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## **IMPACT OF COVID-19 PANDEMIC ON THE INSURANCE INDUSTRY**

REVIEW ARTICLE

### **Abstract**

In this paper, the author analyses the impact of the COVID-19 pandemic on internal and external aspects of insurance organizations, and particularly on insurance terms and conditions. The introductory part provides general remarks on the impact of the pandemic on community and economy, also defining the subject of the paper. In the second part, the author explores how insurers responded to new working conditions and behaved in relation to their self-organization and to the public and the insured persons. Particular developments in a macroeconomic and political context relating to covering losses from COVID-19 are also analyzed. The author concludes that a certain delay in making the amendments and supplements to the list of communicable diseases was justified, whereas the main characteristic of extended cover for COVID-19 provided by domestic insurers is not the reimbursement of medical treatment costs but the payment of daily allowance and provision of information and particular services. In addition, the author concludes that wordings used to exclude the risk of communicable diseases may create particular dilemmas as to whether a loss event may be considered insured, depending on the circumstances and time of its occurrence, and depending on the provisions of positive legal regulations.

**Keywords:** *pandemic, COVID-19, communicable disease, insurance cover, insurance terms and conditions*

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## I. Introduction

Throughout its history, human civilization has encountered many natural hazards that have been causing material damage, injuries, and deaths of a large number of people. Similarly, the occurrence of pandemic risks leads to a large number of people suffering from an unknown disease that spreads worldwide from person to person and causes severe consequences.<sup>2</sup> A pandemic is an outbreak of infectious disease that occurs over a wide geographical area and that is of high prevalence, generally affecting a significant proportion of the world's population, usually over the course of several months.<sup>3</sup>

This definition leads to a conclusion that a pandemic does not exist in the case of non-communicable diseases, regardless of severe symptoms and consequences that such diseases may produce, whereas the contagion affects all or a large number of continents. Throughout history, pandemics of diseases such as cholera, plague, and influenza have played a major role in shaping human lives and behavior. One of the deadliest was the Spanish Flu pandemic that broke out in 1918, at the end of World War 1, causing deaths of somewhere between 20 to 40 million people. The Spanish Flu virus first appeared in Europe and then spread to the United States and parts of Asia.<sup>4</sup>

The COVID-19 crisis showed in the worst possible way the level of preparedness, the capacity of national health systems, and the quality of risk management. For example, Arthur Wyns, a climate change advisor to the World Health Organization, stated in his research for the World Economic Forum that the people of Haiti would have been much more adept in coping with and recovering from the lasting effects of 2016's Hurricane Matthew – which was exacerbated by climate change – if they had had a resilient and well-resourced health system in place to support them.<sup>5</sup> Tedros Ghebreyesus, a Director-General of the World Health Organization, confirmed that some countries were struggling with a lack of capacity, some were struggling with a lack of resources, and some countries were struggling with a lack of resolve to fight the pandemic.<sup>6</sup> On the other hand, even much wealthier countries do not

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<sup>2</sup> World Health Organization. *What is a pandemic?*, 24 February 2010, [https://www.who.int/csr/disease/swineflu/frequently\\_asked\\_questions/pandemic/en/](https://www.who.int/csr/disease/swineflu/frequently_asked_questions/pandemic/en/), accessed on 15-01-2021.

<sup>3</sup> Kara Rogers (ed). "Pandemic", *Encyclopædia Britannica*, <https://www.britannica.com/science/pandemic>, accessed on 15-01-2021; Law on Protection of Population against Communicable Diseases, *Official Gazette of RS*, no. 15/2016, 68/2020 and 136/2020, Article 2, paragraph 1, item 9.

<sup>4</sup> Kara Rogers (ed). "Pandemic", *Encyclopædia Britannica*, <https://www.britannica.com/science/pandemic>, accessed on 15-01-2021.

<sup>5</sup> Arthur Wyns. "How our responses to climate change and the coronavirus are linked", *The World Economic Forum Covid Platform*, 2 April 2020, <https://www.weforum.org/agenda/2020/04/climate-change-coronavirus-linked/>, accessed on 15-01-2021.

