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March 2020

CURRENT SCOPE OF COVID-19 IN THE INSURANCE MARKET

Coverage

From a commercial perspective, the main challenge for insurance companies and insureds has been to determine whether events such as pandemics, epidemics, economic losses due to quarantines, etc. in connection with Covid-19 are covered or not by their insurance policies.

For such an analysis, they shall first review whether the relevant insurance policy is an all-risk policy - seguro a todo riesgo - (covers risks not expressly excluded in the policy) or a named risk policy - seguro de riesgos nominados - (covers only risks expressly included or singled out as covered in the policy).

Some of the policies that might be affected and that are available in the Chilean market are for example: (i) life insurance, complementary health insurance, catastrophic insurance, travel insurance, temporary disability insurance, among others, which as a general rule include exclusions of coverage in connection with epidemics or pandemics; (ii) business interruption coverage which generally requires the existence of material or physical damage to the insured property; (iii) personal accident insurance, employers' liability insurance, among others, which generally subject their coverage to a physical accident, so the possibilities of coverage are low; etc. The above will, however, require an analysis of the particular conditions – condiciones particulares - of each policy, in which the terms and conditions may be improved for the insured.

CFM: Validity of exclusions.

On March 11, 2020, the Commission for the Financial Market ("CFM") confirmed in a news release that current regulations allow insurance companies to include pandemic and epidemics exclusions of coverage in insurance policies. The CFM also stated that the above must be clearly informed by the company at the time of commercializing the insurance so that the insured party is fully aware

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of the conditions that limits its coverage

(see cmfchile.cl).

Congress: Bill that cancel exclusions.

Insurance companies are monitoring the bill currently under discussion in the Senate (Bill No. 13295-11), which seeks to consider exclusions of pandemic, epidemics or outbreak as unwritten in health insurance, reinsurance, complementary insurance or other types of insurance or medical assistance policies, whatever their name and regulation, in the event of a health alert declared by the authority, while such a measure is in force.

Insurance companies: Operational continuity / BCP.

From an operational perspective, insurance companies have had to implement their business continuity plans (required by General Rule No. 325 and other CFM regulations) and have also had to evaluate possible financial impacts as a result of the claims caused by Covid-19.

On March 18, 2020, the CFM instructed the entities subject to its supervision, including insurance companies, to deploy the necessary business continuity measures to ensure operational continuity and adequate customer and policyholder service, emphasizing the need to strengthen their communication channels through web platforms and mobile phone applications, among others. (see cmfchile.cl).

Reinsurance agreements.

From a technical perspective, insurance companies are analyzing their current reinsurance slips in order to determine whether they are sufficiently reinsured in cases where there is insurance coverage for events associated with Covid-19.

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