



Quincy Mutual Group  
57 Washington St  
Quincy, MA 02169

March 12, 2020

#### EXPLANATION OF YOUR POLICY IN RELATION TO COVID-19

Dear Policyholder,

We have been directed by the New York Department of Financial Services to provide an overview of potential insurance coverage issues in connection with the current COVID-19 pandemic. This correspondence should not be considered a specific coverage determination. Every insurance policy may have particularized provisions that are not applicable to all policies and the details of any particular claim you might bring may have unique circumstances. Thus this letter is merely a general overview.

Your policy type is a Business Owners policy, also known as a "BOP". This type of policy has two general types of protection. There is "first party coverage" which protects your property and business from certain losses. There is also "third party coverage" which provides you with insurance in case you are sued because someone brings a claim against you for personal injury or property damage. This letter only deals with potential issues involving first party coverage.

Your policy has a Declarations Page. This sets forth the policy forms and endorsements which make out your policy. You should check to see if your policy contains Form BP 06 04 03 08. If it does that will be the end of any inquiry. This form is entitled EXCLUSION OF LOSS DUE TO VIRUS OR BACTERIA. It provides:

A. The exclusion set forth in Paragraph B. applies to all coverage under Section I- Property in all forms and endorsements that comprise this Businessowners Policy, except as provided in Paragraph C. This includes but is not limited to forms or endorsements that cover property damage to buildings or personal property and forms or endorsements that cover business income, extra expense or action of civil authority.

B. We will not pay for loss or damage caused by or resulting from any virus, bacterium or other microorganism that induces or is capable of inducing physical distress, illness or disease.

C. However, the exclusion in Paragraph B. does not apply to the following:



1. Loss or damage caused by or resulting from fungus. Such loss or damage is addressed in a separate exclusion in this Businessowners Policy; or
  2. Coverage otherwise provided under Food Contamination Endorsement BP 04 31 (if that endorsement is attached to this Businessowners Policy); or
  3. Coverage otherwise provided under the Food Contamination Additional Coverage in New York – Restaurants Endorsement BP 07 82 (if that endorsement is attached to this Businessowners Policy).
- D. The terms of the exclusion in Paragraph B, or the inapplicability of this exclusion to a particular loss, do not serve to create coverage for any loss that would otherwise be excluded under this Businessowners Policy.

Even if your policy does not contain this Virus Exclusion Endorsement, it is highly unlikely that the policy would cover claims arising out of COVID-19. The policy contains some basic coverages. These are the property itself, business property (such as business equipment), and loss of business income. In order for there to be coverage, there must be “direct physical loss of or damage to Covered Property”. The existence of the virus does not cause direct physical loss or damage to covered property.

A Covered Cause of Loss is a risk of direct physical loss.

The Business Income provision provides:

- (a) We will pay for the actual loss of Business Income you sustain due to necessary suspension of your “operations” during the “period of restoration”. The suspension must be caused by direct physical loss of or damage to property at the described premises. The loss or damage must be caused by or result from a Covered Cause of Loss.

There is Extra Expense Coverage which are extra expenses incurred during the period of restoration after a business has suffered a direct loss such as a fire or a covered water loss. Again there must be direct physical loss and the loss must be due to a Covered Cause of Loss. The virus would not qualify.

There is Civil Authority coverage. This provision provides:

We will pay for the actual loss of Business Income you sustain and necessary Extra Expense caused by action of civil authority that prohibits access to the described premises due to direct physical loss of or damage to property, other than at the described premises, caused by or resulting from any Covered Cause of Loss.

The coverage for Business Income will begin 72 hours after the time of that action and will apply for a period of up to three consecutive weeks after coverage begins.

Once again, in order for there to be coverage under the policy, there needs to be a direct physical loss to property somewhere which triggers the Civil Authority to close access to your property. Any access closed due to the virus is not due to a direct physical loss.



There may be specific circumstances which would create an exception to the general proposition that there will no coverage under the policy as a result of the COVID-19 pandemic. Should you have any questions or comments, please do not hesitate to contact us or your insurance broker.

This correspondence is meant to be informational only pursuant to the New York Department of Finance directive. This correspondence is not meant to be a waiver of any of the rights of Quincy Mutual pursuant to the policy terms and provisions. To the contrary, all such rights are expressly preserved.

Quincy Mutual Group