SURPLUS LINE REPORTER & INSURANCE NEWS

VOLUME 42, NUMBER 4 APRIL 2020

NEWS IN BRIEF

PEOPLE

Georgia Insurance Commissioner John King, a major general in the Georgia National Guard, was deployed to New Jersey to help assemble a makeshift medical facility. This came after he spent more than a week in New Orleans helping to turn the downtown convention center into a 2,000-bed hospital, according to the Atlanta Journal Constitution in an April 7 article. This is not a new role for King; he was dispatched to respond to hurricanes, flooding, and other natural disasters and crises over his career. King's return date is not certain, but the lessons from his experience could soon be valuable as state officials prepare to transform the Georgia World Congress Center and two other facilities in Macon and Savannah into emergency hospitals to brace for a surge in coronavirus patients.

OBITUARY

Kevin P. Brooks, former chairman, president and CEO of General Star Indemnity Co., the surplus lines unit of General Reinsurance Corp., and a past president of the National Association of Professional Surplus Lines Offices (1989-90), died April 3 from complications of COVID-19. He was 75. Brooks was a longtime resident of Brooklyn and Shelter Island, New York. He graduated from Manhattan College in 1966, where he joined the U.S. Marine Corps under the platoon leaders program. He served a tour of duty in Vietnam as an artillery forward observer and continued his service as a member of the reserves. After completing active duty, he returned to New York in 1969 and joined General Reinsurance as a casualty facultative underwriter. Spending more than 40 years at the organization, he rose through the ranks and led General Star from its founding. NAPSLO awarded Brooks the Charles McAlear award in 1999 to recognize his contributions to the specialty insurance business. Outside of business, he was a birder, and he developed a keen interest in Irish music, playing the bodhrán and the bones. Brooks is survived by his wife, Ginny, three children and seven grandchildren. His family plans to hold a celebration of his life after coronavirus-related restrictions are lifted.

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Lawyers could be winners in BI dispute

U.S.courts will ultimately decide if COVD-19 covered

With the governor of Louisiana issuing a stay-at-home order for the state in an attempt to stem the COVID-19 tide, non-essential businesses are shuttering and others, including restaurants that have switched to take-out only, are working at significantly reduced income. How business interruption coverage in commercial property policies respond will, no doubt, be ultimately decided by the courts.

In New Orleans, attorney John W. Houghtaling II, took the issue on preemptively by filing a lawsuit against Lloyd's, London, on March 16 in civil district court in New Orleans on behalf of a French Quarter restaurant. Oceana Grill is seeking a declaratory judgment that affirms Lloyd's duty to provide coverage for business income lost as a result of a civil shutdown to prevent contamination of the insured premises. New Orleans' mayor issued a stay-at-home mandate on March 20; Gov. John Bel Edwards issued a stay-at-home order effective March 23.

A separate action in Harris County, Texas, alleged breach of contract, unfair settlement practices and bad faith when a business owner's claim for business interruption coverage was denied. It was filed on March 26 by Attorney Shannon E. Loyd on behalf of Barbara Lane Snowden dba Hair Goals Club against Twin City Fire Insurance Company, a Hartford company. The Harris County mayor issued a public health emergency declaration on March 11 and a stay-at-home order on March 24.

Politicians have gone on record urging insurers to retroactively recognize financial losses associated with COVID-19 under commercial business interruption coverage.

In Louisiana, Rep. Royce Duplessis, D-New Orleans, filed HB-858 which mandates that insurers provide coverage for businesses that suffer losses due to business interruption as a result of COVID-19. The bill would provide for coverage to the policyholder's policy limit for loss due to a public health emergency. The proposed law applies to policies issued to businesses with fewer than 100 full-time employees and would apply prospectively and retroactively to March 11.

In a bi-partisan move 18 U.S. representatives signed a letter addressed to major insurance industry groups urging such coverage. The letter was sent to the American Property Casualty Insurance Association (APCIA), the National Association of Mutual Insurance Companies (NAMIC), the Independent Insurance Agents and Brokers of America (IIABA) and the Council of Insurance Agents and Brokers (CIAB) on March 18. The letter was signed by 12 Democrats

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Some investigation tools underutilized

When insurance companies investigate a possible fraudulent property loss claim, sworn statements in proof of loss, examinations under oath and appraisals are often underutilized as tools by an insurer while investigating the dubious claim, said Matthew Monson, The Monson Law Firm. However, these can be valuable tools that an insurer can use while investigating a claim, Monson told attendees at the LDI Conference 2020 held March 4-5 at the Crowne Plaza Executive Center in Baton Rouge.

According to Monson, there are some red flags that will help an insurer identify possible claims fraud. At the outset of the claim, if the insured makes unreasonable demands, a public adjuster or attorney is already retained or, the insured threatens legal action, these are signs that the claim could be a problem claim. Other signs that a property claim could be a problem are when the adjuster and insured differ significantly on the scope and amount of loss or when there is an inability to obtain an agreement on the scope of damages.

Some other red flags Monson mentioned are emergency repairs/services are underway prior to reporting of the claim, pre-existing damages are claimed as part of the loss, contractors/experts retained by the insured have a history of being difficult to deal with, late reporting of the claim jeopardizes the investigation, or there is a lack of experts or documentation to support damages claimed.

Proofs of loss are often a mere formality for claim payments, examinations under oath (EUO) are typically used to resolve suspected fraud in claims and appraisals have been used sparingly to resolve disputes about the amount of the claim, Monson said.

The proof of loss is a formal statement

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IAIP's Region VI members met in Shreveport

Joycelyn Peer, Insurance Professionals of Acadiana, Lafayette, was elected to a two-year term as vice president of the International Association of Insurance Professionals' Region VI during the Region VI conference held March 12-14 at Sam's Town Hotel and Casino in Shreveport.

Peer succeeds Alesha Raney, Elatas Risk Partners, LaPlace, who is an at-large member of IAIP's Region VI.

Region VI membership includes insurance professionals from Louisiana, Texas, Oklahoma, Arkansas and New Mexico. The conference was co-hosted by the Insurance Professionals of Shreveport/Bossier, where Donna Rice, RISCOM, Shreveport, is the president, and the Insurance Professionals of Northeast Louisiana, where Lelani Beazley, McIntyre and Associates, Ruston, is president.

Peer is to be installed at the IAIP national convention which is scheduled to take place in Louisville, Kentucky, in June. Her term begins July 1.

Peer, a 40-year veteran of the insurance industry, is a senior account manager with HUB International Midwest, Gulf South Region, where she has worked for 17 years.

Peer's first job in the insurance business was with The Insurance Center in New Iberia, where she worked for 16 years. Subsequently, she held positions with Dwight Andrus and then Regions in Lafayette.

She has served three times as president of the Insurance Professionals of Acadiana and was named the local association's Insurance Professional of the Year more than once, most recently in 2018. She was the

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Joycelyn Peer, left, will succeed Alesha Raney as IAIP's Region VI vice president when her term begins in July.

From comfort zone to the new normal
See Page 3

Insurers to return $187 million in Louisiana
See Page 5

Lloyd's and London insurers in lockdown
See Page 17

P/C results for Q4 2019 and Q1 2020 are in
See Page 19

Insurers to return more than $10 billion to their customers

The Insurance Information Institute estimates that U.S. auto insurers will return more than $10.5 billion to their customers nationwide, the Triple I said in an estimate released April 11.

The Triple-I's estimate is based on its analysis of 14 U.S. auto insurers who announced premium refunds, discounts, dividends, and credits totaling $8.1 billion. These insurers cited reduced policyholder mileage and the receipt of fewer claims amid the COVID-19 crisis as the reasons they were able to make these decisions.

Given there are hundreds of companies that sell private-passenger auto insurance in the U.S., the Triple-I looked at the industry's cumulative market share and estimated an additional $2.4 billion in refunds, discounts, dividends and credits were forthcoming.

In its statement, the Triple I presented a list of insurers and their paybacks to policyholders announced during the week of April 6. The list follows.

Allstate customers will get Shelter-In Place Paybacks, adding up to $600 million over the next two months.

American Family will return approximately $200 million to its auto customers.

Farmers' auto customers will receive a 25 percent reduction in their April premiums.

The Hanover Insurance Group will return 15 percent of April and May auto premiums to its eligible personal lines customers. The company also announced additional customer relief measures and a commitment to contribute $500,000 to nonprofits in local communities to address needs arising from the public health crisis.

Liberty Mutual will return approximately $250 million to customers. Personal auto insurance customers will receive a 15 percent refund on two months of their auto premium.

MetLife Auto and Home customers will receive a 15 percent credit for April and May based on their monthly premiums. The company is also extending coverage under all personal auto insurance programs at no additional charge while customers are making deliveries in response to the crisis, effective March 20 through May 1. Additionally, MetLife Auto and Home is offering identity protection coverage to its customers.

Nationwide is giving a one-time refund of $50 per policy for personal auto policies active as of March 31.

State Farm announced an up to a $2 billion dividend that will go to its auto insurance customers. Customers do not need to take any action to receive this dividend, which will appear as a credit on their auto policy. On average, State Farm Mutual auto customers can expect to receive a credit of about 25 percent of premium for March 20 through May 31; exact percentages will vary by state.

The Travelers Companies is giving U.S. personal auto insurance customers a 15 percent credit on their April and May premiums. Travelers will continue to assess the program as more information comes to light about the impact of the COVID-19 crisis on the driving environment and auto claims.

USAA is set to return $520 million to its members for driving less during the COVID-19 shelter-in-place orders. The company said in a statement that the payment is a result of data showing members driving less during the Stay Home, Work Safe orders across the country.

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Surplus Line Reporter & Insurance News

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From comfort zone, through chaos, to the new normal – and success

By Michael G. Manes
Manes and Associates

The novel coronavirus pandemic has turned our world upside down and jerked us, and practically everyone else on the planet, out of our comfort zone. Will we survive? That depends.

Actually, COVID-19 is only the latest obstacle to our survival. The independent agency system has been grappling with known challenges and many unanticipated adversaries for the last decade or two at least.

Those who were running successful agencies on March 1, 2020, will have some adapting to do to remain successful when our economy gets back to full throttle. Fortunately, we've had some practice in stretching out of our comfort zone, avoiding extreme chaos and managing to reach into our arsenal of strategic munitions. We have survived market crashes, economic change, government intervention, changing demographics, an increasingly nonverbal marketplace, technology, social media, traditional competitors, carriers abandoning the agency system and shrinking commissions. Larger challenges lie ahead.

Our strategic munition today requires remembering the lessons of the past.

Lesson One: Souls don't grow in the sunshine; adversity makes us stronger

On March 24, 1971, I took a Greyhound Bus from New Iberia, Louisiana, to the Customs House in New Orleans because I was being drafted. I stood 6' 2" tall, weighed north of 230 pounds and had a 40 inch waist. I was in terrible shape. At my going away party on the prior Saturday night, we joked about having a welcome home party on the next Saturday. No one expected that I would pass the physical. Even I thought a quick return trip was inevitable.

On the last day of zero week (the time needed to process us into the Army), the senior drill sergeant explained that at the end of boot camp, we'd go on a forced march of 7.5 miles with full gear in 65 minutes. "Fat chance," I thought to myself.

The next day, I was running off a cattle car with a 60-pound duffle bag and scared to death. We were holding those bags over our heads as drill sergeants berated us. Sergeant Gay stood nose to nose with me and screamed, "Boy, how long did it take you to get this fat!" I answered correctly. "Twenty-three years, Sir."

About eight weeks later I proved the senior drill sergeant right and myself wrong. For me it was a life changing experience. Absent the draft, I'd probably have never reached 50 years old. I was in that bad of shape at 23.