<sup>6</sup> Tedros Adhanom Ghebreyesus. "Coronavirus: What is a pandemic and why use the term now?", *BBC News Services*, 11 March 2020, <https://www.bbc.com/news/health-51358459>, accessed on 15-01-2021.

cope better when faced with pandemic risk, perhaps because the world economy is better suited for efficiency and profitability than for resilience to extraordinary and, therefore, rare adverse events. However, as with the effects of climate change, it is wealth that is the best long-term guarantor of fast resilience.<sup>7</sup> Yet, it seems that the common good is threatened by human vices such as greed, selfishness, a general lack of moral standards, and actions that deviate from these values and correct human behavior, as indicated in theory (once again –author’s comment).<sup>8</sup>

The current coronavirus COVID-19 pandemic is defining global health crisis since it represents the greatest challenge of this kind since the humanitarian catastrophe caused by Spanish flu. However, in addition to a health crisis, today’s pandemic caused an unconceivable general crisis with its potential to create devastating social, economic, and political effects that, as viewed by the United Nations, will leave deep and longstanding scars.<sup>9</sup> Businesses around the world are facing catastrophic losses as the novel coronavirus forced them to scale back operations or shut down entirely, whereas most of them do not have insurance cover for pandemics,<sup>10</sup> while in the USA millions have lost their jobs and their health insurance.<sup>11</sup> The COVID-19 pandemic has largely improved the digital service and shopping experience of consumers, whereas the property and casualty insurers who, in recent years, have invested heavily into digitalization, have seen the fruits of those investments: overall satisfaction of both new insurance shopping and existing account servicing have risen sharply.<sup>12</sup> However, this also presented them with cybercrime-related challenges.<sup>13</sup>

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<sup>7</sup> Robert Colville. “Capitalism is not to blame, it’s our escape route out of this mess”, *Financial Times*, May 1 2020, <https://www.ft.com/content/10db1944-8b85-11ea-a109-483c62d17528>, accessed on 15-01-2021.

<sup>8</sup> Snežana Videnović. “Business Ethics in the Age of Coronavirus”, *Insurance Trends*, XXXVI(2), 2020, pp. 54.

<sup>9</sup> United Nations Development Programme. COVID-19, <https://www.undp.org/content/undp/en/home/coronavirus.html>, accessed on 15-01- 2021; Gary Shaw. “Potential implications of COVID-19 for the insurance sector”, *Deloitte LLP, UK, Deloitte.Insights*, 18 March, 2020, <https://www2.deloitte.com/uk/en/insights/economy/covid-19/impact-of-covid-19-on-insurers.html?id=us:2em:3pa:financial-services:eng:di:031720>, accessed on 15- 01-2021; Jelena Kočović, Tatjana Rakonjac-Antić, Marija Koprivica. “Pandemic Risk – a Threat or an Opportunity for Insurance?”, *European Insurance Law Review*, XIX(2), 2020, pp. 12.

<sup>10</sup> Hanna Ziady. “It’s too late for this pandemic. But everyone wants insurance against the next one”, *CNN Business*, March 19, 2020, <https://edition.cnn.com/2020/03/19/business/pandemic-insurance-coronavirus/index.html>, accessed on 15-01- 2021.

<sup>11</sup> Sheryl Gay Stolberg. “Millions Have Lost Health Insurance in Pandemic-Driven Recession”, *The New York Times*, July 13, 2020, <https://www.nytimes.com/2020/07/13/us/politics/coronavirus-health-insurance-trump.html>, accessed on 15-01- 2021. On the impact of the current pandemic on the US economy see: Kristina Gavrilovic, Milos Vucekovic. “Impact and Consequences of the Covid-19 Virus on the Economy of the United States”, *International Review*, No. 3–4/2020.

<sup>12</sup> “Pandemic Stay-at-Home Experience Raises P/C Insurers’ Bar for Delivering Digitally”, *Insurance Journal*, June 2, 2020, <https://www.insurancejournal.com/news/national/2020/06/02/570726.htm>, accessed on 15-01- 2021; Jelena Kočović, Tatjana Rakonjac-Antić, Marija Koprivica. “Pandemic Risk – a Threat or an Opportunity for Insurance”, *European Insurance Law Review*, XIX(2), 2020, pp. 13.

<sup>13</sup> Petar Ćelik, Miodrag Komarčević, Milovan Dimić. “Convergence of the Covid 19 and Cyber Crime Pandemic: Contest and Scope”, *Megatrend Review*, 17(4), 2020.

