March 24, 2020

TO: SISC Member Districts

FROM: Robert J. Kretzmer

Director, Property & Liability

SUBJECT: Property Coverage and COVID-19

**Introduction**

A question has been posed regarding the applicability of the applicability of Property coverage through SISC for costs associated with COVID-19.

**Coverage**

The SISC Property Memorandum of Coverage (MOC) (SPP 7119 20) effective July 1, 2019 through July 1, 2020, provides coverage for the insurable interest of a covered party in all real property and personal property that is owned by the covered party.

In order for coverage to be triggered under the Property MOC the real or personal property must first sustain direct physical loss or damage. Therefore, coverage may not be triggered by way of contamination of a surface due to the COVID-19 virus.

**Perils Covered**

The Property MOC provides coverage against all risks of direct, physical loss or damage except where excluded under the MOC. It should also be noted that any claim for business interruption includes the requirement that the loss result from direct physical loss or damage.

**Perils Excluded**

Members need to be aware that there are exclusions in the Property MOC that may prove applicable when analyzing losses our districts experience related to the COVID-19 pandemic.

These exclusions include, but are not limited to; delay, loss of market, or loss of use; contamination; shortage disclosed or discovered on taking inventory or unexplained or mysterious disappearance; Fungus, mold, mildew or yeast; or any spore or toxin created or produced by or emanating from such fungus, mold, mildew or yeast; Loss, damage, costs, expenses, fines, penalties or liabilities incurred as a result of, or imposed upon or ordered against the covered party by any court, judicial or administrative officer or governmental representative or agency arising from any cause whatsoever, direct or indirect.

**Comment**

We are monitoring developments with the State of California by way of Executive Order or legislation that would allow for recovery of funds spent on losses associated with damage to our members’ real or personal property due to the COVID-19 pandemic.

We recommend that all member districts keep a complete record of all expenditures and funds associated with losses incurred due to the COVID-19 pandemic. This accounting will be necessary in the event funds are made available and a process is developed to submit claims for recovery through the state and or federal government.

In the event a determination is made that coverage is available under the SISC Property MOC for losses sustained due to COVID-19 pandemic contamination members will be notified.

Please contact the undersigned at 661-636-4709 should you have any questions regarding coverage for COVID-19 under the Property MOC.

RJK