Lesson Two: Potential does not guarantee success

Many, even most, agencies are very successful and have the potential to continue that success. Unfortunately, potential guarantees you nothing. Tommy Canterbury, a Centenary College basketball coach, and friend, says "Potential means you haven't done it yet."

I once asked a friend named Mark, "What's the secret to your success?" He said, "I wake up scared to death every day." This wisdom is personified when Boudreaux and Comeaux were bear hunting. They were deep in the woods when they came face to face with a very large and hungry looking bear. Boudreaux turns, drops his knapsack, and starts to run. Comeaux warned, "Boudreaux, you can't outrun a bear." Boudreaux yells over his shoulder, "I ain't gotta outrun the bear. I only gotta outrun you!"

If COVID-19 or anything else has put you in decline and you know it and can admit your challenges, you can find help, a buyer, or change the culture and behavior that has led you to this point. Chest pains change behavior. Listen to your deepest fears. Don't lie to yourself or ignore the obvious.

Be inspired to strategic action by John Charles Salak who said, "Failures are divided into two classes – those who thought and never did, and those who did and never thought." Those who fail are those stuck wholeheartedly in their blissful, oblivious comfort zone.

Strive for ascendancy. When you reach mileposts, pat yourself and your team on the back and then get back to work. There will be more obstacles ahead.

Lesson Three: Purchasing habits change

In the Nov. 13, 2019, Advocate newspaper appeared a significant story. "Nation's No. 1 milk company declares bankruptcy amid drop in demand. … Decades long decline blamed on soda, juices, and nondairy substitutes."

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Comfort zone

FROM PAGE 3

When I was a little boy in New Iberia, Louisiana, milk was delivered to our front door. It was a staple of our lives. Milk was not an option; it was a necessity.

Independent agencies were on Main Street and they had the town divided up among themselves. Outsiders did not sell insurance to locals. Times changed.

I am a believer in the independent insurance agency system. But it's not going to remain the same. None of us can be sure of all the twists and turns that this industry, our communities, technology, the global marketplace, social media, and government interventions will take. We can only get ourselves in fighting shape and keep that posture going. If you keep that mindset and act accordingly, you can win. If you ever become and remain dumb, fat and happy, may you rest in peace.

In closing: "The man who wins may have been counted out several times, but he didn't hear the referee." H. E. Jansen

Keep fighting. Think strategically. Outrun, or be run over by, your competitors.

MICHAEL G. MANES is the owner of Manes and Associates, a New Iberia-based consulting business focusing on planning, sales and operations, and change. He has over 46 years of insurance industry experience, including serving as an instructor of Risk and Insurance at Louisiana State University.

Premium return

FROM PAGE 2

CFA and CEJ assess paybacks

The Consumer Federation of America and the Center for Economic Justice thanked the insurers who made payments to consumers. "Premium paybacks are reasonable and necessary to account for insurance rates that suddenly became excessive because assumptions about miles driven and claim frequency became obsolete once consumers were told to stay home and businesses were shuttered," the associations said at a press conference held April 13.

Still, the two groups criticized the auto writers, alleging the premium relief was not sufficient and they criticized regulators around the country for not collecting data on accidents and claims activity and getting auto writers to provide premium relief.

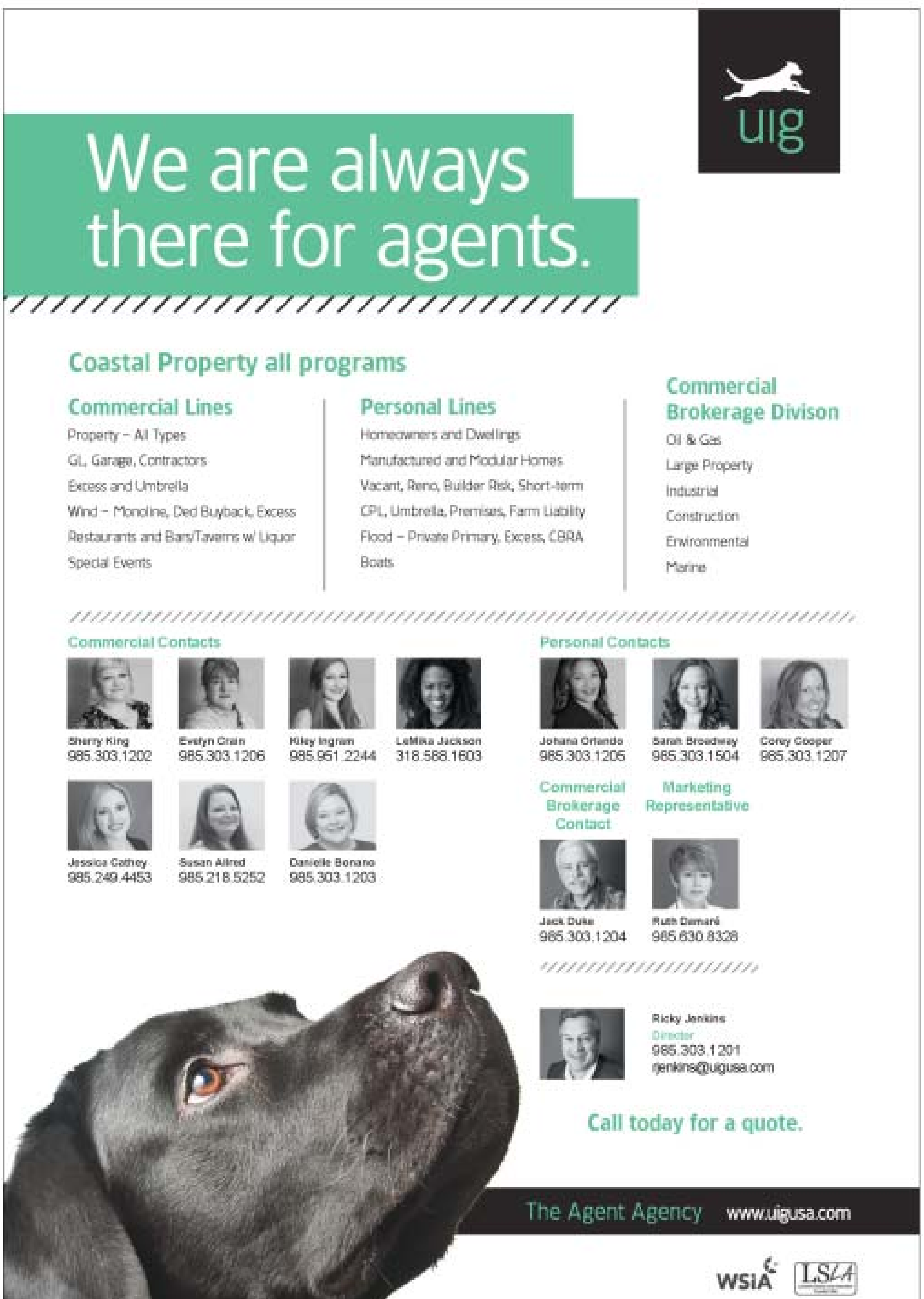
The groups applauded State Farm and American Family for their leadership in being the first to announce the premium relief.

The CFA and CEJ graded insurers A through F, with companies which had taken no action by April 13 being ungraded.

State Farm and American Family both received A's, while Shelter and Tennessee Farmers each received a B+ and Allstate a B-. Liberty Mutual/Safeco, USAA, Progressive and Travelers each rated a C+.

At the lower end, Erie got an F because the company claims to be providing customers with $200 million, but is actually promising to cut rates in the future, CFA and CEJ said.

GEICO received a D- for promising over $2 billion in relief, but requiring customers to renew their policies to see the savings. According to CFA and CEJ, that means "only the policyholders who renew their policies over the next two months, about one-third of GEICO's policyholders, will see any savings" during stays at home.



NEWS IN BRIEF

FROM PAGE 1

NEW OPERATIONS

1347 Property Insurance Holdings Inc. said in a press release issued March 30 that it is forming a specialty property/casualty reinsurance subsidiary, Fundamental Global Reinsurance Ltd., and plans to adopt that company's name, subject to shareholder approval at its annual meeting. The new company plans to operate reinsurance and investment management businesses. Fundamental Global Reinsurance would be regulated by the Cayman Islands Monetary Authority. The move comes after it sold its homeowners insurance operations, Maison Insurance Co., along with Maison Managers Inc. and ClaimCor LLC to FedNat Holding Co. in December in a $51 million deal consisting of $25.5 million of cash and 1,773,102 shares of FedNat stock valued at $25.5 million, according to 1347 PIH's website. The company's discontinued homeowners operation had a 2019 after-tax net loss of $2.1 million, compared with a $2.1 million net profit in the prior year. Overall, 1347 PIH annual net income declined to $311,000 from $804,000. Maison focused primarily on coastal homeowners markets in Louisiana, Texas and Florida. Under the terms of the sale, 1347 PIH formed Fundamental Global Advisors LLC to serve as an investment adviser to FedNat. Operating subsidiaries of FedNat Holding Co., including Maison Insurance Co., do not currently have a Best's Financial Strength Rating.

COVID-19 CHALLENGES

Facing the Challenge Head-On the U.S.'s property/casualty insurers are financially stable and ready to keep the promises made to their customers, the Insurance Information Institute said in a monograph. The industry is, however, facing challenges. According to Triple I, those challenges are: • Some lawmakers want to void policy exclusions and pay out retroactively for non-existing coverages which would threaten the solvency of some insurers. • Overall insurance claims will increase. Workers' compensation insurers have exposure in healthcare, among first responders, and retailers who use delivery services. • Insurer premium revenue will decrease. More unemployment, less manufactur-

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Insurers to return $187 million to Louisiana drivers

During the ongoing crisis brought on by COVID-19, private passenger automobile insurers are set to return more than $187 million in premium to Louisiana drivers through rebates and reductions in premium, the Louisiana Department of Insurance announced in a news release dated April 15.

The automobile insurers are sharing the savings to their bottom line as a result of most drivers following the governor's stay-at-home order. Fewer miles are being traveled since the order was issued, and as a consequence, there have been fewer accidents and fewer claims. As a result of this dynamic, many auto insurers are implementing rebate or rate reduction programs.

"I applaud our auto insurers on supporting their policyholders and our economy with these programs," said Commissioner of Insurance Jim Donelon. "Here in Louisiana, the economic impact of these rebate programs is greater than $187 million in payments returned to the pockets of consumers at a time when it is sorely needed. This list includes 13 of the top 20 auto insurers doing business in Louisiana, and it is my hope that the other seven auto insurers will follow suit in this time of crisis for their policyholders brought on by the COVID-19 pandemic."

The 18 companies listed represent 92.1 percent of the private passenger automobile insurance market in Louisiana. State Farm has a 29.5 percent share of the market, followed by Progressive with a 16.4 percent share. Berkshire Hathaway/GEICO has an 11.7 percent market share, and Allstate is number four with an 11.1 percent share.

More than half of the companies listed are returning 15 percent of premium written over the two months the virus has kept people home. However, State Farm is returning 25 percent of 2.37 months of premium. Chubb is returning 35 percent of two months of premium. Shelter is returning 30 percent of two months of premium. Farmers Insurance is returning 25 percent of two months of premium.

Progressive, USAA and Amica Mutual are each returning 20 percent of two months of premium. American Family is returning $50 of each auto insured.