On the other hand, in a long-lasting crisis, third-party service providers may be a key to many insurers' operating plans. Thus, IT and other support services may deteriorate because of internal challenges or vendor problems.<sup>14</sup>

In this paper, we investigate the response of the domestic insurance industry to its organization of business operations and justified expectations for the provision of insurance cover for pandemic risk i.e. coronavirus disease. Before we move on to the main presentation, it should be borne in mind that coronavirus infection can be considered a severe acute respiratory syndrome, a disease caused by a new strain of coronavirus, which includes any mutations or variations of the virus.<sup>15</sup> In a broader sense, insurance may also cover the costs incurred due to voluntary or forced isolation after coronavirus infection.

## **II. Internal and External Implications of Insurers' Self-Organization in the Circumstances of Pandemic Outbreak**

After the outbreak of the pandemic and the spread of the infection, the first task of insurers was to protect the health and safety of employees while striving to maintain business continuity, be it on a smaller scale.<sup>16</sup> IT support is vital for minor interruptions of normal operations and tasks in an insurance company due to the work of employees from home, especially in case of the need to solve technical problems, in the event of audio-video work meetings, policy selling, or reporting damages electronically or via an online application, etc. As insurance companies, as well as all organizations in the country prepared for remote work without social contacts, the questions of providing technical conditions for such work arose. A laptop or desktop computer (preferably equipment issued by the company), a virtual private network to securely and remotely connect to critical business applications, collaboration tools to help with audio, video, and screen-sharing, were the main premise of work continuity without major interruptions.<sup>17</sup> In addition, there were also other examples of work adjustments in conditions of physical distance to prevent the transmission of infections. Thus, in Austria, the insurer Generali opened free

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<sup>14</sup> PwC United States. *COVID-19 and the insurance industry*, <https://www.pwc.com/us/en/library/covid-19/covid-19-and-insurance-industry.html>, accessed on 15-01-2021.

<sup>15</sup> Law on Protection of Population against Communicable Diseases, Article 5, paragraph 1, item 5, subitem 2, ind. 5 and 6; Tokio Marine Kiln Syndicates Limited. *Credit Card & Payment Protection Insurance Policy Terms & Conditions*, PC\_CCPIPINB\_PW\_TMK\_V6\_0620, 2020, pp. 4.

<sup>16</sup> Gary Shaw. "Potential implications of COVID-19 for the insurance sector", *Deloitte LLP, Deloitte Insights*, 18 March 2020, <https://www2.deloitte.com/uk/en/insights/economy/covid-19/impact-of-covid-19-on-insurers.html?id=us:2em:3pa:financial-services:eng:di:031720>, accessed on 15-01-2021.

<sup>17</sup> Gary Shaw. "Potential implications of COVID-19 for the insurance sector", *Deloitte LLP, Deloitte Insights*, 18 March 2020, <https://www2.deloitte.com/uk/en/insights/economy/covid-19/impact-of-covid-19-on-insurers.html?id=us:2em:3pa:financial-services:eng:di:031720>, accessed on 15-01-2021.

telephone lines to assist overstrained people having to juggle children and work, fearing the future and unemployment, and feeling lonely and isolated.<sup>18</sup> There are also insurers whose websites provide appropriate explanations and information on COVID-19, protection measures, how to behave and what not to do, as well as internet addresses of relevant national institutions dealing with measures against coronavirus infection, the latest information, and advice.<sup>19</sup> Some have displayed answers to the most common questions of policyholders regarding travel insurance, what type of travel insurance they need, whether they are eligible for travel insurance, what additional covers are available, whether the cover for COVID-19 is provided, under what conditions, etc.<sup>20</sup> At the beginning of March 2020, the Lloyd's of London issued a standard contractual clause,<sup>21</sup> enabling automatic extension of insurance and reinsurance contracts in the event that the reinsurers, reinsureds, or their brokers are prevented access to Lloyd's a week before the contract expiry by the Corporation of Lloyd's, following the imposition of quarantine, or restriction in movement of people by any national or international body or agency, however, provided that this does not increase the (re)insurer's liability.

Even before the crisis, domestic companies announced their contact details (telephone numbers of contact centers, e-mail addresses, websites, social media accounts, or standalone applications) through which clients could contact them, concurrently enabling the extension of travel insurance policies for travelers who were on a trip abroad, and the extension of the insurance policies through the persons in close contact with the insured.<sup>22</sup> They also extended the cover without additional charges for persons who took out travel health insurance policies.<sup>23</sup> As the time of crisis required, the traditional Baden-Baden Reinsurance Congress organized every year in the third week of October, was held in 2020 by video call meeting of reinsurers and reinsureds.

