

IN CONVERSATION

Talent may win games, but it takes teamwork and intelligence to win championships. With that Michael Jordan quote in mind, Brian Henry of Rolfes Henry Co., LPA, chats with his client, Scott LeBlanc of Velocity Claims LLC, to discuss how that company is handling the onslaught of claims related to COVID-19 and claimed business interruption losses.



BRIAN P. HENRY
Firm President /
Shareholder

Q: Your company oversees insurance claims for a number of insuring entities, including State National Insurance Company and National Specialty Insurance Company. Can you tell *CLM Magazine* readers how Velocity is handling COVID-19-related claims? What procedures have you adopted, and are those procedures any different from the “usual” claims you see?

they provide us with any documentation to support their claims. We are seeking documentation not for the evaluation portion of the claim, but to investigate the cause of loss to support and establish their claim. We allow them to submit any and all documents they believe support the cause of loss and/or define their claims.

BRIAN HENRY: You mentioned a recorded interview of the insured. In that interview, are you inquiring as to whether there is any direct physical damage to the insured building or its contents, and whether the building has been tested for the presence of coronavirus?



SCOTT LeBLANC
Executive Vice
President,
Velocity Claims LLC

A: Velocity Claims is approaching these claims in pretty much the same way we approach any claim that is submitted. We are completing a thorough investigation of the facts of the claim, with the help of the insured, in order to ensure we have a clear understanding of what our insured is claiming. With COVID-19, we have found this to be slightly more problematic for our customers to clearly explain their claim.

SCOTT LeBLANC: Yes, as part of investigation, it is critical to establish if there is any direct physical damage to the property or contents. And while there are questions and opinions of whether the coronavirus causes direct physical damage, there is at minimum the need to establish if the premises and/or contents were tested for the coronavirus.

BRIAN HENRY: What is Velocity’s thought process behind that inquiry?

BRIAN HENRY: So you are investigating each claim and handling each claim on its own merits, just as you would any other claim?

SCOTT LeBLANC: Absolutely. There are basically three parts of a claims process: 1) Determine the cause of the loss; 2) review and application of the applicable policy language; and 3) evaluate the covered damages. With COVID-19, the first part of the claim has become the most detailed portion of the claims process. Until we can establish the cause of loss, we cannot move onto the next two parts of the process. So, we have employed various processes to assist our customers in helping us determine the cause of loss. We take a recorded statement from the insured to elicit as much information as possible so they have the opportunity to clearly explain their claim. Subsequently, we are requesting that

SCOTT LeBLANC: Most coverages under a standard policy are triggered by direct physical damage. As such, trying to establish direct physical damage is a key component in attempting to find coverage under a policy. As we looked at the direct physical damage components related to the coronavirus, asking the insured if the premises had been tested could at least establish the minimum standard

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of potential direct physical damage. Obviously, the discussion of whether the coronavirus causes direct physical damage can and is being discussed to this day—and I am sure well into the future.

BRIAN HENRY: What about reservation-of-rights letters? Are you sending these to insureds with a copy to the insurance agents?

SCOTT LeBLANC: Yes, we issue reservation-of-rights letters on every claim related to the coronavirus. As you know, the intent of a reservation-of-rights letter is to notify the insured that coverage may not apply under the policy for a particular claim. A reservation of rights also notifies the customer that we may need additional time to investigate, review coverage, and evaluate their claims. Conceptually a coronavirus-based claim is no different than any other claim; however, we knew this was a unique situation and would require extensive investigation. Because policies, coverage, exclusions, and conditions vary, each reservation-of-rights letter was specifically drafted for each individual claim.

BRIAN HENRY: What about documentation of the loss—are you asking the insured to provide documentation of the claim for loss of rents or business income? And how are you differentiating those losses from general “downturns” in business operations?

SCOTT LeBLANC: We are not specifically requesting documentation for loss of rents or business income during the investigative phase of the claim. As I

mentioned, the evaluation portion of the claim is logically the third step in the claims process. First, we investigate the claim focused on the cause of loss and the claim for coverage. Second, we review the policy and apply coverage. Given the nature of the coronavirus, we did not want our insureds to have to incur the time or expense of trying to support the valuation of a claim until coverage had been established. With respect to loss of rent or business income versus an economic downturn, we utilize the services of a third-party forensic accountant to ensure we can establish potential damages from other unrelated factors.

BRIAN HENRY: Are you attempting to balance your request for claims documentation by foregoing certain procedural requests, given that there is likely no coverage for the claim? For example, in a personal-lines claim for loss of rental income due to the coronavirus, does Velocity find it necessary to request a formal, notarized proof of loss?

SCOTT LeBLANC: Actually, we looked at the coronavirus from a different viewpoint. We asked the insured to provide any documentation that may support their claim. We did not want to limit them in any way or assume coverage one way or the other. The specific goal of the investigation is to establish the facts, so we did not want them to limit what they asked us to consider. We did not request a proof of loss to support their claim, until such time that coverage could be established. However, we allowed them to submit a proof of loss if they felt that would aid in our investigation.

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