Private Passenger Auto Companies offering premium payback because COVID-19 has kept drivers home

GROUP/COMPANY	WRITTEN PREMIUM	PROJECTED RETURN
State Farm	$1,442,012,280	$71,099,231
Progressive	$803,097,944	$26,769,931
Berkshire Hathaway (GEICO)	$571,941,640	$42,895,623
Allstate Insurance	$540,137,655	$13,503,441
USAA	$294,072,269	$9,802,409
Farm Bureau	$262,659,515	$6,566,488
Liberty Mutual	$197,963,554	$4,949,089
GoAuto	$163,079,583	$4,076,990
Shelter	$69,820,682	$3,491,034
Metropolitan	$41,273,185	$1,031,830
Kemper Corp.	$33,705,462	$842,637
Hartford	$26,937,539	$673,438
Hanover	$20,640,280	$516,007
American Family	$14,207,687	$256,500
Farmers Insurance	$7,170,609	$298,775
Amica Mutual	$4,901,655	$163,389
Chubb Ltd.	$4,819,446	$281,134
Travelers	$1,276,289	$31,907
TOTAL	$4,458,444,389	$187,249,854

Region VI Conference

FROM PAGE 1

Louisiana State Council director in 2005.

Her focus for Region VI for her term as VP will be on ramping up technology.

"Like other associations, we struggle with membership," so the association, both Region VI and the international association, is pushing telecommunicating in various ways, among which is online classes. "We want to give young members the flexibility to do things online," Peer said. The association "struggles as different generations do things differently, and we want to serve all members' needs."

She offered as an example the election of the national secretary. At one time, each association had one vote for the secretary. Currently, each member gets one vote, and the election is conducted electronically. In another instance, according to Peer, the association has regional vice presidents' meetings and committee meetings on Zoom.

"It is possible for insurance professionals to connect online and the door open to friendships," she said. People can be connected without being in close proximity, she observed. That axiom is being confirmed as people comply with the Louisiana governor's stay-at-home order and work from home.

Peer wishes that employers would realize that young people coming out of college need instruction in customer service and professionalism. College graduates have instruction in insurance, but not in "soft skills," she said. Their education has focused on the computer, but they lack interpersonal skills. She believes the IAIP and its local associations offer the best chance for young professionals to gain soft skills, and she would like employers to be cognizant of that opportunity.

Peer holds the CIC, CPIW, DAE and CLP designations.

She is a 2013 graduate of Southeast Louisiana Community College with an associate's degree in business. She has held producer licenses for property and casualty since 1987, life and heath since 1986, and fidelity and surety since 1987.

Peer serves her community primarily through her employer and the Insurance Professionals of Acadiana, which donates time and money to organizations such as women's and children's shelters and the University of Louisiana, Lafayette.

Client services professional

The Client Services Professional of the year award went to Tracy Price, the marketing manager at Moreman, Moore and Company, Shreveport.

Price began her career in the insurance business over 12 years ago when she applied for a clerical position in response to a help wanted ad placed by Deep South. She worked for Deep South for 10 years, where she was an administrative assistant to loss control and marketing.

She is scheduled to graduate from LSU-S May 17 with a bachelor's degree in management and administration. She obtained an associate degree in business administration from Bossier Parish Community College and she holds the CISR designation. Price has held a property and casualty producer's license since 2017.

Price received several outstanding performance awards from her previous employer.

Price has been a member of the Insurance Professionals of Shreveport/Bossier

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NEWS IN BRIEF

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ing, and less economic activity overall will lead to a reduction in premiums. • Insurer investment income will decrease. P/C insurer investments are largely in fixed income products, yet their equity portfolios and the continued low interest rate environment will reduce insurer investment income, a key revenue source. • Beyond the COVID-19 pandemic, insurers are preparing for more severe natural and man-made catastrophes – tornadoes, hurricanes, wildfires, cyber-attacks. These covered catastrophes continue to increase in terms of overall loss costs.

The Wall Street Journal reported that office owners are among those hit hard by the idled economy due to COVID-19. Office owners hoping that their buildings would become a haven for skittish investors instead found investors dumping shares of major office real-estate investment trusts. Investors are asking: What good is a long-term lease if the tenant won't pay rent? And what is an office building worth if no one can use it? The office selloff indicates that trouble in commercial real estate is spreading beyond hotels and retail properties and now threatens much of the $16 trillion U.S. commercial real-estate market and the $4.5 trillion in mortgage debt secured by it. The value of commercial mortgage-backed securities has plummeted, and new lending has mostly ground to a halt. The greater danger is that tenants across the country stop paying rent on their existing leases. **Joseph Iacono**, CEO of alternative financing platform Crescit Capital Strategies, noted, "You have a lot of small companies that occupy buildings. Business is shut. If they're not generating any revenues they can't pay any rent."

Purchasers of travel insurance are finding their policies all but worthless as the global pandemic forces them to change their plans or leaves them sick at sea, Bloomberg reported April 3. Most travel insurance companies won't provide reimbursements for canceled trips due to the coronavirus, Bloomberg said, citing as its source New York's Department of Financial Services. In addition, some insurers flagged COVID-19 as a "known event" in January, meaning policies bought after that won't pay out due

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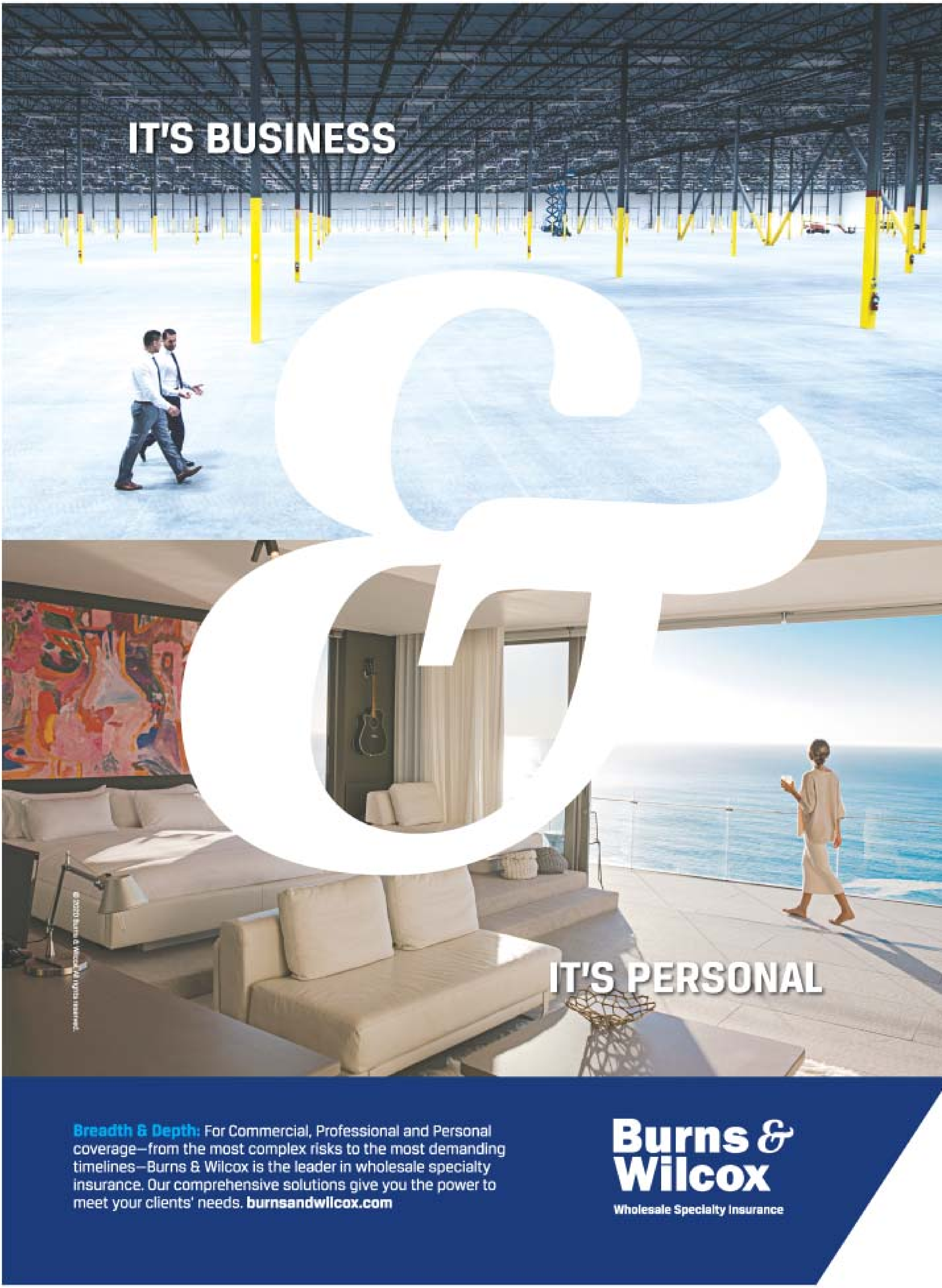
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In early March Region VI of IAIP held a conference in Shreveport at Sam's Town

Past IAIP President Joi Wilson, NAIW Dallas, and guest, Mike Hoernemann.

From the host association are Brandy Watts, left, Moreman, Moore and Company, and Ami Edwards, Risk Services of Louisiana.

Jennifer Hisaw, left, AmWINS Access, and Rachel Kight, Stonetrust Commercial Insurance. Both are with the Insurance Professionals of Northeast Louisiana.

Darlene Z. Nelson, left, Martin Insurance Agency and the Insurance Professionals of Greater New Orleans, with Joycelyn Peer, Hub International Gulf South and the Insurance Professionals of Acadiana.

Robyn White, left and Brenda Hornyak, Hendry Insurance, Dallas.

Representing the Insurance Professionals of Greater New Orleans are, from left, Cindy Cordes, Kathy Miller, Gloria Bruno, Pattie Smestad (Eagan Insurance Agency), and Jamie Renton (Imperial PFS).

From left are Monique O'Neill, Donnaway Insurance, The Insurance Professionals of Greater New Orleans; Pam Geraci, Donnaway Insurance, The Insurance Professionals of Greater New Orleans, and Robin Widmer, RISCOM, the Insurance Professionals of Shreveport-Bossier.

Taking care of business for Imperial PFS are Jamie Renton, left, and Baylie Babin, both with the Insurance Professionals of Greater New Orleans.

International IAIP President Cindy Prud'homme, left, Michigan, and IAIP Vice President Geraldine Platt, North Carolina.

Debi McBride, left, Sedgwick, and Brandy Watts, Moreman, Moore and Company, both are with the Insurance Professionals of Shreveport-Bossier.

From left are Laura Sherman, LWCC, the Insurance Professionals of Baton Rouge; Amber Townsend, CRC, The Insurance Professionals of Greater New Orleans; IPSB President Donna Rice, RISCOM, and Liz LaGrange, Arthur J. Gallagher, New Orleans.

Region VI Assistant VP Marie Meyers, left, Insurance Underwriters Ltd., with the Insurance Professionals of Greater New Orleans, and Region VI Vice President Alesha Raney, Elatas Risk Partners, member-at-large.

From the Insurance Professionals of Northeast Louisiana are Jennifer Cockerham, left, Kirksey Agency, and Lynn Webb, Burns and Wilcox.

The procession of dignitaries entering the Awards Luncheon.

