

# INTERMEDIARY COMMUNICATION – COVID-19 POLICY COVERAGE



Dear Intermediary

## CLAIMS ARISING FROM COVID-19

Even as our Government continues to lead Africa and many countries in the world in the fight against COVID-19, the impact of the virus continues to be devastating. In this previously unimaginable environment, the medical and social challenges are great and the difficulties facing every business unprecedented.

All our clients are impacted and as many reach out to claim against their insurance policies, it is important to understand what cover is applicable in current circumstances, how the quantum of such claims will be determined, and how to submit a claim or make an enquiry in respect of a claim.

Whilst H&L has a variety of insurance wordings in the market, cover is only possible if the policy includes either Cancellation of Bookings (COB) cover or Contingent Business Interruption (CBI) cover. As previously communicated, standard Business Interruption (BI) cover requires interruption due to material damage and is not applicable in the instance of disruption caused by a contagious or infectious disease.

## CANCELLATION OF BOOKING COVER (COB)

For those policyholders who have this cover, if a prospective guest, or a person with whom the guest has arranged to travel, has paid a deposit for a booking and that deposit is returned to the guest because he/she is unable to travel **due to compulsory quarantine**, the value of the deposit, up to the policy limit, is covered for the period stated on the schedule.

Under the Disaster Management Act Regulations of 25 March 2020, the term “quarantine” is defined as follows:

“quarantine” means the restriction of activities or separation of a person, who was exposed, or potentially exposed, to COVID-19 and could be a possible source of the spread of the disease, from other non-exposed persons, in such a manner so as to prevent the possible spread of infection or contamination to healthy individuals;

The concept of “quarantine” has a meaning (consistent with its ordinary meaning) within the regulations governing the national lockdown. The restriction of movement required by the national lockdown does not itself constitute quarantine.

In accordance with the above wordings and the definition of quarantine, cover is therefore provided if a guest, or a person with whom the guest has arranged to travel, is unable to fulfil his/her booking as a result of the specific guest's compulsory quarantine. This would include all persons diagnosed with COVID-19 or persons required to self-isolate due to being in confirmed contact with a COVID-19-infected person.

## CONTINGENT BUSINESS INTERRUPTION COVER (CBI)

This extension includes cover for business interruption **as a result** of a notifiable contagious or infectious disease occurring within a defined radius of the insured's premises.

The defined radius stated in the wording or on the schedule may vary, but typically does not exceed 50 kilometres for Bed and breakfast policies and 40 kilometres for all other policies. It must be noted the scope of cover is intentionally restricted and it was never the intention of the extension to provide cover for a pandemic event affecting the whole of South Africa.

In terms of the definition, **the insured peril is the occurrence of a contagious or infectious disease within the relevant radius of the insured's premises**, and it is that which must cause business interruption.

In respect of a claim, the indemnity period commences at the point that the business is interrupted as a result of the contagious disease or infection.

In all instances, the onus is on the policyholder to evidence that his/her business has been interrupted in accordance with the conditions of the policy. In this regard, it must be noted that the indemnifiable event is the occurrence of a disease within the radial restrictions of the policy and **not the national lockdown**.

## QUANTUM OF DAMAGE

Some policies contain a clause that determines the mechanism for the quantification of damage caused by interruption of business, often referred to as the “trends” clause.

This clause determines that “Annual Turnover, Rate of Gross Profit, etc. shall be adjusted as necessary to **provide for the trend of the business** and for variations or other circumstances affecting the business **either before or after the Damage** or which **would have affected the business had the Damage not occurred**, so that the figures thus adjusted shall represent as nearly as may be reasonably practicable the results which, but for the Damage, would have been obtained during the relative period after the Damage.”

We recognise that the intentionally restricted nature and wording of the CBI cover offered by H&L will not cover many of the losses incurred by our clients in current circumstances. For those whose claims fall within the cover of the policy as stated, we commit to working diligently to ensure effective resolution of claims as quickly as possible. For all our clients, we stand together with you as a business that has also been affected by the pandemic, with the hope that we can return our businesses to success as soon as possible.

## CLAIMS PROCESS

In order to formulate a valid claim, the policyholder must:

1. Identify the presence, at the relevant time, of COVID-19 within the radius stated in their policy
2. Provide proof that the interruption of their business was due to the presence of that COVID-19 manifestation itself and not some other cause
3. Quantify the damage caused by the presence of the disease itself, distinct from the impact of the lockdown or other circumstances

All COVID-19 related claims will be centralised within H&L’s claims team and all claims registered through normal H&L channels will be directed to this team. To ensure effective recording and response to any queries you may have in respect of such claims, please direct them in writing to [covidclaims@handl.co.za](mailto:covidclaims@handl.co.za).

To provide as much clarity as possible on the cover provided by H&L’s COB and CBI cover, please refer to the attached FAQ.

May you and your families remain safe in this very trying time.

Regards

**Juan Coetzee**  
Head of Division – Hospitality & Leisure