At the macroeconomic and political level, developed countries seek solutions to cover currently uninsurable risks such as COVID-19. Thus, the French Insurance Association (*Fédération Française de l'Assurance*) and French Ministry of

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<sup>18</sup> Wolfgang Rohrbach, „Dejstvo krize izazvane korona virusom na osiguranje“, *European Insurance Law Review*, XIX(2), 2020, pp. 4.

<sup>19</sup> AXA Health, <https://www.axahealth.co.uk/update-on-coronavirus/>, accessed on 15-01-2021; DDOR Novi Sad. EPIDEMIK PROTEKT, <https://www.ddor.rs/epidemik-protekt/>, accessed on 15-01-2021.

<sup>20</sup> Allianz Assistance, <https://www.allianz-assistance.co.uk/help-and-advice/faqs-centre/travel-insurance-faqs.html>, accessed on 15-01-2021.

<sup>21</sup> Limited Automatic Extension – Prevention of Access to Lloyd's of London, LMA5392, 12 March 2020.

<sup>22</sup> Generali osiguranje Srbija, „Omogućena obnova polise putnog osiguranja iz inostranstva“, 20-03-2020, <https://www.generali.rs/media/omogucena-obnova-polise-putnog-osiguranja-iz-inostranstva.1142.html?newsId=221#>, accessed on 15-01-2021.

<sup>23</sup> Wiener Stadtische Osiguranje, „Proširenje VIP pokrivača za Putno zdravstveno osiguranje – Covid-19“, 22. 7. 2020, <https://wiener.co.rs/vesti/prosirenje-vip-pokrica-za-putno-zdravstveno-osiguranje-covid-19/>, accessed on 15-01-2021.

the Economy had a joint initiative to create a public-private partnership fund, that would provide lump sum payments to their insureds should their business be forced to cease because of an event like COVID-19. Payments would be triggered if there were a declaration by the French state mandating businesses to close.<sup>24</sup> Similarly, in 2020, the United States of America considered the passing of the Pandemic Risk Insurance Act, based on which the Pandemic Risk Reinsurance Program would be established.<sup>25</sup> The participation of insurers would be voluntary, with those participating in the program being obliged to offer coverage in all health insurance policies against emergencies in public health in connection with the outbreak of infectious diseases or a pandemic, provided that this is stipulated in an act of the Ministry of Health. The program would reinsure insurers' liabilities up to \$ 1 billion when, from a public health emergency covered, they exceed \$ 250 million. Business interruption insurance includes, in addition to property insurance, financial losses due to cancellation of events and other losses, provided that these are the losses that occurred in the periods of non-performance of business activities.

### **III. Impact of COVID-19 on Insurance Terms and Conditions**

Traditionally, risks that did not exist in the past were not subject to coverage or exclusion in general and special insurance conditions. News and knowledge about the extent and possible consequences of COVID-19, epidemiological measures and adjustments to new working conditions, as well as dilemmas regarding the insurance coverage provided to the insureds, created the need for insurers to respond. The insurance terms and conditions applied before the outbreak of the epidemic/pandemic, as a rule, did not provide this type of coverage for coronavirus, nor did they explicitly exclude such an obligation from the list of risks and damages not covered. Perhaps one of the reasons is that since the outbreak of smallpox (variola vera) in 1972, in the following decades, Yugoslavia has not seen any such serious disease that has the potential to rapidly spread the infection and cause high mortality. The Law on Protection of Population against Communicable Diseases lists communicable diseases over which epidemiological supervision is being conducted and against which measures of prevention and suppression of communicable diseases are being applied, whereas, in the amendments and supplements of November 2020, this Law includes in the airborne diseases, for the first time: Severe Acute Respiratory Syndrome (SARS) and COVID- 19, a disease caused by virus SARS-CoV-2. While new pandemic-proof policies covering business interruption might not be cheap, they

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<sup>24</sup> AXA XL. "European reinsurance renewals in exceptional times", November 11, 2020, <https://axaxl.com/fast-fast-forward/articles/european-reinsurance-renewals-in-exceptional-times>, accessed on 17-01- 2021.

