



Alerts

NYDFS Instructs Insurers to Provide Explanations of Coverage for COVID-19 Losses

March 13, 2020

Insights for Insurers

In light of anticipated losses arising from the outbreak of COVID-19, the coronavirus, New York State's Department of Financial Services (NYDFS) has [instructed property/casualty insurers](#) to prepare explanations for their policyholders concerning "commercial property insurance" written in New York that might be implicated by coronavirus-related losses. NYDFS considers commercial property insurance to include business owners, commercial multiple peril, and specialized multiple peril policies, along with substantially similar insurance.

Insurers are required to provide each policyholder a detailed explanation for each policy type, including business interruption, contingent business interruption, civil authority, and supply chain coverage, and explain whether those coverages are implicated by a contamination-related pandemic. Insurers are specifically required to explain what types of damage or loss constitutes "physical loss or damage" under various policy forms and to describe the workings of applicable waiting periods. The explanation should be clear and concise, suitable for policyholder review, and provided to NYDFS by March 18, 2020.

NYDFS acknowledges that the coverages implicated by COVID-19 may change as the situation evolves, but noted that it considers insurers' "obligations to policyholders a heightened priority." NYDFS also stated that it is important for insurers "to continue to assist policyholders with the [required] information as developments concerning COVID-19 unfold."

Insurers are urged to carefully consider their analyses and explanations of coverage issues in light of the exact policy wordings at issue—as well as the relevant facts and applicable law—and to be mindful of potential long-term ramifications.

Hinshaw is well-positioned to assist insurers in their review of the NYDFS's instructions and the preparation of these important coverage explanations. Please contact the authors for assistance.

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