receipts

Directors & Officers Liability – look into the premium basis for your policy

- 2. Reduce workers compensation projected payroll** – this is particularly important if your policy is written on a monthly premium installment basis as opposed to monthly payroll reporting or pay-as-you-go. Insurance carriers are anticipating mid-term payroll adjustments due to the COVID-19 quarantines.

If your work comp policy is renewing soon, ask about the availability of a pay-as-you-go option. Many carriers are now adding this feature which often eliminates a down payment or deposit, and payments are made each time you run payroll.

- 3. File an insurance claim** – It is true that most property/casualty insurance is not designed to cover a global pandemic. This is because there are no physical losses to trigger the loss of business income coverage. In addition, Infectious disease and virus are generally excluded.

Regardless, how an insurance coverage or contract may or may not apply is “fact-driven”. Carriers are generally unwilling to commit to whether or not a coronavirus incident will be covered without a specific claim to consider.

If you suffer a coronavirus related loss, we recommend that the claim be submitted to your carriers so they can specifically address what may or may not be covered.

What actually happens related to the circumstances of any specific claim or insurance line, or how the courts may interpret coverage applicability, will only be revealed over time...so you'll want to be “on record” related to your specific loss.

- 4. Ask for a 90-day moratorium on your premium payments** – In general, insurance carriers recognize that many of their policyholders have been severely impacted by the events surrounding COVID-19 and are committed to working with them and to make accommodations based on their specific circumstances (this goes for both business and personal insurance) subject to state regulatory compliance. Many carriers have suspended cancellations with no late fees temporarily. Each request is considered individually.

The insurance industry wants to help policyholders keep their businesses moving. Thus the flexibility related to related to premium basis and payment.

If you do decide to make policy changes now, it will be important to calendar an update review of those changes later in the policy year, so that, should your business return to normal or above, you are not challenged by an additional premium at policy year end.

VANTREO is here to help. If you need us please call us at **800-967-6543**.