<sup>25</sup> *A Bill to establish a Pandemic Risk Reinsurance Program*, 116th Congress, 2d Session, The House of Representatives, H. R. 7011, May 26, 2020.

offer businesses from restaurants to film production companies to e-commerce retailers ways of insuring against disruptions and losses if another virus strikes.<sup>26</sup>

Analyzing the insurance terms and conditions, we concluded that the insurers reacted quickly and included in their insurance conditions the appropriate wordings which exclude the liability of the insurer in case of epidemic and pandemic risks. In voluntary health insurance of Serbian insurers covering treatment costs, this was stated as follows: (1) „for injuries and illnesses as a consequence of epidemic“ or, (2) „epidemic and pandemic of greater significance which involve the occurrence of more severe forms of communicable diseases, including fatalities“. In the first case, the use of the term “epidemic” indicates that insurers’ obligations arising from injuries and illnesses from infectious diseases with occasional high prevalence (the proportion of a population with a disease or a particular condition at a specific point in time or over a specified period of time<sup>27</sup>) are excluded from the coverage. Since the mentioned term does not include the case of a “pandemic”, the question can be raised as to whether this exclusion is valid in that case as well, and whether in the event of a pandemic outbreak there is an obligation of the insurer to reimburse the costs of treatment for COVID-19. The second exclusion variant seems like a more comprehensive solution, but also entails a dilemma. The analyzed insurance terms and conditions do not define or provide a more detailed explanation of the term „greater significance“ and thus should be interpreted within the meaning of the Law on Protection of Population against Communicable Diseases according to which epidemic of greater epidemiological significance shall designate the occurrence of severe clinical forms of communicable diseases and/or death caused by a communicable disease, whereas the danger of occurrence of severe economic and social consequences exists, as well as of the cross-border transmission of disease, as well as the recurrence of cases of the eliminated or eradicated communicable disease.<sup>28</sup> We believe that the clarification of this term should be provided in the definitions of insurance terms and conditions so as not to create ambiguities about its meaning.

In insuring the users of banking services against the risk of death and permanent loss of general working capacity due to an accident, one domestic insurer excludes “all infectious, occupational and other diseases, as well as the consequences of psychological impacts“. The exclusion phrased in this way covers all communicable diseases, even when no epidemic or pandemic has been declared, including that of COVID-19. However, there is no explanation as to what is considered a communicable disease that can clarify what is excluded from the cover concluded by the insured.

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<sup>26</sup> Noor Zainab Hussain. “Pandemic-proofing: Insurance may never be the same again”, *Reuters Business News*, July 10, 2020, <https://www.reuters.com/article/us-health-coronavirus-insurance-products-idUSKBN24B0RD>, accessed on 15-01-2021.

<sup>27</sup> Allison Kruger, Louise-Anne McNutt. “Prevalence”, *Encyclopædia Britannica*, <https://www.britannica.com/science/prevalence>, accessed on 15-01-2021.

<sup>28</sup> Law on Protection of Population against Communicable Diseases, Article 2, paragraph 1, item 8.

For such purpose, the definition of communicable diseases provided in the Law on Protection of Population against Communicable Diseases (Article 2, paragraph 1, item 1) could be included in the insurance terms and conditions. On the other hand, the question arises whether the insurer, by applying the term “communicable diseases”, can exclude its liability for diseases that, in the said Law, are not listed as communicable. In the following text, we will explain the reasons why, in the author’s opinion, there is a dilemma regarding this exclusion. The problem lies in the fact that the legislator, as a rule, can never react immediately when an infection with a new virus occurs, but only after a certain time, as we have seen worldwide. This includes COVID-19. In such a case, the next question would be whether such exclusion of a disease that is not stipulated as communicable by the Law is in line with public policy, coercive legislation, and morality. If the answer to the question asked was affirmative, then such a provision of the insurance conditions would not be effective, and the insurer would be liable to the insured. An additional problem, in the opinion of the author of this paper, is the provision of Article 6 of the Law on Protection of Population against Communicable Diseases, according to which in case of threat of a communicable disease, which has not been defined in that Law (unknown disease until the passing of the Law i.e. a novel disease at the time when the Law is already in force), and which, to a large extent, may endanger the population of the Republic of Serbia, the Government, at the proposal of the minister competent for health tasks, may declare such a disease a communicable disease and also declare the epidemic in the affected area. A particular period of time may pass from the moment of the outbreak of a new disease to the moment of declaring that disease infectious and epidemic, so the question can be asked whether the insurer is covered by the above-formulated exclusion in the specified period of “latency” for health care institutions, legislators and /or administrative bodies. In that case, to discharge himself from liabilities, the insurer will not be able to successfully invoke Article 5 of the Law which contains a list of communicable diseases, because the disease has not yet been listed as communicable. On the other hand, the insurer should be successfully discharged from liability by referring to the definition of infectious diseases provided in Article 2, paragraph 1 point 1 in connection with Article 4 of the Law on Protection of Population from Communicable Diseases, which regulates the criteria according to which a disease is considered communicable. Among others, according to Article 4, paragraph 1, item 3, communicable diseases are considered rare and serious communicable diseases, which have not been recognized in the Republic of Serbia, and for which, the grouping of data may indicate the factors responsible for their occurrence. Nevertheless, it is not certain that in all situations where there is no act of a competent authority declaring the outbreak and/or epidemic of a novel, thus far unknown<sup>29</sup> disease, would be admissible to courts. If the courts gave