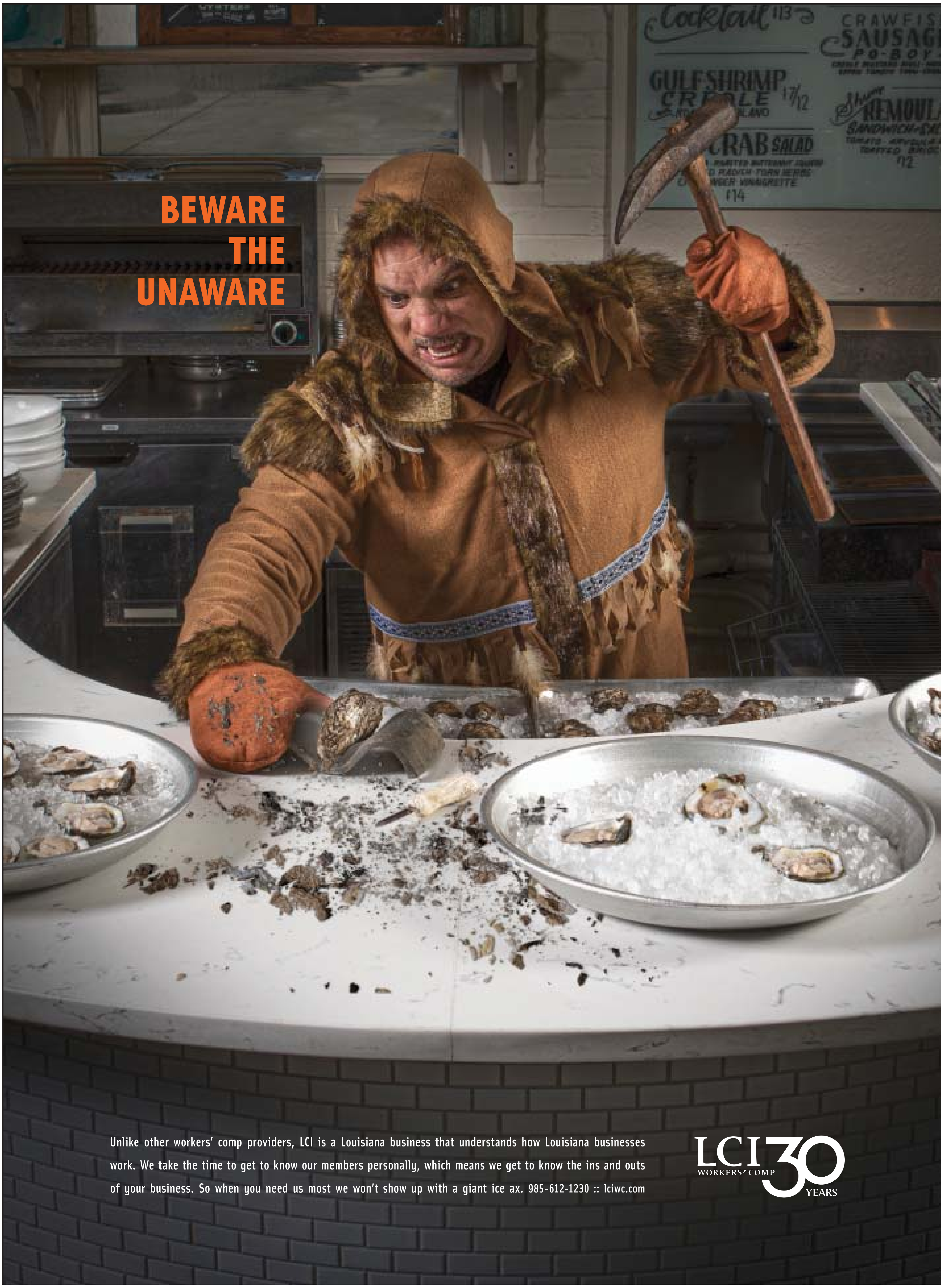
The table decoration for the Awards luncheon followed the meeting's Mardi Gras theme.

Region VI Assistant VP Marie Meyers, Insurance Underwriters Ltd., won the raffle for the painting donated by the Surplus Line Reporter's Carol DeGraw Harris.

Members of the Insurance Professionals of Shreveport-Bossier are Melanie Nerio, left, and Beverly Jenkins, both are with RISCOM.

Speak-Off winner Angela Gentry-McNeil, left, and Jennifer Cockerham, both with the Insurance Professionals of Northeast Louisiana and The Kirksey Agency, sold chances to win wine, a lunch kit and tote.

With the host association are Emily Hardinge, left, Specialty Risk Associates, and IPSB President Donna Rice, RISCOM.



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LCI WORKERS' COMP 30 YEARS

Region VI Conference

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for three years. Several co-workers were members of the association and Price viewed membership in IPSB as a good way to network and develop relationships with people in the insurance business. She expected to learn from IPSB members who worked on the agency side of the insurance business and get to know some of the underwriters she would be doing business with. "When you change from the carrier side of the business to the agency side," as she did, "the dynamics change" she said.

Most of Price's time away from work has been spent studying for business degrees, interacting with family and participating in church activities. She has found time to chair committees for IPSB.

Insurance professional

The Insurance Professional of the Year award went to Amber N. Townsend, The Insurance Professionals of Greater New Orleans, CRC. The award was presented to Townsend by Raney.

Townsend has been in the insurance business going on 14 years. She is an associate broker for CRC in the Metairie office and was previously employed by SCU as an inside underwriter.

Townsend got her start in the insurance business as an administrative assistant via an online application. She got her first insurance job without referrals, but knew a little about the business since her mother was in the business for 20-plus years.

Her first year in the insurance business was a tumultuous time in Louisiana. She started almost exactly one year after Hurricane Katrina hit the Gulf Coast, at a time when many residents were displeased with property insurers.

Amber Townsend, left, received the Insurance Professional placque from RVP Alesha Raney.

Townsend, a past president of TIPOGNO, has been active with the local association since 2012. She was recognized by the local association as 2019 Insurance Professional of the year last May.

She was TIPOGNO's Rookie of the Year and the Region VI Rookie of the Year in 2014. She participated in TIPOGNO's CWC Speak-Off in 2016 and went on to win the Region VI public speaking competition.

She was recognized by a previous employer as its Rookie of the Year in 2006.

In 2009, she earned the CISR designation and holds property and casualty licenses.

Rookie of the year

Cristina Gonsalez, Insurance Professionals of Acadiana, Lafayette, garnered the Rookie of the Year award, which is presented to an individual who has been a member of IAIP for less than two years.

Gonsalez, a marketing executive with

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to virus-related interruptions. Allianz SE, the German insurance giant that is one of the largest sellers of policies, told Bloomberg it is "accommodating" claims from customers who become ill with COVID-19 either before or during their trip. That could include providing compensation for a canceled trip or emergency medical care on one. However, many consumers say their claims have been denied, and they've taken to social media to complain.

JOB LOSSES

The U.S. Department of Labor reported in early April that payrolls fell by 701,000 jobs in March, the biggest monthly decline since March 2009, during the last recession, and marking the start of a much deeper labor-market collapse under way due to the coronavirus pandemic. Job losses were widespread among industries, with more than half of the jobs lost (417,000) at restaurants and bars. That amount offset all of the jobs added in the sector over the past two years. Meanwhile, the March unemployment rate jumped to 4.4 percent from 3.5 percent in February, the largest one-month increase since January 1975. If shutdowns continue, the April jobs report could show the largest ever one-month decline in the labor market. According to projections by Oxford Economics, the United States is on a trajectory to lose 27.9 million jobs and have a 16 percent unemployment rate by May, erasing all the jobs gained since 2010 during the record-setting 113-month stretch.

HOW TO SET FIRE

The Coalition against Insurance Fraud pointed to a Google study reported by the Washington Examiner which found internet search queries for "how to set fire" rose by 125 percent year-over-year in the last week of March when 700,000 jobs were lost from the coronavirus pandemic. **Matthew Smith**, executive director of the Coalition, speculated in the Washington Examiner article that the economic downturn could lead to arsons of homes, automobiles or businesses. **Frank Scafidi**, National Insurance Crime Bureau, said the economic slump in 2007-2009 saw an increase in car arsons to collect on insur-

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HUB International Midwest, got into the insurance business nearly 16 years ago after graduating from Kennesaw State University in Georgia with a degree in communications.

Gonsalez worked in the insurance business in Georgia for a few years before coming to Louisiana when her husband was transferred to Lafayette. While in Georgia, she worked for Palomar Insurance Agency as part of the team that handled the United Egg Producers insurance programs.

Last May, the Insurance Professionals of Acadiana named Gonsalez the local association's 2019 Rookie of the Year.

Gonsalez's community service work primarily is through the Insurance Professionals of Acadiana where she volunteered last December for Christmas in Acadian Village and participated this spring in organizing the association's golf tournament which was canceled due to the coronavirus pandemic.

In addition to working at home because of COVID-19, she is homeschooling her two elementary school children.

She is a licensed property/casualty agent and holds the CIC and CIIP designations.

New professional

The Young New Professional of the Year award is presented to an outstanding new IAIP member after 24 months of membership. The 2020 award went to Michelle Franks, a member of The Insurance Association of Enid, an Oklahoma association.

Recognized

In addition to presenting the awards, members holding the CIIP, CPIW and CPIM designations were recognized, as were past Region VI vice presidents and Past International President Joi Wilson, as well as current IAIP President Cindy Prud'homme, Michigan, and Vice President Geraldine Platt, North Carolina. Prud'homme spoke about overcoming obstacles at the conference. Her message was directed to the incoming and outgoing RVPs.

CWC Speak-Off

One of the highlights of the Region VI conference is Confidence While Communicating, a public speaking competition among contestants representing the local associations. This year's Speak-Off was won by Angela Gentry-McNeil, who is with The Kirksey Agency in West Monroe and is a member of the Insurance Professionals of Northeast Louisiana. Peer, the new Region VI VP, announced the winning speaker.

This year's Speak-Off topic was What IAIP Means to Me. In her three-minute speech Gentry-McNeil said that she is "celebrating 20 years as an IAIP member, though faithful for 13, having served as a

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part of my local associations, both in Arizona and Louisiana, as a committee member, committee chair and/or as a board member. From the very first day as a member, I have received extraordinary encouragement and support for my position for which I've applied, or even held."

She said that IAIP is her association of choice because the association has provided her networking and career opportunities that she otherwise would not have had. The association "promotes education and even offers scholarships for many different insurance courses. Awards are also given to showcase our commitment to this industry and our dedication to this association.

"We celebrate our successes and empower others that they too can achieve their goals. Without this organization, I don't think I'd be where I am today. Insurance was no longer just a job, it became my career."

The topic for the one-minute impromptu speech centered on how the association could generate revenue in light of the fact that the members had voted down a dues increase.

Gentry-McNeil started in the insurance business in 1992 in Arizona shortly after graduating from high school. She began as a file clerk and worked her way up to handling first personal lines and then commercial lines.

A native of Louisiana, in 2014 Gentry-McNeil returned to Benton, where she worked from home until a recruiter contacted her about the job with The Kirksey Agency. She made the transition and is currently a commercial lines account executive with the West Monroe agency.

While Gentry-McNeil was a member of IAIP in Arizona, she took the CWC course and competed on the state level. She was her local association's Rookie of the Year and won several scholarships for various classes, including those leading to the CPIW, AFIS, ACSR and CRM designations.

After moving to Louisiana, Gentry-McNeil was named the Region VI Risk Management Professional of the Year for 2019. She is on the board of directors of the Insurance Professionals of Northeast Louisiana.

Gentry-McNeil holds the AFIS, ACSR, CPIW and AINS designations and a Louisiana producer's license for property and casualty lines, which she has held for five years.

All of the award winners and the Speak-Off winner will represent Region VI at the IAIP 79th Annual Convention, which is scheduled for June 12, 2020, at the Hyatt Regency Louisville in Kentucky. So far, the event has not been canceled, but only one person had registered as of April 5.

