

COVID-19 / CORONAVIRUS STATEMENT

Update 25 March 2020

Contrary to many initial media reports, virtually all business insurance policies will not respond to Business Interruption claims caused by Coronavirus.

The Association of British Insurers (ABI) explained:

“A small number of businesses may have cover in place that will specifically provide for business interruption arising from notifiable diseases. However, this type of extension is not commonly included as standard. Standard business insurance policies are designed and priced to cover standard risks and are therefore unlikely to provide cover for the effects of global pandemics like Covid-19.”

Business Interruption cover is designed to protect the gross profit of a business following a physical loss (fire, flood, etc). A “notifiable diseases” Business Interruption extension can be found on some leisure and retail policies, but are almost always restricted to a **specific list** of diseases and provides a modest limit of cover, usually £25,000 to £50,000. However, because Coronavirus is a new disease, it does not feature on these lists.

Policies that are not restricted to specific diseases often have an epidemic/pandemic exclusion or require a verified occurrence of the disease at the insured premises. A very small number of policies may have a non-damage denial of access extension, but this will exclude disease as this would otherwise over-ride the disease extension. “Pandemic cover” has been referred to in the media, but without them clarifying that this is a specific additional cover that only a very small number of very large, multi-national companies may have.

Many major insurers over the past weeks have released statements to say that they **do not** intend to add Coronavirus to the defined notifiable disease lists. The Government changing the status of Coronavirus to a “Notifiable Disease” under The Health Protection (Coronavirus) Regulations 2020 does not change the standard policy coverage.

When stating their position of not covering the new virus, AXA explained further:

“UK insurers use this precise approach of naming individual diseases rather than referring to a group because they cannot cover risks that they can’t assess.”

The specific disease list used by insurers contains well known but relatively rare diseases whose behaviour is known and can be assessed and priced in to insurance policies. A flu-like pandemic such as Coronavirus is beyond the scope of what is insurable. Widespread global issues such as Coronavirus can be put in the same category as war, and are too large for the insurance industry to bear, and so become a Government-backed risk. This is the same in most other countries, hence support packages being put in place worldwide.

The Chancellor recently told the Commons that:

“Retrospectively changing insurance policies could cause insolvency issues for insurance companies and is not the most appropriate course of action.”

All businesses are therefore looking towards the Government for support. Your accountant and/or your bank will be able to give you the best information to assist you through this difficult time.

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The Government has (to date) announced the following measures that are rapidly being put in place to assist businesses:

- Coronavirus Business Interruption Loans (CILS) are available via your bank for up to £5m. The government guarantees 80% of the value and the first six months is interest free (now one year is interest free).
- The retail, hospitality and leisure sector in England will receive a rates holiday for the 2020/21 tax year.
- If you have 250 employees or less you can claim Statutory sick pay if an employee has been sick for up to 14 days.
- A new Coronavirus Job Retention Scheme. The details released so far state:
 - All UK businesses are eligible
 - You will need to designate affected employees as furloughed workers and notify your employees of this change
 - Changing the status of the employees remains subject to existing employment law and employment contract
 - Submit information to HMRC about the employees that have been furloughed and their earnings via a new online portal (yet to be set up)
 - HMRC will reimburse 80% of furloughed employees wages up to a cap of £2500 per month
 - HMRC are working urgently to set up a system of reimbursement
- VAT Deferral scheme from 20th March to 30th June. Businesses will not need to make a VAT payment during this period. This is an automatic offer and no application is needed. Tax payers will have until the end of the 2020/21 tax year to repay deferred tax liabilities. VAT refunds and reclaims will be paid by HMRC as normal.
- Income tax self assessment payments due on 31 July 2020 will be deferred until 31 January 2021.
 - If you are self employed, you are eligible
 - This is an automatic offer and no application is required.
 - No penalties or interest for late payments will be charged in the deferral period.
- £10,000 grant to the smallest businesses delivered by the local authority. Small businesses that pay little or no business rates and are eligible for Small Business Rate Relief or Rural Rate Relief will be contacted by their local authority. There is no need to apply.
- Grant of £25K to businesses in the hospitality, retail and leisure sector with a rateable value of between £15K and £51k. This is automatic and you need not apply. This may take a few weeks to implement.
- Universal credit standard allowance over next 12 months will be raised by £1,000, helping 4m households
- The minimum income floor for self-employed is suspended - self-employed people can now access, in full, Universal Credit at a rate equivalent to Statutory Sick Pay for employees

The Government has a Business Support Helpline on 0300 456 3565 and has a comprehensive website at <https://www.gov.uk/coronavirus>.

This is a new and rapidly evolving situation which we will continue to monitor. If anything changes, we will keep you updated.

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