

# Covid-19 Financial Recoveries



## EY Claims & Disputes Services

Covid-19 impacts are resulting in significant, almost unprecedented, disruption for many sectors. This disruption is already beginning to cause substantial financial losses.

EY's FIS Claims & Disputes professionals have set out some key questions to help you navigate this with your clients.

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# 1

### How may we claim our losses?

We see 3 key means to claim losses arising from Covid-19 impacts:

- ▶ insurance
- ▶ government support
- ▶ Direct claims (vs State or other contracting parties for business interruption losses ("BI losses")).

Whilst it is always worth checking whether you & your business are insured against such losses, many policies may exclude claims for the current situation unless there are specific provisions for e.g. major event cancellation. This will leave many organisations reliant on either governmental grants and fiscal support measures, or on direct claims. In the Czech Republic, the current government support via CMZRB is focused on helping SME's with interest-free loans for 2 years of up to CZK 15m,

together with certain measures in respect of salary support for businesses affected by the obligations to suspend operations which were announced on 19 March 2020. We anticipate that as other EU governments launch their own fiscal support packages for industry, the Czech government continue to update its support programmes, with packages targeted at the sectors with the highest impact. This may include for instance travel & tourism; certain retail operations; real estate agencies and developers, and international transportation.

# 2

### What could we include in our claim?

This will depend on the type of claim being made. For claims for government fiscal support it is likely that there will be a formal claims submission requiring submission of information setting out the basis for the claim,

including financial and operational factors. For contractual claims, a detailed analysis of the contractual requirements and associated business impacts will be required. For broader claims against the state, it may be necessary to look to the earnings that could have been made if the Covid-19 impacts did not happen. As the total duration of the Covid-19 impacts are a major unknown, we believe there are 3 main factors to consider:

- ▶ Establish a clear methodology to capture the expected financial impacts. Many businesses are complex and a clear understanding of where, and how, the losses arise will be key.
- ▶ Start gathering the information you may need right away. A major burden in establishing effective claims is getting the right evidence in place. This is much more of a burden weeks or months after the events happened.
- ▶ Ensure your organization demonstrates how it mitigate the damages. You will not be allowed to do nothing to mitigate the damage and expect someone else to pick up the cheque. So make sure what you are doing to reduce the financial impact is clearly documented and quantified.

# 3

Also, a clear and concise methodology that is understandable and considers all impacts on the business will be paramount. Many claims fail due to an inability to properly describe, with evidence, how the business was really impacted.

a strong advisor by your side. EY Claims & Disputes professionals have a track record of supporting business in identifying the best means to recover losses, either via insured events; claiming fiscal support; or through more formal claims processes. We work with you either independently, or in collaboration with leading law firms, to ensure you and your counterparties have confidence that your claim is well made.

## How do we quantify losses from Business Interruption?

Contrary to physical property damages which are typically more easy to quantify, BI losses are more complex and will likely need to be supported by a model with relevant assumptions that clearly demonstrate what you expected to earn during the impacted period, supported by both historical information, and future plans as the date the impact was first felt.

# 5

## How do we convince our counterparties that our claim is credible?

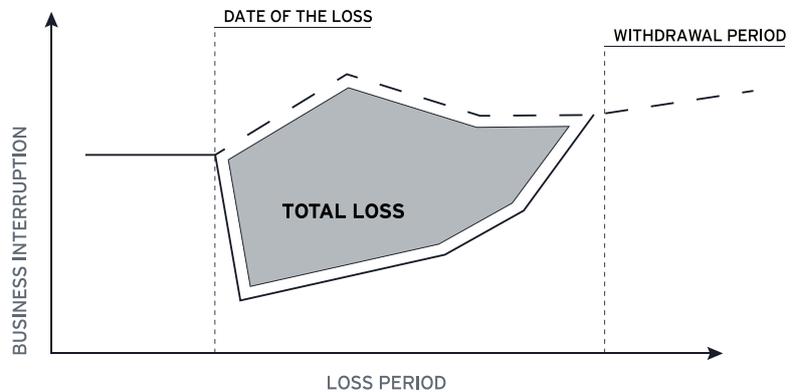
Following the guidance above will help. But it often helps to have

# 4

## What we should do to prove our claim?

Any claim must be proved and supported by relevant evidence. That is why it is important to start gathering that information now, as over time the ability to find, or recreate, information becomes much more difficult, or actually disappears (think - relevant e-mail and other correspondence is deleted).

## Our understanding of your loss



- Economic situation - without the loss
- Economic situation - with the loss
- Total loss

## Key EY Contacts



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