

FIRE, YES, VIRUS, NO: INSURANCE COVERAGE FALLS SHORT

Some businesses
have rude shock
about their policies

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When Salvatore Ferro saw his Commack-based home remodeling business plummet by more than half due to the coronavirus pandemic, he contacted his insurance broker to find out how to make a claim on his business interruption insurance.

He was shocked to learn the policy — which is intended to compensate businesses for lost revenues and reimburse expenses under certain circumstances, such as when a store is damaged in a fire and must relocate — wouldn't pay for his losses.

"I'm buying insurance thinking that these types of things, if and when they happen, get covered, and now you're telling me I'm not covered," said Ferro, president and chief executive of Alure Home Improvements and a former president of the Long Island Builders Institute, a trade group.

Like many Long Island business owners, Ferro did not realize that such policies typically exclude losses due to viruses or bacteria. The exclusion was added after the 2003 Severe Acute Respiratory Syndrome, or SARS, outbreak.



Salvatore Ferro, CEO of Alure Home Improvements, Commack

SPECIAL REPORT

The Long Island Builders Institute and a California-based group that advocates for consumers, United Policyholders, are among the groups urging insurance companies and lawmakers to come up with solutions that would allow businesses to collect on such policies despite the exclusion.

State help sought

LIBI and the construction trade group Association for a Better Long Island have written to state legislators and Gov. Andrew M. Cuomo "asking them to look at this issue, to see whether or not it is appropriate for the state to step in and, in some fashion, find a remedy here," said Mitchell Pally, chief



Owner Karen Marvin: "My rent is due next week. Insurance isn't helping me at all" in the pandemic.

66%

Percentage of businesses
with 300 or fewer employees
that don't have business
interruption insurance

Source: Nationwide

executive of the Long Island Builders Institute. He said legislation barring those exclusions was introduced before the current pandemic, but it has not passed the state Senate or Assembly. "We're hopeful that the issue will now get more prominence as we move forward."

Ferro said he is still hoping to find a way to get coverage for his losses. Without the inter-

ruption insurance he was counting on, Ferro said, he is struggling to pay his employees. Already, he said, his workforce has fallen from more than 90 to about 70, and he expects more layoffs to follow.

"As a big contractor, yes, I do take care of my people and do the best I can, but there's only so long you can do it before you can't handle it anymore," he said. "And the economic question is, Where will we be when this is done and over? Who's going to be left standing and how many jobs will be lost, how many millions of jobs will be lost?"

Interruption not standard

Most small businesses do not

carry coverage for business interruptions, even if they purchase insurance for liability, fire and other potential losses. A 2015 survey by the insurance company Nationwide found that 66% of businesses with 300 or fewer employees did not have business interruption insurance. In general, insurers either include the coverage as part of their standard business coverage, or they do not include it as a standard offering, and it is rare for companies to pay for stand-alone business interruption coverage, brokers said.

Pally estimated that only about one in four of the construc-

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Slim pay hikes likely in virus world



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The long-term effect of the coronavirus on wages won't be known for some time, but even before this national crisis, 2020 salary increases were expected to be modest.

It appears more employers are likely to keep hikes at 3% or less this year compared to last. According to recently released survey data from Seattle-based PayScale, the number rose from 67% to 71% of employers.

With business headed into a recession, those numbers may be impacted, experts say.

And whether there will be any pay increases at all is as uncertain as the times.

"It's likely that companies will do some hard analysis on their workforces to identify their top performers and key occupations and devote their budgeting towards keeping those employees engaged and retained," said Sudarshan Sampath, director of research at PayScale. The compensation software and data company gathered survey responses from last November to January.

Still, Sampath said, there will likely be significantly less hiring and lower budgeted salary increases in industries especially impacted by the coronavirus, such as travel, restaurants, entertainment and manufacturing.

Supporting a lean outlook is WorldatWork's 2019-2020 sur-



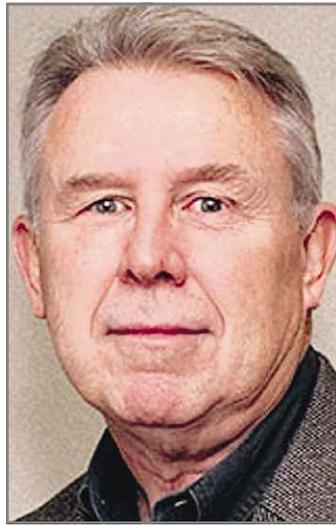
STEPHANIE HORN

“If revenues are impacted, increases will obviously have to be reassessed.”

— Stephanie Horn, Synergy Professional HR

vey, which had U.S. salary budget increases projected to be 3.3% on average in 2020. But that could certainly change. In its online poll last week that drew 238 respondents, 67% said they have already paid or still plan to pay 2020 bonuses while 16% put them on hold.

