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13 **UNITED STATES DISTRICT COURT**
 14 **CENTRAL DISTRICT OF CALIFORNIA**

16 The Los Angeles Lakers, Inc.
 17 Plaintiff,
 18 vs.
 19 Federal Insurance Company
 20 Defendant.

Case No.
COMPLAINT FOR
1. DECLARATORY JUDGMENT;
2. BREACH OF CONTRACT; and
3. BREACH OF THE IMPLIED
COVENANT OF GOOD FAITH
AND FAIR DEALING.
JURY TRIAL DEMANDED

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1 1. The novel coronavirus SARS-CoV-2, which is responsible for the
2 COVID-19 disease, has caused the most devastating global pandemic in a century
3 and inflicted untold human suffering. In the United States, more than 530,000
4 Americans are dead. Millions more have contracted the disease.

5 2. Tiny droplets of the novel coronavirus from an infected person are
6 dispersed through the air and can be breathed in by a new host. The virus lands on
7 surfaces and, if someone touches it, it can be carried to his or her nose, mouth, or
8 eyes, where it can enter the body and replicate. The coronavirus damages properties
9 by physically altering their condition such that they are no longer fit for occupancy
10 or use without extensive physical alterations, disinfection, sanitizing, and other
11 safety protocols necessary to make the properties safe. Without such physical
12 alterations and protocols to make properties safe and fit for use, the virus would
13 continue to damage the air and make it unsafe to breathe, and attach itself to and
14 physically change the condition of building surfaces. Without physical alterations,
15 the virus would contaminate building systems, such as ventilation and plumbing. In
16 structures like sports arenas, the purpose of which is to hold thousands of people
17 comfortably but compactly, substantial physical alterations and extensive safety
18 protocols must be instituted to prevent ongoing and future property damage and
19 protect public health and safety.

20 3. The coronavirus was physically present at the Staples Center and
21 surrounding properties and caused physical loss and damage to those properties by
22 physically altering their condition, such that extensive physical alterations and new
23 protocols for disinfection and infectious disease prevention were necessary to make
24 the arena fit for occupancy and to create a safe environment for fans to attend. At
25 the Staples Center, those physical alterations and detailed new protocols have been
26 and continue to be implemented over many months to prevent further damage to
27 public health and the property by the virus. The arena nevertheless remains closed
28 to the public by continuing state and local governmental orders.

1 4. The economic impact of the virus has paralleled its devastating health
2 effects and property losses. Countless small businesses across the country are
3 closing their doors without any hope of reopening. Economists reckon the
4 coronavirus has worked a destruction of capital more severe even than the Great
5 Recession. At last check, nationwide unemployment is at 6.2 percent and the
6 California unemployment rate is at 9.2 percent.

7 5. Meanwhile, the Chubb insurance company six weeks ago posted
8 *quarterly* gross income from premiums of over \$10.2 billion, with profits of over
9 \$2.4 billion—in excess of *\$1.2 billion more* than the profits posted the same quarter
10 last year. The past year may have been terrible for the rest of us, but it has been
11 terrific for the insurance companies. From March 10, 2020 to today, Chubb’s stock
12 price has risen approximately 25 percent.

13 6. Why is Chubb so flush when many American businesses are in
14 desperate straits? The reason is simple. Chubb’s coffers are filled with the
15 premiums paid by its customers—the same customers for whom Chubb has refused
16 to pay out on “all-risk” policies that cover losses on all of an insured’s risks except
17 those expressly excluded from the contract. Many of Chubb’s all-risk policies
18 include so-called “virus exclusions” that, at least since the SARS outbreak of several
19 years ago, were added to policies with the aim of excluding losses caused by viral
20 pandemics. Other Chubb policies, however—including the one the Lakers
21 purchased and that forms the subject of this suit—include no such exclusion. In
22 other words, the Lakers’ policy covers losses occasioned by pandemics
23 like COVID-19.

24 7. Chubb, meanwhile, has refused to pay on either type of policy, virus
25 exclusion or not. In fact, Chubb curtly dismissed the Lakers’ claim with a form
26 letter and without conducting any investigation into the facts. Worse yet, it has
27 refused to pay its customers as a matter of policy on the orders of its CEO, instead
28

1 pushing the false narrative that losses from COVID are somehow not covered
2 claims. This lawsuit is compelled by that callous and legally untenable response.