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<sup>29</sup> An unknown communicable disease could be formally considered a disease that already broke out elsewhere in the world but, until a particular moment, was unknown in Serbia.



precedence to insurance conditions that represent the conditions of the insurance contract, without the need for a disease to be officially declared communicable based on an act of the competent authority, the insurer would not have a problem with the exemption from liability. However, if the courts put the social function of insurance first, without distinguishing between compulsory (public) health insurance and private health insurance, then the insurer would hardly manage to be relieved from the obligation by invoking the mentioned exclusion.

Insurance conditions on the UK market closely follow the definitions contained in the English Coronavirus Act.<sup>30</sup> Thus, in March and April, the Lloyd's Market Association issued standard contractual clauses excluding the risks that occurred due to coronavirus, applying the following definition: „This Insurance does not cover any claim in any way caused by or resulting from: (a) Coronavirus disease (COVID-19); (b) Severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2); (c) any mutation or variation of SARS-CoV-2; and (d) any fear or threat of the a), b) or c) above.<sup>31</sup> In addition to the aforementioned general exclusions of losses and damages due to COVID- 19, Lloyd's representatives and the representatives of the International Underwriters Association – IUA in charge of other insurance lines, also adopted standard contractual clauses on exclusions of epidemic and pandemic risks. Thus, the Joint Cargo Committee issued a standard contractual clause on the exclusion of communicable diseases, whereas similar clauses were also issued for transport liability insurance, cash insurance, property insurance, energy production insurance, construction and erection insurance, and different types of reinsurance treaties. This clause reads: „1. Notwithstanding any provision to the contrary within this insurance, this insurance does not insure any loss, damage, liability, claim, cost or expense of whatsoever nature caused by, contributed to, resulting from, arising out of, or in connection with a Communicable Disease or the fear or threat (whether actual or perceived) of a Communicable Disease regardless of any other cause or event contributing concurrently or in any other sequence thereto. 2. As used herein, a Communicable Disease means any disease which can be transmitted by means of any substance or agent from any organism to another organism where: 2.1. the substance or agent includes, but is not limited to, a virus, bacterium, parasite or other organism or any variation thereof, whether deemed living or not; 2.2. the method of transmission, whether direct or indirect, includes but is not limited to, airborne transmission, bodily fluid transmission, transmission from or to any surface or object, solid, liquid or gas or between organisms, and 2.3. the disease, substance or agent can cause or threaten bodily injury, illness, damage to human health, human welfare or property”.<sup>32</sup> However, it should be borne in mind that these are trade practices

<sup>30</sup> Coronavirus Act 2020, Chapter 7, 25th March 2020.

<sup>31</sup> Coronavirus Exclusion, LMA 5391, 04 March 2020.

<sup>32</sup> Communicable Disease Exclusion – (Cargo), JC2020-011, 17 April 2020.

that the Lloyd's Market Association of London calls model clauses, clearly noting that these models are purely illustrative and the members are free to agree to different conditions or amend them as they see fit.<sup>33</sup>