"While some [organizations] have already communicated salary increases to employees, others may be in the early planning stages and have not yet de-



TED TURNASELLA

“If it's a short-term downturn for some companies, they may be able to recover before year-end.”

— Ted Turnasella, Comp-unications

termined or awarded them for 2020," said Sue Holloway, a strategy director at WorldatWork in Arizona, a nonprofit professional association in compensation. "As organizations respond to the rapidly evolving coronavirus crisis, they will review their financial situation and human capital needs and make necessary adjustments." There-

FAST FACT

57%

Percentage of organizations that completed a salary market survey in the past 12 months

Source: PayScale

fore, salary increase budgets may be impacted, she said.

So may the number of companies planning increases. In most years about 90% of employees receive raises, said Ted Turnasella, principal of Comp-unications, West Islip compensation consultants. But in his experience, he said, in past instances where the economy has been hit by sudden negative circumstances, the number of companies giving raises has dropped to as low as 50%. Pre-coronavirus outbreak, most clients he has worked with were budgeting salary increases around 3.0% to 3.5%.

But it's yet to be seen how this will play out, he said: "If it's a short-term downturn for some companies, they may be able to recover before year-end," especially if they receive federal stimulus aid.

But in general, said Holloway, organizations should regularly address any pay concerns and resolve underlying issues that are a barrier to equity. According to PayScale's report, 38% of organi-

zations plan to conduct a pay equity analysis (racial, gender or both) in 2020.

Undoubtedly, it's important to have an up-to-date compensation structure, said Stephanie Horn, president of Synergy Professional HR Consulting in Plainview. In New York it's illegal to ask for previous salary history, so if companies mistakenly relied on that, they need to use other means to set compensation, said Horn. If small businesses are unable to do a formal analysis themselves, she said, it would be wise for them to enlist the help of an employment attorney and compensation pro, because businesses are still responsible for ensuring they're not discriminatory.

Of course, she noted, now there's uncertainty with the coronavirus and even if increases were budgeted, "if revenues are impacted, increases will obviously have to be reassessed." Companies can use other perks, like remote work, flexible schedules and paid time off.

Those kinds of perks are growing in popularity. Remote work, in particular, is now widely urged, if not mandated.

In best practice in general, it pays to look at your whole compensation package and be as transparent as possible, said Wendy Brown, PayScale's director of content marketing. "When employers have a little more transparency into what they're paying and why . . . and communicate that to employees, it really lands well and they're more likely to stay."

Shock over small print in insurance policies

INSURANCE from A31

tion companies in his group carry such policies — generally the larger, better-financed ones. "The smaller companies tend not to have it because they don't have the resources to pay the premiums necessary or they find they need their money for other purposes," he said. For those who do, he said, many "are finding out that while they may have assumed it may be appropriate to file a claim . . . the likelihood of getting paid is slim, depending on the policy."

Most insurance companies' off-the-shelf business interrup-

tion policies exclude losses due to viruses and bacteria, said Loretta Worters, a spokeswoman for the Insurance Information Institute, a trade group. Insurers "realized the risk was just too great," Worters said. "It would wipe out the insurance industry, we could never pay the claims for other areas, because if we did, we wouldn't have the money. And if someone were trying to force the industry to pay these claims that have been excluded, you would be seeing a lot of insurance companies go out of business."

Business interruption policies cover losses due to damage

to physical property, and they pay out based on an average of several years' revenues during the same period, typically after a deductible and a two- or three-day waiting period, Worters said.

Worters said the outbreak is a "scary situation" for small businesses, many of which "run on a shoestring. . . . So that's a real concern."

Karen Marvin, owner of South Shore Paddleboards in the Village of Babylon, pays \$1,720 a year for business interruption insurance and made a claim two years ago, when her shop was damaged in a fire.

Like Ferro, she was stunned to learn the policy would not cover the coronavirus pandemic.

"My rent is due next week," she said. "Insurance isn't helping me at all."

Several customers, eager to take paddleboards out on the water to get some exercise and serenity, have purchased cold-water gear such as booties and special wet suits from her, and others have purchased gift cards to help her survive, she said. "I don't even have words, I can't even explain how generous it was," she said.

But without more substantial

assistance, many companies could collapse, throwing more employees out of work, business owners said.

"I know the tourist industry and the airlines are getting murdered," Ferro said. "But they've gotten bailouts [in the past], and they will. But who's going to bail out restaurants? Who's going to bail out the contractors? . . . Who's going to bail out all these people that have, you know, 40, 60, 80 employees, 110 employees? Who's going to bail them out when they can't make these payrolls and we have millions upon millions of people unemployed?"