



Insurance in the COVID-19 World

The impacts of COVID-19 are being felt across the globe, including by FCC Services' clients who are navigating a complicated path to keeping their employees safe while continuing to deliver on their critical mission to support their customers. In difficult times like these, businesses often turn to their insurance coverages to ameliorate at least some of the financial impacts they suffer.

Insurance contracts contain explicit language detailing which events are and are not covered. COVID-19 raises numerous questions about what resulting financial losses will be covered by insurance, for this or any other pandemic. The likely answer is that some situations will be covered, though many will not. Below are some examples to help shed some light on the complexities.

- An institution is unable to close loans resulting in lost business; or
- An institution incurs a lot of extra expense to continue their operations so as not to lose business; or
- A borrower sues an institution because they couldn't get a loan or an advance under their line of credit due to the institution's disruption in operations; or
- Someone contracts COVID-19 and sues an institution claiming one of its employees infected them; or
- An institution suffers a cyber loss because the remote working conditions compromised their network security or an employee fell prey to a phishing scam.

Depending on factors specific to any actual incidence, the first three scenarios would likely not be covered by insurance, while the last two likely would be.

The insurance policies covering Farm Credit institutions provided by the Farm Credit System Captive Insurance Company and commercial insurance companies through FCC Services are the broadest available. While the policies were not specifically written to cover the eventuality of a pandemic, the FCC Services Risk Management Team is working very diligently with a number of its partner resources to discuss "what if" claims or incident examples that may arise from COVID-19 in respect to the various lines of coverage afforded System entities, and is researching implications for the Captive's coverage lines. *[Please read the Insurance Coverage Communication Memorandum to System Entities memo recently sent to Captive clients for details of our analysis.]*

"Given the nature of the System's operations, the values under which Farm Credit entities operate, and institutions' preparedness for contingencies like this, we believe that it is unlikely that System entities will face significant claims or losses from the pandemic," says Larry Lawson, Executive Vice President, Risk Management and Insurance Services. "In the unlikely event that claims arise, FCC Services will do everything possible to obtain coverage where intended by the policies."

It is safe to say that the global property and casualty insurance industry finds itself in uncharted territory. Circumstances will remain extremely fluid for the foreseeable future, insurance contract language will be carefully reviewed and scrutinized, and underwriters will be held to higher standards of risk analysis when issuing policies or reviewing claims.

MARCH-APRIL 2020

The FCC Services' Risk Management Team stands ready to answer questions and provide guidance to all its insurance customers, working remotely to continue conducting business as usual through this time of uncertainty. We are available to answer questions, address concerns and handle claims as needed.

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