The Sonic Guy

The keynote speaker for the awards lunch was The Sonic Guy Paul Riser, who with his partners owns 38 Sonic Drive Ins across four states.

When it comes to running a successful business, Riser said, "You have to have technology to stay even, but you have to have great people to stay ahead."

At the conclusion of his talk, Riser ticked off three take-aways from his talk for the Region VI members. First, when someone asks how you are, even if you have to lie, tell the person you are "terrific." Second, have empathy for others, and third, smile whether you feel like it or not.

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ance, but not to the scale originally anticipated. Still, he projected increased opportunity for fraud, even with a third round of economic stimulus from Congress. **Michael Eriksen,** economist and associate professor of real estate at the University of Cincinnati, downplayed the arson threat since arson against one's own property would not be covered by insurance.

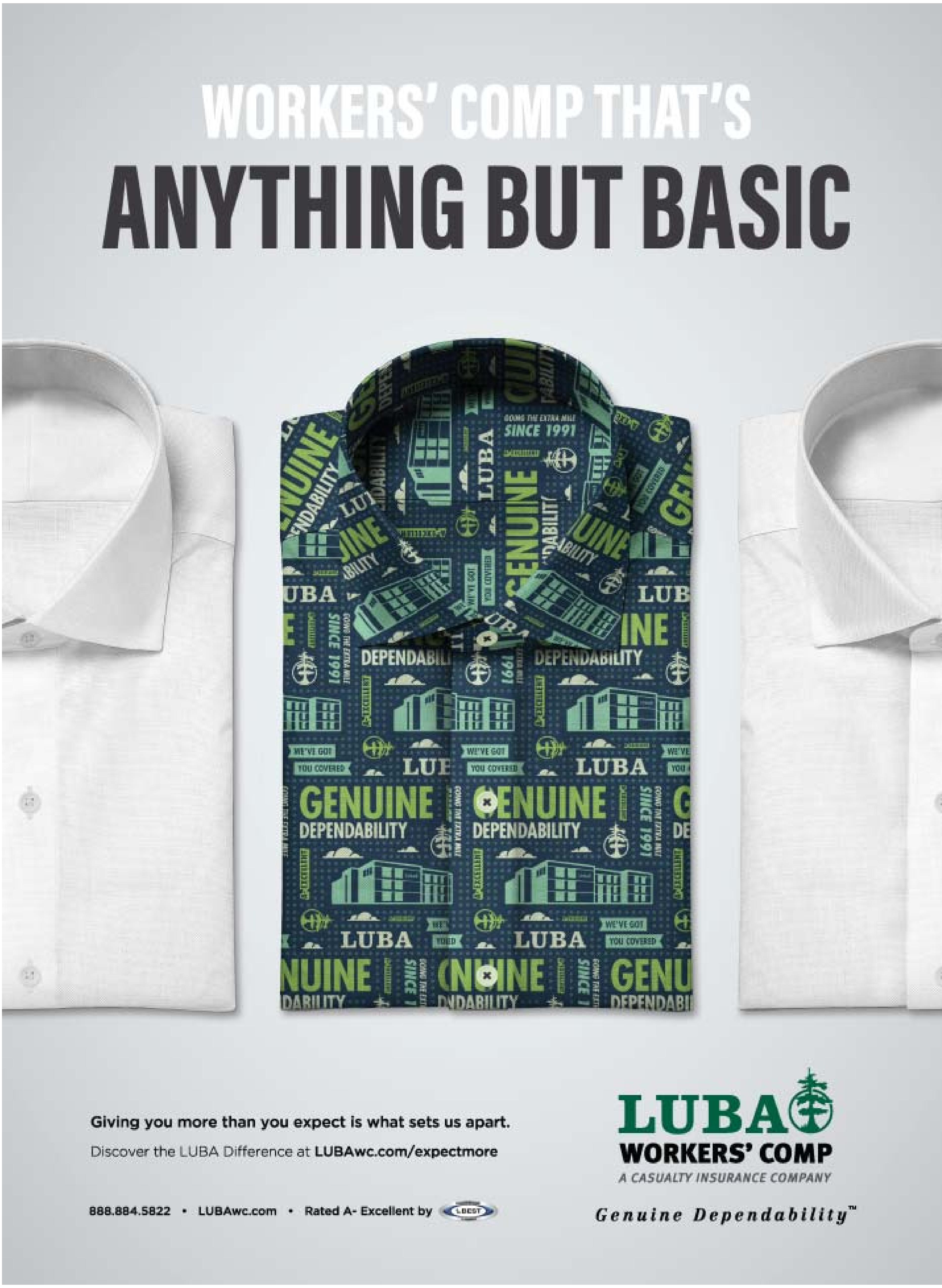
MEETINGS/EDUCATION

The Big I addressed how ISO's business income policy may respond to COVID-19 claims in a webinar on March 31. The 25-minute webinar remains available on demand. Additionally, the national association's website, independentagent.com, offers a paper written by Big I's Virtual University Executive Director **Chris Boggs** on the subject.

Locke Lord has released its 20th edition of its Excess and Surplus Lines Law Manual. The edition includes all of the pertinent changes in the surplus lines laws and regulations of the 50 states and U.S. territories during the past year. New to the manual is an appendix of frequently asked questions. The manual is available at surplusmanual.lockelord.com.

HURRICANE PROJECTIONS

According to Colorado State University hurricane forecasters, the 2020 Atlantic basin hurricane season will have above-normal activity and above-average probability for major hurricanes making landfall along the continental United States. The forecasters made their predictions on April 2. After a destructive season last year, meteorologist **Phil Klotzbach** and others predicted 16 named tropical storms, eight of which will become hurricanes. Four of those hurricanes will be major hurricanes of Category 3 or higher. An average season has 12 tropical storms, six of which become hurricanes. Klotzbach said there's a 69 percent chance for at least one major hurricane this season, which begins June 1. Meanwhile, AccuWeather predicts 14 to 18 named storms will form, of which seven to nine will be hurricanes. The firm said two to four are likely to hit the United States. The National Oceanic and Atmospheric Administration will issue its forecast in late May.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Lloyd's and London market insurers are in lockdown

London Views
by Len Wilkins
London correspondent

Like most European countries, the U.K. is in lockdown. The Lloyd's underwriting room has been closed since March 19, and the instructions from the U.K. government are that, where possible, people should work from home. This policy was adopted by Lloyd's, so insurers and underwriters are writing business from their homes instead of Lloyd's underwriting room.

The major problem so far has been confusion over business interruption insurance. Many policyholders believe if their business is interrupted insurers should pay under any circumstance. Insurers argue that the cover is intended to pay after physical damage, such as from fire or flood.

Since the SARS virus outbreak in 2003 the typical business interruption policy wording usually states that business interruption due to disease is not covered. A few policies do cover the risk, which has led to greater confusion. The only consolation insurers can offer is that these policies were never priced to cover a virus outbreak, so policyholders are not paying for disease cover. As with most countries, U.K. policyholders are screaming that the U.K. government should force insurers to pay where no cover exists – a move the government so far has resisted, arguing that payment would just switch the financial loss from one direction to another.

London is not alone with this problem. World insurers told their governments that making them pay out on uncovered losses suffered due to the coronavirus outbreak would risk destabilizing the insurance industry. The Global Federation of Insurance Associations (GFIA) said insurers would pay out valid claims on policies, but stressed they should not be asked to cover areas where no contract existed. The federation reminded governments that events such as fires, motor vehicle accidents and natural catastrophes, which are covered by insurance, do not stop occurring, pandemic or not.

The truth is there are a lot of frightened people out there looking for someone else to pick up the bill. There will be a lot of business casualties.

Lloyd's and U.K. insurers are controlled by the U.K.'s Financial Conduct Authority, which told insurers to show flexibility and expect the behavior of customers to change due to lockdown restrictions.

Most small to mid-size enterprises (SME) buy cover from U.K. insurers, and London's only exposure to any of these losses would come from reinsurance, which no one is worrying about at the moment. Lloyd's Chairman Bruce Carnegie-Brown reiterated that valid claims are always paid by Lloyd's, but excluded claims are not. To stress this point, the Lloyd's Market Association (LMA) produced a new Communicable Disease Endorsement for property business, which confirms coverage for physical loss but excludes any loss or expense resulting from a communicable disease.

John Neal, Lloyd's CEO, said that taken in isolation, insurance losses or operational challenges can usually be managed, but taken together and occurring simultaneously and globally the losses represent a challenge of unprecedented scale for the industry. He explained that up to 14 different classes of Lloyd's business might respond to COVID-19 losses.

Understandably, Lloyd's does not want to publish an estimate too early. Managing agents were asked to deliver their best estimates by the end of the month, and Lloyd's will publish an aggregate number in May.

Anyone having a policy about to expire might find comfort in a new LMA clause that ensures continuity of coverage in case of market closure. The clause states that, if all Lloyd's syndicates are prevented from entering the Lloyd's building either by the Corporation of Lloyd's or due to quarantine by any person or agency for more than one business day during the seven days before expiration, the contract automatically will be extended at the existing terms and conditions for 14 days.

The situation in the U.S. is worrying insurers. While insurers' lawyers believe there is no cover, lawyers acting for policyholders see things very differently. Lloyd's and London insurers are concerned that, if the damage trigger for BI is hit, U.S. lawsuits could pummel the Lloyd's and London underwriters who wrote U.S. business. If U.S. claims are successful, the court decisions

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could affect U.K. claims. Insurers on both sides of the Atlantic also are concerned about some states trying to require payments to small firms even if virus losses are excluded. Equally, there are worries over civil-authority clauses operating where governments shutter businesses. With different states, different verdicts can be expected.

Lloyd's back in the black for 2019

Lloyd's is back in the black and confirmed that the market is in a strong position to respond to the impact of the coronavirus and can fully support its customers and business partners. Lloyds made a profit of $3.25 billion for 2019 (2018: $1.3 billion loss) thanks to the release of back years' reserves for the 15th consecutive time; the largest ever investment return on the market's central assets; lower level major losses, and lower operating expenses. Add these factors together, and the result is an improvement in the whole market's underwriting figures. At a time when good news is badly needed, Lloyd's produced the best result for the whole market since 2014.

For anyone wondering how these results tie in with the underwriting year figures, Lloyd's produces the answer: They don't.

Lloyd's publishes two sets of figures, the underwriting year results and these figures, which are the results for the aggregate Lloyd's market. Whereas the underwriting year results are straight premium against claims, the aggregate figure includes release of previous years' reserves and investment income. The underwriting year figures do sway the aggregate figures.

Gross written premiums rose to $29.9 billion (2018: $25.61 billion), reflecting underwriting discipline and the effect of the Decile 10 initiative. Gross written claims rose slightly to $46.67 billion (2018: $46.15 billion). Gross claims paid were $29.9 billion (2018: $25.61 billion). Investments showed a 4.8 percent return, a Lloyd's record and way past 2018's 0.7 percent return.

For once the major losses stayed away, but Lloyd's didn't get by without some catastrophic losses in 2019, such as Dorian, and these accounted for some $2.3 billion of losses. The figure is below Lloyd's five-year and 15-year averages.

Below average cat losses helped Lloyd's combined ratio improve to 102.1 percent against 104.5 percent a year earlier. The rate increases at this year's January renewal season will help, and hopefully, the renewal seasons later in the year will also show a similar premium bounce if underwriters keep to their discipline.

Lloyd's said that on a typical day it sees a footfall of around 5,000 brokers and visitors to the underwriting room. However, the footfall was down to 200 by March 18.