In addition to introducing appropriate exclusions in the coverage of communicable diseases, Serbian insurers of group (term and endowment) life and (accident and health) non-life insurance offered the employee coverage of COVID-19 to the employers, companies, trade unions, organizations, institutions, and other legal entities.<sup>34</sup> This insurance service covers daily allowance for days spent in a hospital, provided that the allowance is paid only after a certain number of days have passed, which for allowance calculation, represents the deductible. To that extent, insurers also apply fixed sum excess (compensation is not paid up to 7 days, and if the stay is longer, the compensation is paid for each subsequent day after the said number of days expire, however, maximum up to the agreed sum insured per day and in the aggregate, if such aggregate sum is agreed)<sup>35</sup> and non-deductible franchise (it is required to spend minimum 3 days in the hospital for treatment to receive the payment of the sum insured for the hospital accommodation, for all days spent).<sup>36</sup> The same type of coverage is provided for travel insurance and insurance of hotel guests. It should be borne in mind that the additional coverage offered for COVID-19 does not reimburse the costs of treatment, which can be considerable. Instead, the agreed daily allowance is paid out, ranging from 5 to 50 Euros i.e. the payment of double the sum insured is received in case of intensive care. All insurers also provide the services of assistance in case of COVID-19 disease (as well as in case of an accident). The scope of additional services is determined by the choice (contracting) of a certain sum insured for a hospital day, where the lowest sum insured includes only a telephone consultation with a doctor (assessment of the condition and emergency care), while the highest sum insured provides, in addition to the above assistance, consultations about symptoms and further testing, medication counseling, psychological counseling, food or medication delivery, whereas some insurers also provide housekeeping and pet care services.

The risk of inability to use the tourist or passenger transport service, which results in the costs for the insured due to accommodation in quarantine (isolation) ordered by a government authority or medical institution, or a doctor (because of illness or suspected of COVID-19 infection), or service denial of transport, airport,

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<sup>33</sup> [https://www.lmalloyds.com/LMA/Underwriting/Wordings/LMA/lma\\_wordings.aspx](https://www.lmalloyds.com/LMA/Underwriting/Wordings/LMA/lma_wordings.aspx), accessed on 17-01-2021.

<sup>34</sup> DDOR Novi Sad. EPIDEMIK PROTEKT, <https://www.ddor.rs/epidemik-protekt/>, accessed on 15-01-2021; Generali osiguranje Srbija. Osiguranje od rizika Covid-19 za pravna lica, [https://www.generali.rs/pravna\\_lica/zdravlje\\_i\\_nezgoda/osiguranje\\_od\\_rizika\\_covid-19.3378.html](https://www.generali.rs/pravna_lica/zdravlje_i_nezgoda/osiguranje_od_rizika_covid-19.3378.html), accessed on 17-01-2021.

<sup>35</sup> Generali osiguranje Srbija. Osiguranje od rizika Covid-19 za pravna lica, [https://www.generali.rs/pravna\\_lica/zdravlje\\_i\\_nezgoda/osiguranje\\_od\\_rizika\\_covid-19.3378.html](https://www.generali.rs/pravna_lica/zdravlje_i_nezgoda/osiguranje_od_rizika_covid-19.3378.html), accessed on 17-01-2021.

<sup>36</sup> DDOR Novi Sad. EPIDEMIK PROTEKT, <https://www.ddor.rs/epidemik-protekt/>, accessed on 15-01-2021.

hotel accommodation, etc. - represents a type of coverage for a financial loss as a consequence of booking and inability to use the service that was not rendered due to the stated consequences of contracting COVID-19 and service denial. Such a type of cover is typical for travel insurance in Germany and England.<sup>37</sup> Emergency Medical Certificate of Insurance due to COVID-19 disease of a Canadian insurer whose policyholder is Air Canada is mostly the same as in Germany and England, except for the differences in the types of cover which is effective from the moment when the airfare is booked and when the travel has started. According to these insurance conditions, insurance of emergency medical assistance covers, cumulatively, amounts to 200.000 CDN, of justified and usual costs incurred due to testing positive for COVID-19 during the travel. These are the costs of: (1) emergency treatment, (2) ambulance, (3) expenses related to death (transport of the body, cremation, costs of transport of a person for identification of the deceased, if necessary), (4) costs of repatriation according to doctor's recommendations for the return home, (5) meals, accommodation and taxi services (150 CDN per day, maximum 2.100 CDN), (6) childcare during a stay at the hospital while traveling (75 CDN, maximum 500 CDN), (7) transport of own children home, (8) travel of an escort on the way home, (9) daily allowance during the stay at the hospital for more than 2 days, (10) telephone calls and (11) terrorist acts.<sup>38</sup> In Serbia, travel health insurance is extended to cover the COVID-19 disease. This type of cover is written as additional, with payment additional to the standard policy, and provides the cover of treatment costs and fixed allowance in case of necessary hospitalization caused by COVID-19.<sup>39</sup>