3 **NATURE OF THE ACTION**

4 8. This action arises out of Chubb’s wrongful failure to provide insurance
5 coverage to The Los Angeles Lakers, Inc. for substantial losses resulting from
6 damage to its property caused by the presence of the coronavirus¹ SARS-CoV-2 on
7 property owned or used by the Lakers, and governmental shut-down orders
8 forbidding access to the property as a result thereof. The Lakers seek to hold Chubb
9 responsible for its wrongful conduct by recovering damages for breach of contract
10 and breach of the duty of good faith and fair dealing, as well as obtaining
11 declarations that Chubb must provide the Lakers with the coverage it promised and
12 for which the Lakers paid Chubb.

13 9. The Los Angeles Lakers, Inc. owns and operates the Los Angeles
14 Lakers basketball team. The Lakers are one of the most successful and storied
15 teams in all of professional sports, winning a record-tying 17 NBA championships,
16 including the 2019-2020 title this past October.

17 10. Each year, thousands of fans attend Lakers’ home games to cheer on
18 the team and celebrate its success with their fellow fans. The Lakers earn hundreds
19 of millions of dollars in annual revenue from home games, both during the regular
20 season and after, boosted by deep playoff runs.

21 11. The Lakers have always faced the risk that they would be unable to
22 host home games because of a dangerous condition at their home arena—the Staples
23 Center—or a governmental order resulting from a dangerous condition nearby.

24 12. The Lakers protected themselves against these risks by purchasing
25 insurance from Chubb, through an entity in the Chubb corporate family called

26 _____
27 ¹ Although there are many types of coronavirus, references to “the coronavirus” in
28 this complaint refer to SARS-CoV-2, which causes a disease known as “COVID-
19.”

1 Federal Insurance Company.² Chubb holds itself out to the public as being
2 “different” from other insurance companies because “we honor the promises we’ve
3 made to you.” “[W]e don’t just process claims,” Chubb promises, “we make
4 things right.”

5 13. The Lakers purchased a broad commercial property insurance policy
6 from Chubb in August 2019, paying a \$145,052 premium. The policy covers
7 “Business Income and Extra Expense” losses incurred by the Lakers because of
8 physical loss or damage to property. This is known as “business interruption”
9 coverage in the insurance industry. The policy also covers business income losses
10 and expenses incurred because of an order from civil authorities prohibiting access
11 to the Staples Center, prompted by physical loss or damage to nearby property.

12 14. The policy the Lakers purchased from Chubb is called an “all-risk”
13 policy. All-risk policies protect against all risks of loss except those explicitly
14 excluded from coverage. By contrast, a “specific peril” policy is limited to risks of
15 loss that are specifically enumerated; *e.g.*, an earthquake, hurricane, or fire. Unlike
16 some of the insurance policies Chubb has sold to other customers, the Lakers’ policy
17 with Chubb does not exclude losses caused by viruses or communicable disease.

18 15. Since well before the pandemic, Chubb’s annual reports filed with the
19 U.S. Securities and Exchange Commission have stated: “We have substantial
20 exposure to losses resulting from . . . catastrophic events, *including pandemics.*”
21 (Emphasis added.) Chubb identified as a risk to its business, “infection rates and
22 severity of pandemics and their effects on our business operations and
23 claims activity.”³

24
25 ² Defendant Federal Insurance Company is referred to in this complaint as “Chubb,”
26 and references to statements made by Chubb in this complaint include the defendant
27 Federal Insurance Company and its parent and affiliates.

28 ³ *See, e.g.*, Chubb 2019 Annual Report and Chubb 2019 10-K; Chubb 2018 Annual
Report and Chubb 2018 10-K.

1 16. The Lakers reasonably expected that if damage to the arena from a
2 virus or communicable disease made it impossible to safely host games with fans in
3 attendance, or if civil authorities prohibited games from going forward, Chubb
4 would provide the coverage it had promised and for which they had paid.

5 17. The Lakers experienced precisely the type of losses for which they
6 purchased insurance. In early March 2020, it was confirmed that the coronavirus
7 was present at the Staples Center. On March 11, 2020, the NBA suspended its
8 season due to the coronavirus. The season only resumed months later without fans
9 in attendance.

10 18. California, Los Angeles County, and the City of Los Angeles all
11 independently issued orders that prohibited the Lakers from hosting fans at home
12 games at the Staples Center.