Lloyd's expense ratio indicates why Lloyd's Blueprint for the Future is aimed at reducing costs. The total operating expense ratio at Lloyd's was a thumping 38.7 percent, made up of the cost of operating at Lloyd's, which was down slightly at 11.2 percent (2018: 11.9 percent) and acquisition costs of 27.5 percent.

The recent crashes in stock markets around the globe driven by the coronavirus would worry most solvency experts. Lloyd's 2019 Solvency Capital Requirement was $1.95 billion, and this was covered 238 percent by eligible assets of $4.65 billion. With worldwide concern about solvency, Lloyd's updated its comments on solvency. When some markets had shown some recovery in values by March 19, Lloyd's eligible assets had fallen, but only to $4.5 billion, which covers its Solvency Capital Requirements by 205 percent. This is partly because of Lloyd's investment rules, which allow only low exposure to equities.

E-Lloyd's is up and running

Accepting the rule that it must avoid nonessential contact, Lloyd's stress tested its Emergency Trading Protocols and ramped up its business continuity preparations in view of the contingency measures forced on it by the coronavirus epidemic. The protocols were developed following detailed discussion not just with members of the Lloyd's market but also with the Lloyd's Market Association (LMA), the London International Insurance Brokers' Association (LIIBA) and the International Underwriting Association (IUA).

Lloyd's said that on a typical day it sees a footfall of around 5,000 brokers and visitors to the underwriting room. However, the footfall was down to 200 by March 18. With most insurance firms working remotely, coupled with advice from the U.K. government, Lloyd's Executive Committee decided to temporarily close the underwriting room as of March 19. The famous Lutine Bell was rung once to mark closure, indicating bad news. The bell will be rung

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twice when the room reopens, indicating good news.

Lloyd's said the decision was taken with a heavy heart, and it is committed to reviewing the situation on a weekly basis. So far no changes have been necessary. The Lloyd's building remains open for tenants, although this may change in the future. The Executive Committee is confident that its emergency trading protocols will enable the market to continue trading during the underwriting room's closure.

The problem for Lloyd's is that there was confusion over whether risks have to be written in the room or if electronic placing is acceptable, so a market bulletin was circulated to clarify the situation. The bulletin says that contracts of insurance or reinsurance may be entered into (and amended or endorsed) electronically by Lloyd's syndicates (and their agents) using recognized electronic placing systems or via email. The protocol that various parties agreed to says that, in circumstances where it is not possible to access the underwriting room, underwriters and brokers can supplement face to face and electronic trading by trading elsewhere to ensure insurance and reinsurance can continue to be placed (or existing cover extended) and time critical aspects of claims handling and determination can be undertaken remotely using alternative mechanisms.

The process is working pretty much like normal except underwriters are working from home. Instead of a queue, the underwriter takes a phone call, but normal negotiation over terms continues.

It will be interesting to see whether or not electronic trading continues after lockdown is lifted. If so, the days of brokers dragging a slip around to 20 or so underwriters may largely disappear. Certainly the lockdown seems to be shifting digital underwriting forward.

There is a problem with the difficult and mega risks. While fairly simple risks can be conducted over the telephone, video conference or even email, the difficult risks take time and intense negotiation and discussion with underwriters.

Major risks often have two placing broking houses which makes life more difficult, and while at present, Lloyd's and the London market seem to be coping with lockdown, the thought of an end of year renewal season being handled this way is nightmarish. However hard you try, you can't replicate face-to-face trading exactly nor can you cross the office to discuss or ask a colleague for advice. The danger is a critical aspect of a risk could be missed because of the different way the market is operating now.

Lloyd's simplifies claims system

Not only are underwriters working from home, the claims teams that are vital to the market are also coping with the same problems. To make life easier for the claims teams Lloyd's has amended its claims scheme to allow the leading managing agent to handle a greater volume of claims. Currently, Lloyd's categorizes claims as either standard or complex. Property and energy standard claims are set at or below $650,000, and for all other classes, the limit for a standard claim is $325,000.

Standard claims require the lead man-

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Results are in for Q1 2020 and Q4 2019

Fourth quarter results are in, and personal insurance buyers saw prices go up an average of 4.5 percent in 2019, compared to 2018, according to Dallas-based MarketScout's Market Barometer. At the same time, Commercial insurance rates in the U.S. were up 5.0 percent in the fourth quarter.

"We must all keep in mind the barometer results include all types of personal lines insurance across the U.S. Massive placements for homes, autos and jewelry in the $300,000 to $800,000 value (range), which are in non-cat prone areas impact the rate. If we were to measure homes over $5,000,000 in brush exposed areas of California, the average rate increase would be over 35 percent," said Richard Kerr, CEO of MarketScout.

The hardening market has most severely impacted high net worth individuals because of their propensity to own properties in catastrophe prone areas, those on the water or in the mountains/brush. Membership organizations, such as the Council for Insuring Private Clients are coming up with creative solutions to help insureds mitigate the impact of rate increases.

According to the Market Barometer, rates for homeowners under $1 million in value were up 4.25 percent; rates for homeowners over $1 million in value were up 6.25 percent; rates for personal automobiles were up 4.5 percent, and rates for personal articles were up 3.5 percent.

Q4 2019 commercial rates

Rates for fourth quarter commercial insurance placements increased five percent, continuing the steady upward trend, which reflects insurers' plans to continue increasing prices across all lines of coverage with workers' compensation being the only exception.

"Auto rate increases have been up all year long," Kerr said, "however, D&O and professional rate increases have spiked significantly in the fourth quarter."

Kerr continued, "Insurers are utilizing the many catastrophe modeling tools to carefully analyze their property exposures. We expect many of the major property catastrophe insurers to curtail their 2020 writings in California brush and East and Gulf Coast wind areas.

"Naturally, this will result in higher rates to insureds."

Only the workers' compensation line was down in the fourth quarter of 2019, and the

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aging agent to be solely responsible for settlement. Complex claims require the prior agreement of the second lead managing agent before settlement can be agreed and processed. Lloyd's solution: allow the lead managing agent to reassign a complex claim as standard if the agent considers it appropriate and providing the claim is less than $1,300,000 for property and energy and $650,000 for all other classes. This will allow more claims to be processed by just one managing agent.

Coverholders get guidance

Lloyd's has produced special operational guidance for coverholders reminding them that local regulations and legal requirements must be adhered to and that many states have issued guidance on cancellation and non-renewal.

Lloyd's told underwriters not to automatically cancel consumer and SME policies solely for nonpayment of premium for up to 60 days. Lloyd's suggested that underwriters discuss the operation of nonpayment clauses with coverholders.

Renewing binding authorities is challenging at present. Lloyd's urged underwriters to resist the temptation to extend binders and, instead, renew them. If operational restrictions impede the ability to renew, then underwriters can extend the binder.

Lloyd's is concerned with the service continuity of service providers, particularly TPAs, and is assessing continuity through the LMA's Designated Authority Claims Group and COVID-19 Claims Steering Group. To help enable TPAs to focus on their resources and the ability to service customers, Lloyd's encourages managing agents to use the LMA's centralized delegated claims database, which can assist with operational, service resilience and claims performance questions and data.

The other major concerns relative to coverholders relates to audits. Lloyd's audit team came up with the guidance, which asks coverholders to follow the recommendations of each national government as well as their individual organization's internal procedures and to actively monitor the situation.

Where feasible, automatic cancellations of booked audits should be avoided; technology should be fully utilized, and remote reviews offered in place of traditional onsite visits. This includes allowing remote file reviews, remote access to document repositories and interviews conducted by telephone or video conferencing facilities.

Hancock defers departure

To provide senior leadership support, Jon Hancock, director of performance management at Lloyd's, has agreed to defer his leaving date from March 31 to May 31. Good lad that Jon!

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line was down by one percent.

The D&O line led the pack with an 8.25 percent increase. The commercial auto line was close behind with an 8.0 percent increase. They were followed by professional liability at 6.0 percent, umbrella/excess at 5.5 percent, commercial property at 5.25 percent, business interruption at 5.0 percent, general liability and EPLI at 4.25 percent, inland marine 4.0 percent, BOP and fiduciary at 3.5 percent, crime at 3.25 percent and surety at 2.0 percent.

Rates were up for every industry class, with transportation rates up 9.0 percent and habitational rates up 8.25 percent. Contracting rates were up 5.25 percent, and the service industry rates were up 5.0 percent. Public entity rates were up 4.25 percent, and the manufacturing industry's rates were up 3.5 percent. Rates for the energy sector were up 3.25 percent.

Q1 2020 commercial rates

With the impact of COVID-19 still looming, MarketScout announced April 13 that its market barometer shows that rate increases for business insurance buyers in the U.S. were up 4.5 percent in the first quarter of 2020 as compared to 5.0 percent in the last quarter of 2019.

Workers' compensation rates were down 1.25 percent, the only coverage with a rate reduction.

The MarketScout Barometer includes premium movement in all sizes of businesses, industries and coverages.

"Rates in the first quarter of 2020 were mostly stable," Kerr said. "The pricing impact of COVID-19 will be born out in the second, third and fourth quarter of 2020. Lower exposure base and the possibility of

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of the insured's claim, and according to Monson, a provision requiring a proof of loss is in nearly all policy forms. The proof of loss requirement appears in the "duties after loss" section of the policy, Monson told attendees. It requires that, upon request, an insured supply detailed information enabling the insurer to investigate and assess the loss.

A sworn statement in a proof of loss quickly gets to the heart of an insured's claim, Monson said. In addition, the sworn statement enables the insurer to obtain information directly from the insured. The sworn statement also enables the insurer to bind the insured and protect against fraud and compels the insured to commit to a number as a "cap" on a claim, Monson added.

Sworn statements are also a great tool to use before conducting an EUO or beginning an appraisal because it enables the insurer to extract information from an unwilling insured. Sworn statements are also good for committing an insured to a specific number when the insured may have claimed differing amounts and duration of the repairs. The sworn statement is fantastic for proving fraud the insurer may not have been aware of until after the claim is paid, Monson told the audience.

Most policies require that the insured return the proof of loss within 30 or 60 days after the request is made by the insurer. The timely return of the proof of loss is a condition precedent to recovery, Monson told attendees. In some jurisdictions, failure to comply is an absolute bar to recovery, he added. But, some courts are trending toward a more liberal approach that requires a showing of prejudice if the proof of loss is not returned, Monson explained.

Under the "Suit Against Us" section, there is a "no action clause" under which the insured is barred from bringing suit against the insurer unless all of the terms of this part of the policy have been met, and the suit is brought within two years after the date on which the loss occurred. In a standard Flood Insurance Policy, the failure to submit a proof of loss is an absolute bar to recovery.

An insurer can either accept, acknowledge, reject or return a proof of loss.

When a proof of loss is defective, the insurer should reject it and notify the insured, Monson said. The insurer should also provide the insured with a blank form. If a proof is rejected, the insurer should let the insured know the reasons, but shouldn't suggest a claim denial. The insurance company should make clear that the investigation is continuing.

According to Monson, most jurisdictions find that a fraudulent proof of loss bars recovery completely, but the fraud must be both material and intentional in order to gain a larger payment. Fraud may also void all coverage under the policy while some jurisdictions hold that recovery is prevented only regarding the part of the submission that is fraudulent.

Examinations under oath (EUO) were addressed by the United States Supreme Court 130 years ago in Claflin v. Commonwealth Insurance Company. Monson explained that the EUO enables an insurer to obtain both claim information and documents in the insured's possession.

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governmental intervention in coverage application will have a dramatic impact on the pricing for the rest of the year."

