



NAIC INSURANCE BRIEF

COVID-19 AND INSURANCE

Like other sectors of our economy, the insurance sector has been impacted by the COVID-19 pandemic of 2020, commonly known as Coronavirus. Regulators are engaged in heightened monitoring of the insurance industry to assess the impact of COVID-19 on various types of insurance, individual companies, and the sector as a whole. The U.S. insurance sector remains strong and has a unique role to play in providing protection to consumers and businesses impacted by the pandemic. Several types of insurance have provisions and exclusions that may be triggered as a result of COVID-19 and below is a list of the most common types. As with all insurance policies, consumers should review their policy documents, contact their insurance agent or broker for assistance, and connect with their state department of insurance if they have questions.

HEALTH INSURANCE

There are various types of health insurance policies and the type of policy you have will determine what testing and treatment associated with COVID-19 will be covered and the out-of-pocket cost to you.

Individual health insurance is coverage you purchase on your own, on an individual or family basis, as opposed to obtaining it through an employer. Small-group health insurance is provided by an employer and geared toward businesses with 50 or fewer full-time equivalent employees. If you have an individual or small group health insurance policy, testing and treatment for COVID-19 is covered. However, there may be some out-of-pocket costs, or “cost sharing” associated with testing or treatment. States and insurance carriers have been working together to eliminate this cost-sharing for testing. You should check with your insurer and provider to determine what is covered and what, if any, cost-sharing will be associated with any testing or treatment.

Large-group health insurance is offered by businesses that have more than 50 full-time equivalent employees. If you have large group coverage, you may be covered for COVID-19 testing and treatment, but you should check with your employer and insurer to see what is covered and what your cost will be.

If you have Medicaid or Medicare you are covered for COVID-19 testing and treatment and, in most instances, there will be little or no cost to you. Check with your insurer, Medicare or your state Medicaid office to learn more about your coverage.

Lastly, excepted benefit policies, short-term, limited-duration health insurance coverage, and/or health care sharing ministries can have significant limitations on coverage and may not provide the same level of coverage. If you have a question about one of these types of insurance policies, we encourage you to contact your insurer.

TRAVEL INSURANCE

A standard travel insurance policy covers things such as trip cancellation, travel medical and major medical, emergency medical evacuation, and accidental death and dismemberment. The “cancellation and interruption” coverage typically covers trip cancellation if you or a family member are prevented from taking your trip for a reason covered by your policy. You will usually receive reimbursement if your trip is canceled for unexpected illness or injury or if a doctor deems you or your traveling companion(s) unfit to travel; hospitalization or death of non-traveling member(s); unforeseen weather disaster at your home or your travel destination; a legal obligation such as being called for jury duty or serving as a witness in court. However, many travel insurance policies exclude epidemics and pandemics.

COVID-19 is now considered a known pandemic event, meaning it is not likely that travel insurance policies will cover changes in plans or cancellations for that reason. However, if your policy was purchased before it became a “known event” and you became sick, or quarantined, and can provide documentation of it, you might have coverage depending on your policy. It is possible to purchase “cancel for any reason” coverage, which likely enables you to cancel your travel plans for reasons not covered in a base policy.

LIFE INSURANCE

All life insurance policies have one thing in common – they’re designed to pay money to the “named beneficiaries” upon death of the insured. There are two basic types of life insurance: term insurance and cash value insurance. Term insurance covers you for a term of one or more years and pays a death benefit if the insured dies during the term of the contract. Cash value life insurance is a form of permanent life insurance that features a cash value savings component. The following types of permanent life insurance policies may include a cash value feature: whole life insurance, universal life insurance, variable universal life insurance, and indexed universal life insurance. The cash value is the portion of your policy that earns interest and may be available for the policyowner to withdraw or borrow.

There is no pandemic exclusion for life insurance. General life insurance covers pandemics, assuming you were truthful about your travel plans and exposure to illness during the application process. However, the cash value component of your life insurance policy may be tied to equity markets, long term interest rates, or a specific market index, such as the S&P 500, which have fallen to new lows due to, among other things, the impacts of COVID-19. Most cash value life insurance contracts also guarantee a certain minimum rate of return that could exceed current market conditions.

An accidental death & dismemberment policy is more limited and covers deaths only when they’re accidental. It generally doesn’t cover deaths caused by illness and disease.

ANNUITIES

An annuity is an insurance contract sold by insurance companies. Generally, the beneficiary pays an insurance company a premium, and in return, the insurer provides income payments at regular intervals for the rest of your life (or some other period). Annuities can be generally classified as either fixed, variable, or indexed, based on the provisions of the contract. In a fixed annuity contract the beneficiary receives a fixed income stream for the term of the contract. In a variable annuity contract, the value of the contract varies based on the performance of an underlying portfolio of securities or mutual funds. In an indexed annuity, the value of the contract varies based on the performance of a specified market index, such as the S&P 500. Because annuity contracts may be tied to long-term interest rates, or equity markets, which have fallen to new lows due to, among other things, impacts of COVID-19, the value of various annuity contracts may be affected. Some variable annuity and indexed contracts also guarantee a certain minimum rate of return that could exceed current market conditions. Be sure to review your annuity contract to determine if it is fixed, variable, or indexed and whether it has a guaranteed minimum rate of return. Policyholders should also monitor their annuity payments and the performance of the underlying investments on an ongoing basis.

BUSINESS INTERRUPTION INSURANCE/EVENT CANCELLATION INSURANCE

Business interruption insurance coverage protects against losses sustained due to periods of suspended operations; it pays loss of revenue that would have been earned if there was no business interruption. It typically covers physical loss to property and may have specific exclusions for viral infections such as COVID-19. Contingent business interruption insurance policies protect against losses from supply chain disruptions, but may require the occurrence of property damage to trigger coverage. Cancellation insurance provides coverage for expenses arising from delays, rescheduling, or cancellations due to unforeseen covered events. Typically, policies exclude coverage for communicable diseases, such as COVID-19.

WORKERS' COMPENSATION INSURANCE

Workers' compensation insurance covers work-related injury or illness—either sustained on business premises or due to business operations. Typically, workers' compensation covers the employee's medical expenses, rehabilitation costs, and at least some portion of their lost wages. Workers' compensation policies typically cover only occupational diseases, which are diseases that are unique or peculiar to one's job. Ordinary diseases of life are not covered. COVID-19 may be covered in certain limited circumstances depending on how the individual contracted it, their occupation, and the specific policy.

GENERAL LIABILITY AND DIRECTORS AND OFFICERS (D&O)

General Liability policies cover obligations for bodily injury and property damage, so there could be third party liability if there are bodily injury claims resulting from exposure to COVID-19. However, some policies may have exclusions for losses resulting from epidemics or pandemics.

Directors and Officers (D&O) policies provide coverage for lawsuits brought against a company's directors or officers for actions they may or may not have taken that negatively impact the company. There may be lawsuits related to COVID-19 if a company didn't take adequate steps to prevent its spread, have contingency plans in place for such an event, or activate/execute those plans appropriately. Claims for financial damage to the business or shareholders may be covered.

Many of these types of insurance are customized for the business, so it is important to read your policy to understand what losses are covered.