13 19. As a result, the Lakers suffered tens of millions of dollars in lost
14 revenue from ticket sales, media rights, sponsorships, and other sources of revenue.
15 The Lakers then turned to Chubb to provide the coverage for which they
16 had contracted.

17 20. Chubb has prohibited its claim handlers from determining whether the
18 coronavirus caused physical loss or damage to the property of individual
19 policyholders—thus triggering business interruption coverage—and instead has
20 instructed them to deny all such claims on a blanket basis. This direction appears to
21 have come from the very highest levels at Chubb.

22 21. On an April 22, 2020 shareholders call, the Chairman and CEO of
23 Chubb stated that Chubb would fight business interruption claims “tooth and nail”
24 by contesting that the virus caused “direct physical loss or damage” to property.

25 22. Chubb wrongly denied coverage to the Lakers, taking the position that
26 the coronavirus did not cause any “direct physical loss or damage” at the Staples
27 Center—having, of course, conducted no investigation before reaching
28 that conclusion.

1 29. Venue is proper under 28 U.S.C. § 1391(b) because the events giving
2 rise to the claims occurred here, including Chubb issuing the insurance policy
3 to the Lakers.

4 **FACTUAL ALLEGATIONS**

5 **A. The Lakers Purchase Broad Coverage from Chubb to Insure**
6 **Against Property and Business Interruption Losses**

7 30. The Lakers face a substantial business risk if they cannot host games
8 with fans at the Staples Center because of a dangerous physical condition at the
9 property or a civil order prohibiting access. Under these circumstances, the Lakers
10 are deprived of core sources of revenue, including ticket and suite sales; television,
11 radio, and other media rights; sponsorships and advertising; concessions;
12 merchandise sales; and parking fees.

13 31. To protect against this risk, the Lakers obtained comprehensive
14 insurance from Chubb. Chubb holds itself out as a more dependable partner than its
15 competitors. It claims to be an insurer policyholders can depend on to pay valid
16 claims promptly and fully, rather than looking for excuses to avoid or
17 limit coverage.

18 32. Chubb’s website provides the following response to the question, “How
19 is Chubb different?”

20 We don’t just process claims, we make things right.

21 We hope you never need to file a claim with us. But if you do,
22 that’s our opportunity to show you what “craftsmanship” means
23 in service to you. It means a quick response when you need it
24 most. It means Chubb people working with empathy,
25 integrity[,] and our legendary attention to detail to make you
26 whole. It means we honor the promises we’ve made to you.
27 Your loved ones, your employees, your home, your business
28 reputation—these things matter. These things are personal, for
you and for us. We’re here to help.

1 33. Chubb’s website also touts its superior claims handling:

2 The insurance claims process can sometimes be, well, a
3 process. At Chubb, it’s different. That’s because we’re not just
4 in the insurance business, we’re in the people business. Our
5 experienced claims specialists are relentless about every detail
6 in the most personal way possible. Whether you have a
business, homeowners[,] or auto policy, it’s our policy to make
your life easier.

7 34. The Lakers purchased a broad commercial property policy from Chubb
8 bearing policy number 3575-77-70 LIO for the period August 1, 2019 to August 1,
9 2020. It is attached as Exhibit A.

10 35. The limit of the Chubb policy for property damage is \$89,364,563. Its
11 limit for business interruption losses is \$47,600,000. (*See* Ex. A (“Policy”) at
12 “Premises Coverages—Blanket Limits.”) The Policy covers “direct physical loss or
13 damage to” specified covered buildings and personal property. (*See* Policy at
14 Building And Personal Property form 80-02-1000 (Rev. 3-19) at Page 3.) The
15 Staples Center (located at 1111 S. Figueroa Street, Los Angeles, California 90015)
16 is a covered property.

17 36. The Lakers paid all premiums under the Policy, totaling \$145,052, and
18 Chubb accepted them.

19 37. Chubb drafted the Policy.

20 38. The Policy covers the Lakers for business income losses and expenses
21 incurred by “direct physical loss or damage” to their covered property. The
22 Policy says:

23 We will pay for the actual:

- 24 • **business income** loss you incur due to the actual impairment
25 of your operations; and
26
27 • **extra expense** you incur due to the actual or potential
28 impairment of your **operations**,

1 during the **period of restoration**, not to exceed the applicable
2 Limit of Insurance for Business Income With Extra Expense
shown in the Declarations.

3 This actual or potential impairment of **operations** must be
4 caused by or result from direct physical loss or damage by a
5 **covered peril to property**, unless otherwise stated.