Q1 2020 personal lines

With the slowing economy poised to impact pricing for the balance of 2020, personal lines insurers in the U.S. enjoyed more favorable premiums in the first quarter, with rates up 3.5 percent, as compared to a 4.5 percent increase in the last quarter of 2019, according to MarketScout's market barometer.

Homeowners rates adjusted the most with homes under $1 million in coverage A value being assessed with a rate increase of 3.0 percent in the first quarter of 2020 as compared to 4.25 percent in the fourth quarter of 2019. For larger homes over $1 million in coverage A value, the increase was 4.25 percent, an increase two percent below the 6.25 percent increase for the fourth quarter of 2019.

"We do anticipate continued rate increases in the non-admitted market, particularly in California and Florida," Kerr said. "Many secondary and vacation homes are placed in the non-admitted market. The rates for these homes will be under even more pressure because of insurers' concern insureds may not be maintaining the property in the midst of the COVID-19 crisis."

The National Alliance for Insurance Education and Research conducted pricing surveys used in MarketScout's analysis of market conditions. These surveys help to further corroborate MarketScout's actual findings, mathematically driven by new and renewal placements across the United States.

In addition to Texas, MarketScout has offices in Arkansas, California, Florida, Illinois, Nebraska, Pennsylvania, South Carolina, Tennessee and Washington, D.C.

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The EUO allows for a fair and proper claim evaluation, helps an insurer determine its own policy obligation and enables an insurer to protect itself against fraudulent claims. Monson added that many claims are resolved after an EUO is held.

The request for an EUO is not usually met with open arms, Monson explained. Insureds can become defensive and confused. The insured should be educated as to the process of an EUO. To some, an EUO is considered a device to harass and delay, Monson said. Monson also added that few judges and plaintiff's lawyers are familiar with EUOs and view them as depositions or a mere technicality.

In the event of a loss, the policy language is such that the insurer may examine any insured under oath, while not in the presence of any of the other insureds and at such times as may be reasonably required, about any matter relating to the insurance or the claim, including the insured's books or records. In the event of an examination, an insured's answers must be signed.

The obligation to attend an EUO is contractual and does not arise out of the rules of civil procedure, Monson pointed out. The insured's counsel can be present, but cannot object or instruct an insured not to answer, and the failure to answer all questions may form the basis for denial of a claim. EUOs are taken before litigation as part of an insurer's investigation. The insured has a duty to volunteer information at an EUO, he said. In addition, the insurer has the right to examine insureds out of the presence of each other.

The most common reason for EUOs is suspected fraud, Monson said.

An EUO is also helpful when an insured does not respond to written or oral requests for information, Monson added. EUOs are sometimes the most efficient way to determine the particulars of a claim. In addition, EUOs are a great way to get around a meddling public adjuster or attorney, Monson said.

Some of the areas that can be covered by EUOs are: contested issues, ambiguities, information gaps, losses missing supporting documentation, inconsistencies, fraud, claim exaggeration, insurable interest, background of insured, financial condition, and location at time of loss.

The demand for an EUO must be in writing and sent via certified mail and standard U.S. mail. EUOs should be scheduled unilaterally, according to Monson, but insurers should let the insured know that it can be rescheduled at a convenient time and place. If a time and place are not set, the insured will not be found to have breached a condition of the policy.

The insurer is exercising its right under the policy to conduct the examination, Monson said. The notification for an EUO should include a quote of the policy language requiring the insured's compliance; the date, time, and location of the EUO; a request for records, and the time and place for document production.

Monson told attendees that EUOs often do not proceed as planned because of no shows, lack of knowledge by the insured, or a lack of documents. Again, the insurer should tell the insured that the requirement to sit for an EUO is a condition precedent to coverage, Monson said. Monson reiterated, that some jurisdictions indicate that failure to sit for an EUO is grounds for dismissing a lawsuit while other jurisdictions require a finding of prejudice to the insurer.

In most first party property claims, the fundamental issue is the amount of loss, and most property policies contain an appraisal clause that provides an efficient and cost-effective means of resolving this core dispute. The appraisal clause is great for getting lawyers out of the room and letting the professionals cut to the chase, Monson said.

The language of the appraisal clause states that if the insured and the insurer fail to agree on the amount of the loss, either may demand an appraisal of the loss.

If an appraisal is demanded, each party will choose a competent and impartial appraiser within 20 days after receiving a written request from the other. The two appraisers will choose an umpire. If the appraisers cannot agree upon an umpire within 15 days, the insured and the insurer may request that the choice be made by a judge of a court of record in the state where the "residence premises" is located.

The appraisers will separately set the amount of loss. If the appraisers submit a written report of an agreement, the amount

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NCCI plans to submit filings to address the impact of COVID-19

The National Council of Compensation Insurance has said it will submit filings to all NCCI states to address the impact of COVID-19 on workers' compensation premiums considering stay-at-home orders which have resulted in some businesses being shuttered, employees being furloughed and a significant portion of the workforce working at home.

NCCI's proposed rule change will create a new statistical code for reporting the payroll of employees who are being paid while not working. Once in effect, the payroll of non-working employees will be excluded from their employers' workers' compensation premium.

NCCI said in a Q and A document that, if approved, the rule change would be distinct from idle time in the current Basic Manual rules, and a corresponding statistical code 0012 will be created to report this payroll. This payroll will not be reported as premium, NCCI said.

NCCI is placing an emphasis on "creating as uniform an approach as possible" for approval by regulators.

The answer to the question of whether or not COVID-19 is compensable under state workers' compensation acts, NCCI says, is "maybe." While many workers' compensation laws provide compensation for occupational diseases that arise out of and in the course of employment, many state statutes exclude ordinary diseases of life, for instance the common flu. There are occupational groups that arguably would have a higher probability for exposure, such as healthcare workers, NCCI said. However, even in those cases, there may be uncertainty as to whether the disease is compensable.

Currently, some states have pending legislation that would expand the coverage for certain workers, according to NCCI.

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agreed upon will be the amount of the loss. If the appraisers fail to agree, the appraisers will submit their differences to the umpire. A decision agreed to by any two of the three will set the amount of the loss.

Each party will pay its own appraiser and bear the other expenses of the appraisal and the umpire equally.

There must be an actual dispute as to the amount of loss. A demand for appraisal without proof of differing amount is not sufficient to establish a dispute, Monson said. The insurer needs to make sure to formally deny appraisal demand and request proof of the dispute, Monson added.

The argument made against the appraisal clause is that it is an attempt at binding arbitration. Those opposed argue that the appraisal clause is not valid because it conflicts with the Federal Arbitration Act, Monson said. There are significant differences between the appraisal process and arbitration. Arbitration is a quasi-judicial proceeding with formal hearings and witnesses, while appraisal is an informal process that does not involve the procedural requirements of a court proceeding.

In Louisiana, appraisers are required to be registered. Also, by statute the original public adjuster cannot be the appraiser and the insured's appraiser should also be a licensed public adjuster. The original claims adjuster, however can serve as the insurer's appraiser. The mere fact that someone has previously computed the losses as an adjuster does not disqualify them from service as an appraiser, they simply must be "disinterested, unprejudiced, honest and competent," Monson said.

In some states, such as Florida, the appraisal process will take jurisdiction away from the courts until the process is complete. In other states, such as Louisiana, a lawsuit can be filed, but the lawsuit can be stayed until completion of the appraisal process. Appraisal awards will be enforced unless there is evidence of fraud, mistake, duress, or other impeaching circumstances in either the appraisal process or its award, Monson said.

The mistake most often made in the appraisal process is the appraisers trying to agree on the amount of loss and then choosing the umpire if no agreement is reached. The appraisers should agree on an umpire before starting the appraisal. It is often difficult to agree with an opposing appraiser on the choice of umpire once the appraisal process has started, Monson said.

Impartiality is paramount in an umpire, Monson said. Appraisers should consider the use of mediators as an umpire. Insurers should not agree on public adjusters or contractors as umpires, Monson advised. "They are usually biased," he said.

The appraisers are supposed to submit only their differences to umpires, and appraisers should submit all supporting information, photographs, expert reports and prior loss information. The appraisers should go out to the loss location with the umpire.

Insurance companies should always use all of the tools available to them when investigating a possible fraudulent property loss claim, Monson concluded.

Donelon issues emergency rules precipitated by COVID-19

During March, Commissioner of Insurance Jim Donelon issued eight Emergency Rules precipitated by the COVID-19 pandemic and the statewide emergency that Gov. John Bel Edwards declared to exist, as well as circumstances created by the stay-at-home order the governor issued.

Emergency Rule 36, issued on March 18, provides guidance to health insurers.

Under the rule, insurers must:

- Waive cost-sharing for COVID-19 testing when ordered in accordance with CDC guidelines, and insurers are prohibited from requiring prior authorization for this testing;
- Permit early refills, except for drugs in certain drug classes such as opioids, when consistent with doctor/pharmacist approvals;
- Prohibit the use of step therapy;
- Enhance access to mail order pharmaceutical.

Emergency Rule 37, issued on March 23, addressed telemedicine and network adequacy.

In summary Emergency Rule 37:

- Expands access to telemedicine services so Louisiana residents can continue receiving necessary care without a visit to a hospital or clinic, including permitting telemedicine visits conducted through the patient's phone or personal device;
- Requires insurers to cover mental health services via telemedicine to the extent that they would be covered in person;
- Broadens telehealth availability by waiving restrictions requiring patients to only conduct telemedicine visits with providers in the insurer's telemedicine network, and
- Requires insurers to evaluate their out-of-network cost sharing to ensure patients are not unreasonably charged extra cost sharing amounts.

Emergency Rule 38, issued March 26, provides temporary licensing for insurance producers.

"I have issued Emergency Rule 38 to address the interruption of domestic insurance producers' ability to sit for licensing exams or submit fingerprints due to the stay-at-home order currently in place throughout Louisiana," Donelon said.

In summary Rule 38:

- Provides Louisiana residents making application for a producer license, for lines of insurance with a pre-licensing requirement, an opportunity to get a temporary license;
- Applicants must have completed a Louisiana approved pre-licensing course no more than 12 months in advance of application;
- Requires the submission of a producer license application using the National Insurance Producer Registry (NIPR) at www.nipr.com.
- Prohibits applicants for temporary licenses from having a previous felony conviction.

Emergency Rule 39, issued March 27, provides a procedure under which commercial insureds can make a demand of their admitted insurers to allow for a mid-term self-audit in order to document if there has been a change in exposure basis to appropriately and immediately adjust their premium in accordance with the new risk.

In summary, Emergency Rule 39:

- Provides a Louisiana commercial insured with the right to demand that their admitted insurer consent to the insured conducting a mid-term self-audit of the insurance policy;
- Allows any admitted insurer that is required to consent to their insured conducting a mid-term self-audit the opportunity to conduct its own physical audit of an applicable insurance policy at any time during the policy term or at the end of the policy term as provided in the policy terms and conditions;
- If the mid-term self-audit establishes that the premium charged at the initiation of the policy is now in excess of what the premium would be based on the current rating variables, the rule requires the admitted insurer to adjust the premium immediately, but in no event less than 10 days from the completion and submission of the mid-term self-audit, and to refund any overpayment to the insured.

Emergency Rule 40, issued March 27, places a moratorium on policy cancellation and non-renewals.

In summary, Emergency Rule 40:

- Suspends cancellation, non-renewal and non-reinstatement by insurers, or premium finance companies acting on behalf of insurers retroactively to the start of this emergency period. Additionally, this rule clarifies that no policy can by canceled or non-renewed because of a claim that is filed during this emergency;
- Policies may continue to be canceled for fraud and material misrepresentation or upon written request by the consumer;
- Insureds remain obligated to pay all premiums. Any property and casualty claim during this period is subject to a premium offset prior to payment.

