

A Research on COVID-19 Insurance Contract: Claims, Modification, and Regulation

Chun-Yuan Chen^{}*

Abstract

The COVID-19 pandemic has had a profound impact on both human society and the insurance industry. Throughout 2022, numerous controversies emerged regarding COVID-19 insurance contracts triggered by confirmed cases or isolation, aimed at providing coverage for hospitalization, medical care, and fixed amounts. These controversies encompass not only issues related to the interpretation of contracts but also concerns about the appropriateness of guidance and instructions issued by authorities. This paper endeavors to explore three primary subtopics sequentially: claims, modifications, and regulations of COVID-19 insurance contracts. Firstly, the paper will commence by scrutinizing interpretation and claim issues to elucidate the scope of the contract's effectiveness. Secondly, it will proceed to examine potential modifications and remedial mechanisms of insurance contracts, such as impossibility of performance, culpa in contrahendo, and change of circumstances. Thirdly, the paper will delve into an assessment of the appropriateness of authority responses, followed by proposing recommendations to amend Taiwanese law.

This study concludes that the majority of the authority's interpretations of insurance contracts are sound, and there exists no justifiable basis for contract modification. Consequently, the guidance and instructions provided by the authority are generally deemed appropriate. However, categorizing homecare as equivalent to hospitalization raises suspicions. Moreover, although such

* Professor, Department of Risk Management and Insurance, National ChengChi University. J.S.D., University of Illinois College of Law.
E-mail: aoxuldua@gmail.com

instructions are typically classified as administrative guidance, this paper contends that such categorization hinges on their relationship with subsequent administrative sanctions and their adherence to general legal principles and legitimate expectations. Failure to meet these criteria may potentially result in damages and liability. In evaluating the significance of damage to the contract, we recommend applying the two-prong test utilized in the United States and considering the nature of insurance contracts. Furthermore, we propose following the lead of the United States in amending relevant laws to incorporate special provisions allowing for the temporary modification of insurance contracts, thereby enabling more efficient handling of similar scenarios in the future.

Keywords: COVID-19, insurance contract, payout, change of circumstance, interpretation of contract, two-prong test, substantial impairment, insurance regulation, freedom of contract, administrative guidance