

Gallagher's Automotive Practice Reviews Key Coverages for Coronavirus (COVID-19)

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Automotive



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Like many, the automotive industry has been heavily impacted by the COVID-19 situation. Even though some states have issued stay-at-home orders, automotive parts and automotive repairs and services are classified as essential business activity for many states. Therefore, dealers are still able to provide services, and this helps with your cash flow. Other auto segments, like rental companies that rely heavily on airport traffic, have had to shut down.

We are continuing to monitor the legislative orders and issuances related to the automotive industry. This is a good time to regularly review your crisis management protocols and continuity business plans as they relate to a pandemic. Before you make critical changes to your business operations, we encourage you to contact your insurance carrier and broker, and consider working with Gallagher, as we have business continuity and enterprise risk management expertise to help you make more confident decisions.

Maintaining Organizational Wellbeing

For those businesses that have remained open, customer and employee safety and wellbeing is critical. We recommend following the [CDC guidelines](#) for maintaining a clean and healthy workplace. While many of these guidelines are already in practice, it's a good idea to remind your employees to follow them.

Key guidelines include the following:

- Deep clean your premises inside and out daily.
- Sanitize your hands and hard surfaces every time you enter and exit a vehicle.
- Require employees to wear disposable gloves and replace them regularly.
- Implement social-distancing guidance for employees and customers.
- Educate and reinforce regular cleanings.

Building Closure Considerations

As many businesses are being asked or required to shut down all or part of their operations in order to reduce the spread of COVID-19, it is important to take precautions to mitigate hazards associated with unoccupied buildings until normal business resumes.

Considerations for shutting down a physical location include the following:

- Reduce or relocate hazards.
- Make sure the building, contents and equipment are well secured.
- Confirm that fire protection and security systems are operable and will remain in service.
- Take additional measures to reduce theft or vandalism.
- Contact your broker or carrier to understand potential changes to your coverage, policy, terms and conditions during the closure.

Key Coverages to Consider

Credit Risk and Cash Flow Considerations

As many dealers and service businesses continue to operate with a minimal staff, you may be considering alternative employment, furlough or payroll options. Credit insurance has a liquidity-enhancing feature for those instances where you have an asset-based line of credit. Agreements of that type may have certain receivables that are not considered by the asset-based lender to be eligible collateral for barring collateral-based formulas. If these receivables are credit insured, they may become eligible collateral under the barring-based formula, which can result in a materially higher level of working capital available to you.

Consult with your carrier and broker to understand your cash flow considerations, and how they can help you balance your budget sheet.

Employment Practices Liability

Employment practices liability (EPL) insurance policies can serve two valuable purposes for those concerned with COVID-19-related employment claims. First, many EPL policies provide free preclaim legal advice from highly qualified employment counsel free of charge to their policy holders. If you need assistance in quickly deploying policies and procedures to address this issue in your workplace, it might be a great place to start. If you have employment counsel that advises your business, contact them with more specific questions about the implications of your current policies and procedures in light of COVID-19.

Additionally, EPL policies can provide coverage for some of the anticipated COVID-19 employment claims. There is no standard EPL policy, and coverage terms, conditions and exclusions vary within the EPL market. You should review the terms and conditions of your actual policy to determine how your coverage might respond to any allegations made against your company for employment actions taken regarding COVID-19.

Please read the latest information about EPL and COVID-19 at <https://www.ajg.com/us/news-and-insights/2020/mar/employment-practices-liability-insurance-and-coronavirus-covid-19/>.

Workers' Compensation

Compensability for workers' compensation will likely come down to whether or not the disease/illness is considered occupational. In order for it to be compensable, the disease would have to be contracted during the course of employment and due to conditions specific to the employee's work (e.g., occupations in healthcare treating infected COVID-19 patients, or first responders who transport sick individuals to hospitals or healthcare sites). Otherwise, a communicable disease that affects the public will not usually be considered a workers' compensation claim.

Separately, some states are discussing legislative changes to workers' compensation coverage. For example, the Workers' Compensation Insurance Rating Bureau of California (WCIRB) proposed a rule that would reclassify employees who are idle (i.e., not working from home, but still being paid). We recommend you document these workers carefully, as some carriers may not be including their payroll in the calculation of its premiums. It's important to contact your carrier directly to see how they are handling workers' compensation premiums. For more information or to get the latest, visit <https://www.ncci.com/Articles/Pages/Insights-Coronavirus-FAQs.aspx#>.

Cyber Insurance

As the inventory of cars for sale from both dealers and rental company's increases, the demand has decreased as the majority of the country shelters in place. Many dealers have moved to online or over-the-phone purchase, lease and service models. Desktop usage is also up, since people are working remotely.

These changes are not lost on cybercriminals, who will undoubtedly look to exploit the situation. Therefore, enhanced cyber vigilance is encouraged at this time, including reinforcing cybersecurity and making sure employees are reminded of best practices.

Suspected cyber incidents should immediately be reported to your cyber insurance provider. Gallagher's article "Data and Network Security Risks Relating to the Coronavirus Outbreak and Response" particularly highlights risk management measures in response to cybersecurity risks arising from a sudden increase in your remote workforce. You can access this article at <https://www.ajg.com/us/news-and-insights/2020/mar/data-and-network-security-risks-relating-to-the-coronavirus/>.

This is an evolving risk that Gallagher continues to monitor through the CDC and the WHO. Please visit ajg.com/us/pandemic-preparedness for the latest information, or contact:

Additional Resource

The National Automobile Dealers Association (NADA) has up-to-date information and relevant webinars on key topics for dealers. The webinar recordings are available to members of the NADA and ATD on demand at www.nada.org/coronavirus. Webinars include:

- The Federal Tax Implications of COVID-19: How the New Environment Affects Dealers
- Making Sense Out of the New SBA Paycheck Protection Program: Practical Considerations for Dealers
- Managing Cash Flow: Making It Through the COVID-19 Pandemic

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