6 (*See* Policy at Business Income With Extra Expense form 80-02-1004
7 (Rev. 3-19) at page 3) (emphases in original).

8 39. The “period of restoration” begins “immediately after the time of direct
9 physical loss or damage by a **covered peril to property**” and “continu[es] until [the
10 Lakers’] **operations** are restored, with reasonable speed, to the level which would
11 generate the **business income** amount that would have existed if no direct physical
12 loss or damage occurred.” (*See* Policy at Property/Business Income Conditions and
13 Definitions Form 80-02-1097 (Rev. 3-19) at page 21) (emphases in original).

14 40. The “period of restoration” for business interruption coverage includes
15 time that business is interrupted “to comply with any ordinance or law.” In other
16 words, so long as the law requires the Lakers’ covered property to remain closed
17 after a virus outbreak, the period of restoration continues.

18 41. The Chubb Policy also specifically includes “Civil Authority”
19 coverage. Civil authority coverage is for business income losses and expenses “due
20 to the actual . . . impairment of your operations, directly caused by the prohibition of
21 access to” the specified covered property by a government entity (*i.e.*, a civil
22 authority), provided that the “prohibition of access by a civil authority must be the
23 direct result of direct physical loss or damage to property” away from but within one
24 mile of the Lakers’ covered property. (*See* Policy at Business Income With Extra
25 Expense form 80-02-1004 (Rev. 3-19) at page 6.)

26 42. These provisions taken together provide comprehensive coverage for
27 government orders that bar the public from entering a covered property. If the order
28 is the result of direct physical loss or damage at the property itself, business

1 interruption losses are covered by the Policy’s business interruption coverage, with
2 the period of restoration continuing until ordinary operations are restored, including
3 as long as the government requires the business to stay closed. If the government
4 order shuts down the property because of damage to other properties within one
5 mile, then civil authority coverage applies. And if the government order is the result
6 of both on-site and nearby direct physical loss or damage, both provisions apply.

7 43. The insurance industry has long known that viruses and communicable
8 diseases can cause physical loss or damage to property. Most insurers, including
9 Chubb, have created contractual “virus exclusions” to avoid providing coverage for
10 these losses, which would otherwise be covered. Chubb has included virus
11 exclusions in other insurance agreements. However, the Policy that Chubb sold to
12 the Lakers does not exclude loss or damage caused by viruses, communicable
13 diseases, or pandemics.

14 44. A broad form virus exclusion provision was developed by the
15 Insurance Services Office, Inc. or “ISO.” ISO is an insurance industry trade
16 organization that among other things develops model provisions that insurance
17 companies, including Chubb, use in the policies they issue. In preparing its virus
18 exclusion provision, the ISO circulated a statement to state insurance regulators on
19 behalf of its insurance company members and clients, including Chubb.

20 It acknowledged:

21 Disease-causing agents may render a product impure (change
22 its quality or substance), or enable the spread of disease by their
23 presence on interior building surfaces or the surfaces of
24 personal property. When disease-causing viral or bacterial
25 contamination occurs, potential claims involve the cost of
26 replacement of property (for example, the milk), cost of
27 decontamination (for example, interior building surfaces), and
28 business interruption (time element) losses. Although building
and personal property could arguably become contaminated
(often temporarily) by such viruses and bacteria, the nature of
the property itself would have a bearing on whether there is

1 actual property damage. An allegation of property damage may
2 be a point of disagreement in a particular case.

3 45. The ISO stated it was creating the new exclusion to protect its
4 members. The “specter of [a] pandemic or hitherto unorthodox transmission of
5 infectious material,” warned the ISO circular, made it so insurers without a virus
6 exclusion “may face claims.”

7 46. The Policy the Lakers purchased from Chubb does not contain a
8 virus exclusion.

9 47. Because the Lakers’ “all-risk” policy with Chubb contained no
10 provision excluding losses caused by the coronavirus (or any virus or communicable
11 disease of any sort) and the subsequent actions of civil authorities, the Lakers
12 reasonably expected that the “all-risk” Policy they purchased from Chubb would
13 cover these losses.