Emergency Rule 41, issued March 31, relates to patient transfers.

"Louisiana's hospitals are on the front line of the fight against the COVID-19, and this order requires insurers to cover post-transfer stays in step-down facilities," Donelon said. "These existing private healthcare facilities are being prepared to receive patients from acute care hospitals and increase the availability of beds for COVID-19 patients."

This rule insures that these transfers can occur smoothly and without disrupting facility reimbursements. Patients will pay the same cost-sharing amount in the step-down facility that they would have paid had they remained in the acute care hospital.

Emergency Rule 42, issued April 4, provided extensions for premium tax reporting, but the rule was rescinded the same day it was issued.

Emergency Rule 43 provides for temporary licensing of adjusters similar to temporary licensing of producers.

Under Emergency Rule 43 an applicant must not have been convicted of a felony and shall not be licensed as a public adjuster.

Any temporary license issued pursuant to Emergency Rule 43 may be converted into a permanent license by fulfilling all of the prerequisites for a license, and no additional fee shall be required in association with issuing the permanent license if the requirements are met before the expiration of the temporary license.

All temporary licenses issued under an emergency rule shall expire on May 15 unless the term is extended by the commissioner.

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and six Republicans and did not include any members of the Louisiana delegation.

The letter argues that the economic impact of shelter-in-place orders from civil authorities is significant and should be covered by existing policies that offer "coverage for business income losses sustained when a civil authority prohibits or impairs access to the policyholder's premises." Business interruption coverage is also generally triggered by direct physical loss of or damage to the insured property.

Actual policy language may differ from policy to policy, and courts are expected to look at the actual policy as well as the particular factual circumstances when a claim is disputed through litigation.

On behalf of insurer and agent associations, presidents and CEOs of the four trade groups responded to the 18 members of the U.S. Congress almost immediately. The letter from APCIA, NAMIC, IIABA and CIAB is dated March 18.

"Standard commercial insurance policies offer coverage and protection against a wide range of risks and threats and are vetted and approved by state regulators. Business interruption policies do not, and were not designed to, provide coverage against communicable diseases such as COVID-19," they wrote.

"The U.S. insurance industry remains committed to our consumers and will ensure that prompt payments are made in instances where coverage exists," they added.

On March 25, the National Association of Insurance Commissioners (NAIC) issued a statement cautioning Congress against proposals that "would require insurers to retroactively pay unfunded COVID-19 business interruption claims that insurance policies do not currently cover." The NAIC statement which is not signed by an officer, member or staff of the organization, goes on to state: "Insurance works well and remains affordable when a relatively small number of claims are spread across a broader group, and therefore it is not typically well suited for a global pandemic where virtually every policyholder suffers significant losses at the same time for an extended period." The NAIC statement warns against substantial insurer insolvencies that would undermine insurers' ability to pay other types of claims, which would "exacerbate the negative financial and economic impacts the country is currently experiencing."

The National Council of Insurance Legislators responded to the 18 members of Congress similarly. NCOIL's letter, signed by NCOIL President Rep. Matt Lehman, R-Indiana, and NCOIL CEO Tom Considine, reminded the federal lawmakers that state lawmakers are prohibited by the U.S. Constitution from "impairing the obligation of contracts," (Article I, Section 10). The NCOIL letter said that the majority of insurance contracts covering business interruption have specifically excluded losses due to interruptions caused by communicable diseases. The association of state lawmakers appealed to the Hon. Nydia M. Velazquez, D-New York, chairwoman of the House Committee on Small Business, and her colleagues who signed the March 18 letter to craft a federal compensation solution for businesses' unprecedented costs similar to the Victims Compensation Fund after 9/11/2001 or a Pandemic Risk Insurance Act that would parallel provisions of the federal Terrorism Risk Insurance Act.

APCIA President and CEO David A. Sampson, released a public statement on March 26 warning against "retroactively rewriting existing insurance policies to add new risks to the promises that were made to insurance customers. These types of proposals could have dramatic repercussions for families, individuals, motorists and businesses, potentially compromising the financial ability of insurers to meet their existing promises.

"Any action to fundamentally alter business interruption provisions specifically, or property insurance generally, to retroactively mandate insurance coverage for viruses by voiding those exclusions, would immediately subject insurers to claim payment liability that threatens solvency," Sampson continued.

Sampson said that APCIA estimated the insurance industry could face costs of $220 billion to $383 billion per month for small businesses with fewer than 100 employees if coverage is mandated. Sampson was responding to the news that legislators in Massachusetts, Ohio and New Jersey have filed bills mandating business interruption coverage for small businesses.

On April 6, Sampson amended APCIA's earlier estimate and said, "Any action to fundamentally alter business interruption provisions specifically, or property insurance generally, to retroactively mandate insurance coverage for viruses by voiding those exclusions, would immediately subject insurers to claim payment liability that threatens solvency and the ability to make good on the actual promises made in existing insurance policies.

"APCIA now estimates that closure

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losses just for the small businesses with 100 or fewer employees has increased to $255 billion to $431 billion per month. These numbers dwarf the annual premiums for all commercial property risks in the key insurance lines of $71 billion per year, or about $6 billion a month.

"Continuity losses for small businesses are approximately 43 to 72 times the monthly commercial property insurance premiums, which includes coverage for losses as a result of such perils as fire, wind, hail, and water leaks.

"The total surplus for all of the U.S. home, auto, and business insurers combined to pay all future losses is roughly only $800 billion, with the combined capital of the top business insurance underwriters representing only a fraction of that amount."

On March 31, APCIA released a statement in support of the proposed COVID-19 Business and Employee Continuity and Recovery Fund as a tool to address the economic challenges brought on by the shutdown of the economy. Joining the national insurer group in support of this proposed federal relief were NAMIC, CIAB, IIABA, as well as at least 30 associations of booksellers, hotels, commercial investors, realtors, shopping centers, gasoline marketers, theater owners, foodservice distributors, reinsurers, insurance wholesalers and others who have been impacted by the idled economy.

The Wholesale and Specialty Insurance Association issued a statement on April 1 in strong opposition to legislative proposals "that would require insurers to pay for coverage that was never sold." WSIA said it is actively opposing bills filed in Louisiana, Massachusetts, New Jersey, New York, Ohio and Pennsylvania that would do just that.

Nonetheless, on April 14, South Carolina became the seventh state considering legislation to mandate that business interruption insurance cover losses from COVID-19 shutdowns, even if the policy has an exclusion for viruses.

In Louisiana during March an issue surfaced with insurers asking or requiring their agents to deny on behalf of the carrier that there is coverage for business interruption.

The upshot was that IIABL and the Big I recommended that agencies not make a coverage determination on behalf of any insurance carrier or deny any claims. Key reasons the associations provided include: The agency is not a party to the insurance contract. It is the insurance carriers' duty to investigate claims. Loss determination and claim denials can be made by licensed adjusters, but not by licensed agents. Unfair claims practices statutes require that claim denials be in writing specifying reasons for the denial.

Alternatively, the Big I suggested that agents require the insurer put any blanket denial in writing on company letterhead and state specific reasons for the denial. The letter must be signed by a representative of the carrier. If it isn't, Big I said, submit all claims.

President Donald Trump at his April 10 news conference weighed in on business interruption insurance, saying he knows how to read an insurance policy and many don't mention the word pandemic. In those cases, he opined, the insurance companies should pay. Businesses have paid for business interruption coverage for years, he said, and when they need it the insurance companies don't want to pay. Now, there are some policies that specifically exclude pandemics. That's different, he said. In that case COVID-19 is not covered as a business interruption.

Attorneys examine legal argument

While the public policy debate continues, insurance defense attorneys are examining the legal arguments that may help insurers defend denials of business interruption claims. Kristin Cummings and Shannon O'Malley, partners in Zelle law firm, cohosted a webinar to discuss the legal and insurance coverage issues surrounding business interruption claims. More than 1,150 claims professionals, attorneys and insurance executives tuned in for their March 27 presentation.

O'Malley's comments, she said, were not to be taken as legal advice, but rather information based on her experience analyzing complex and novel property insurance coverage issues that would be consistent with most, but not all, property policies in the market.

Generally, O'Malley said, an insured must suspend operations completely before business interruption coverage is triggered. Restaurants that continue to do "to-go" or-

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ders have not actually suspended their operations. Some policies could be triggered by a partial suspension, she added.

Typically, coverage only lasts during the "period of restoration," O'Malley said. Currently, there is no firm science on how long the virus lasts on surfaces, she said. "Contamination decreases over time," she said, adding that COVID-19 contamination can be effectively eliminated with soap and water. "Creative plaintiff attorneys," she predicted, will cite case law arising from incidents and court decisions on contamination.

Business interruption policies are generally tied to physical damage of the property, O'Malley said. "The policy language is key," she said. Most policies require a causal connection between the insured physical loss or damage and the loss of income, she said. "Courts recognize that 'physical' has significant meaning," she said, but the definition of "physical" varies by jurisdiction, noting that there are differences between New York and California.

Some courts will look for a tangible change, others will require a demonstrable alteration. Regardless, O'Malley said, insureds will have a high threshold to meet to assert that COVID-19 caused physical damage to their property. The media is citing a New Jersey case that arose from the release of ammonia, making a business unfit for occupancy. O'Malley said this case is distinguishable from coronavirus cases because there was a distinct perceptible presence of the ammonia. Suspected presence is not the same, she said. "'Is the virus present?' is significant here," she said. "Physical loss is more than loss of use."

Cummings acknowledged that most lost business income may result from shelter-in-place orders, but raised the question of property damage when there is a known presence of a person having the virus. O'Malley reiterated her position: The virus can cause damage differs from the virus did cause damage.

Some policies have endorsements specifically excluding pollution, said O'Malley, who believes that the virus would be included within the meaning of pollution. In that case, there would be no coverage. O'Malley said that insureds' attorneys may point to this exclusion endorsement as proof that the virus causes damage or the insurers would not have crafted the endorsement.

Even where a policyholder purchased an endorsement for civil authority coverage, the claim may be legitimately denied in the current situation. This endorsement does not generally require physical damage to the insured's property. However, the coverage is generally contingent on an order that impairs access to the insured's property, not based on fear of contagion, she said.

O'Malley advised insurers on handling the claims that would be coming in en masse, as "tons have already come in."

"Set out a (claims response) procedure," she said. Texas law requires insurers to investigate each claim, so do not deny it immediately, she said. On-site inspections will not be made immediately due to shelter-in-place orders.

Generally, O'Malley said there is not a lot of information in the insured's notice of a claim. Respond by asking for specific information, she advised. Use the policy's language to determine what questions to ask: Are you claiming a physical loss? Has the location been tested for the presence of the virus? Has operation of the business been suspended?

"Review the information you receive," O'Malley said, "and ask for any follow-up information or clarification. Provide your coverage position based on investigation."

O'Malley also recommended consistency in investigation and coverage positions. "You don't want to pay a small claim if it will be inconsistent with the larger ones."

Some claims are covered under the property policy during this period of business suspension, O'Malley said. She offered the example of someone breaking into a closed business. Vandalism and theft are likely covered, O'Malley suggested.

For additional information on COVID-19 coverages and claims, visit the Zelle website for whitepapers on commercial property coverage and contingent business interruption. The law firm hosted several related webinars on CBI, CGL, EPLI, time element management of losses and event cancellation in April. Zelle said it will repeat the webinars later this spring if registrations for the sessions exceed their platform's capacity. Zelle's webinars are free but do not offer continuing education credits.

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