

INSIGHT: Insurance Will Cover Coronavirus if Asbestos Lessons Prevail

Insurance claims related to Covid-19 are ongoing and potentially of huge magnitude. Paley Rothman attorneys say the insurance industry should apply lessons learned from years of asbestos litigation and lawsuits involving coverage for other types of exposures, and work with policyholders and Congress to craft a mechanism to resolve claims.

It's been said that the decades of asbestos claims and litigation resulted in the largest transfer of wealth in the U.S. and around the world. Covid-19 has the very real potential to, in effect, fold an asbestos-like wealth redistribution into one year.

In 2006, the Congressional Research Service estimated that legal expenses on asbestos litigation may exceed \$200 billion to \$250 billion, with asbestos producers and their insurers bearing the majority of those expenses. After deducting the legal expenses of both asbestos plaintiffs and defendants, the net recovery to claimants was only about 42% of the spending.

The magnitude of the litigation-related expenditures in the asbestos experience is incredibly inefficient, particularly when one considers the volume of bankruptcies caused by asbestos claims.

Now with the pandemic, we may have a collective opportunity to reimagine how we come to terms with an exposure of the magnitude presented by Covid-19, avoid mistakes made in the asbestos experience, and craft a model for resolution in which all stakeholders—policyholders, insurance companies and the government—spread the loss in an equitable fashion.

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To view the full article, visit the Bloomberg Law website: "INSIGHT: Insurance Will Cover Coronavirus if Asbestos Lessons Prevail" by Robert Shulman and Cristen Rose, Insurance Recovery.



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