With the development of information technology, some new services appear in the insurance against the risk of COVID-19 disease. Thus, a Boston-based tech firm Machine Cover, USA, aims to offer policies that would give relief during business interruption due to lockdowns and limited working hours of office buildings. Using special apps and other data sources, this company will measure traffic levels around restaurants, department stores, hairdressers, and car dealers. If traffic drops below a certain level for whatever reason, it will indemnify the damage to the insureds.<sup>40</sup> However, it should be borne in mind that the mentioned tech company provides the service of measuring the traffic levels and selling the insurance policies of the insurers with which it cooperates, and in this case, it is the American insurer Hiscox

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<sup>37</sup> HanseMerkur Reiseversicherung AG. *Versicherungsbedingungen für die Reiseversicherung*, VB-RS 2020 (T-Corona-D), 28.7.2020, Hamburg; Allianz Assistance. *Covid-19 travel insurance*, Ref: 7363TVL 07/20, Croydon, pp. 26.

<sup>38</sup> The Manufacturers Life Insurance Company. *COVID-19 Emergency Medical Certificate of Insurance – Air Canada*, December 1, 2020, MACCOVID920E - Rev12/20, Windsor, Ontario, Canada.

<sup>39</sup> <https://www.ddor.rs/stanovnistvo-proizvodi/putno-osiguranje/>, accessed on 18-01-2021.

<sup>40</sup> Noor Zainab Hussain. "Pandemic-proofing: Insurance may never be the same again", *Reuters Business News*, July 10, 2020.

Insurance Company Inc. To cover the contingency risk in a „locked down“ world, Lloyd's insurer Beazley Plc launched a contingency policy covering lost profit to the benefit of streaming organizers of music and cultural and business events against transmission failure and disruptions which prevent the events from being held or cause their cancellations, as stated by Mark Symons, contingency underwriter at Beazley Plc.<sup>41</sup>

Since businesses are just beginning to learn how COVID-19 outbreaks and similar pandemics can affect them, it is not surprising that new services are effectively custom-made. Thus, film and television production companies may find it interesting that the insurance will cover events when a reporter, cameraman, or other crew member contracts the virus, forcing the company to stop shooting. Similarly, a company that raises livestock for restaurants, is covered for a scenario in which it would be impossible to get animal feed due to COVID-19.<sup>42</sup> Naturally, in all the mentioned cases, the insurance terms and conditions regulate in more detail the circumstances and assumptions of the occurrence, and the liabilities of the insurer, whereas the premium does not come cheap but is nevertheless acceptable for the insured, given his turnover and exposure to operating losses.

#### **IV. Conclusion**

Appropriate measures helped the society and insurance business to relatively quickly overcome their initial unpreparedness. The previous legal framework of all legal systems related to communicable diseases fully encompassed communicable diseases that had been known before its adoption. Therefore, a certain delay in amendments and supplements to the list of communicable diseases is justified.

Insurers responded quickly in meeting the needs of insured persons who found themselves on a trip, allowing the extension of insurance policies remotely or through an authorized person, while in the existing insurance services they offered the extension of cover in case of COVID-19 disease. The main feature of the mentioned extension is not the reimbursement of treatment costs, but the payment of a daily allowance and the provision of information, assistance, and services in precisely specified cases. This extension of cover is provided for life insurance, travel health insurance, and accident insurance. In all other types of insurance covers, some exclusions use various wordings and expressions that may create certain doubts as to whether a loss event can be considered insured, depending on the circumstances and time of its occurrence and the provisions of positive regulations.

In some cases, foreign insurers met the requirements and needs of policyholders and crafted special insurance conditions around different businesses

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<sup>41</sup> Beazley Group, [https://www.beazley.com/london\\_market/political\\_risks\\_and\\_contingency/contingency.html](https://www.beazley.com/london_market/political_risks_and_contingency/contingency.html), accessed on 18-01- 2021.

<sup>42</sup> Noor Zainab Hussain. *Ibidem*.

and methods of providing coverage for COVID-19. To that extent, the domestic insurance market can be expected to respond with new insurance products covering COVID-19. On the other hand, this expectation may prove unrealistic due to the absence of any statistics, and especially due to the high insurance premium that may deter policyholders from taking out insurance policies.

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