

Carrier Directives to Deny Claims – How Should Agencies Respond?

Recently we were made aware that insurance carriers are directing their agencies to deny certain claims related to the COVID-19/coronavirus; most specifically business income claims. Reports are some carriers have even put this directive in writing. Big I's risk management department strongly advises that agencies NOT make a coverage determination on behalf of any insurance carrier or deny any claims for several key reasons:

- The agency is not a party to the insurance contract. The insurance policy is between the named insured and the insurance carrier. Only the carrier has the right to deny coverage.
- We are not aware of any agency contract that allows the insurance carrier to place claim investigation and ultimately the duty to deny a claim on the agent.
- There is a state licensure issue. Loss determination and claim denials can only be made by licensed adjusters. No single person can hold both an agent and an adjusters license. Don't operate outside your licensure.
- Unfair claims practices statutes require that claim denials be in writing specifying the reasons for the denial specific to THAT insured's situation and THAT insured's policy language. A blanket denial which does not consider the individual insured's situation and applicable policy language violates statute.
- Claims management is the carrier's responsibility, not the agents.

For these reasons, the agency should not issue a claim denial to any insured on behalf of the carrier.

However, if the carrier desires to create a blanket denial letter, agencies should share that letter with the insured, clarifying it comes from the carrier, but the agent should still submit the claim to the carrier if the insured reports a claim to the agency. Do NOT "talk the insured out of" filing a claim. Explain to the carrier that you shared its letter, but that as a licensed agent, you are not licensed to deny a claim. Further, refer the carrier to your state's Unfair Claims Practices regulation.

We recognize that these are unprecedented times. None of us has ever seen a situation such as exists now. Regardless, don't undertake duties that do not belong to the agency. Don't create an errors and omissions or regulatory issue for you or your agency. Stay within your licensure.

Know that we are here to answer any questions we can and help any way we can.

DON'T ADVISE YOUR CUSTOMERS IF CORONAVIRUS related claims are COVERED OR NOT! Let the insurance carriers do that. [Please see sample letter for your use.](#)

This article is intended to be used for general informational purposes only and is not to be relied upon or used for any particular purpose. Swiss Re shall not be held responsible in any way for, and specifically disclaims any liability arising out of or in any way connected to, reliance on or use of any of the information contained or referenced in this article. The information contained or referenced in this article is not intended to constitute and should not be considered legal, accounting or professional advice, nor shall it serve as a substitute for the recipient obtaining such advice. The views expressed in this article do not necessarily represent the views of the Swiss Re Group ("Swiss Re") and/or its subsidiaries and/or management and/or shareholders.

Copyright 2020 Swiss Re