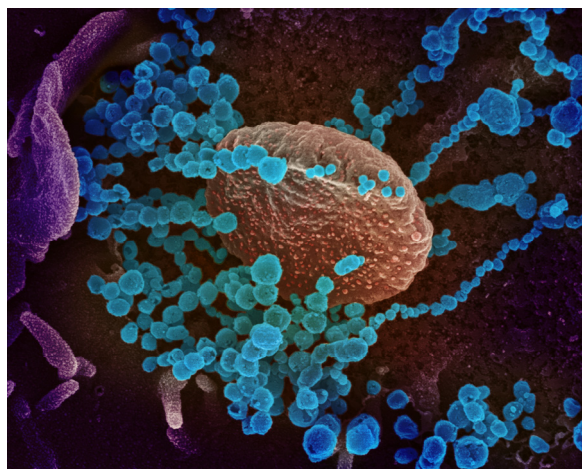
14 **B. The Lakers Have Incurred Substantial Losses that the**
15 **Policy Covers**

16 **i. SARS-CoV-2 and the Loss and Damage it Causes to Property**

17 48. Coronaviruses are a family of viruses that can cause illnesses ranging
18 from the common cold to deadly diseases like severe acute respiratory syndrome
19 (SARS) and Middle East respiratory syndrome (MERS). In late 2019, a new
20 coronavirus was identified as causing a disease outbreak in China. It was later
21 named COVID-19 and the virus designated as SARS-CoV-2.

22 49. Although viruses are invisible to the naked eye, or even under a
23 standard optical microscope of the sort used in high school classrooms, electron
24 microscopy has revealed the physical structure of individual virus particles, also
25 known as “virions.”

26 50. Individual virions of SARS-CoV-2 have been photographed by the
27 National Institute of Allergy and Infectious Disease using scanning electron (Figure
28 1) and transmission electron microscopes (Figure 2).



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Figure 1: SEM image of SARS-Cov-2 virions (in blue) emerging from surface of cell, taken by NIAID

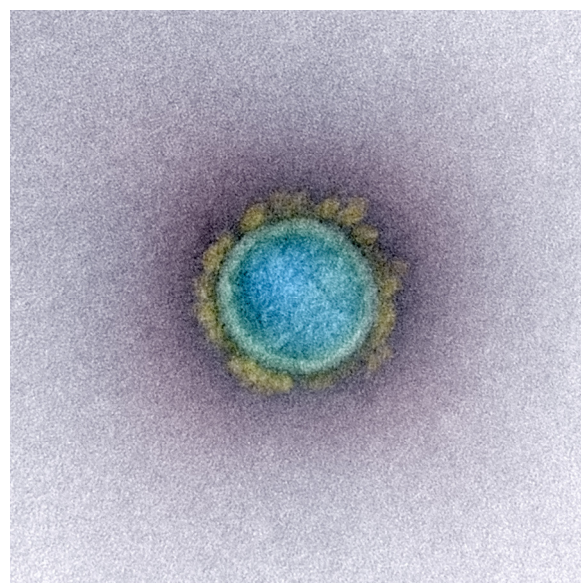


Figure 2: TEM image of individual SARS-CoV-2 virion, taken by NIAID

13 51. Since being identified in late 2019, SARS-CoV-2 has spread rapidly
14 throughout the world. The first documented case of coronavirus in Los Angeles was
15 observed on January 22, 2020, and community spread in Los Angeles was identified
16 in March. Unbeknownst to the Lakers and many others at the time, however,
17 scientific analysis shows the virus was widespread in the community as early as
18 December 2019. As UCLA researchers discovered after the fact, from December
19 2019 to February 2020, 50 percent more patients reported to UCLA Health hospitals
20 and clinics with coughs and acute respiratory failure than had been seen during the
21 corresponding periods, averaged over the five prior years. By February 2020,
22 doctors across Los Angeles County were reporting an unexpected rise in patients
23 with flu-like illnesses, even as actual influenza rates were dropping. Health officials
24 have subsequently identified this trend as an outbreak of the coronavirus in
25 the community.

26 52. A person can contract the coronavirus from exposure to respiratory
27 droplets when an infected person coughs, talks, shouts, or sings; aerosols produced
28 by normal breathing; or by touching an infected surface.

1 53. That the coronavirus can be transmitted through aerosols makes it
2 particularly dangerous. Unlike larger droplets, which quickly fall to the ground or
3 nearby surfaces, aerosols behave like smoke. After being expelled, they disperse
4 through the air, to be inhaled by anyone present on the property, circulating through
5 air flow and spreading the virus.

6 54. Each coronavirus virion is a physical object with a material existence
7 that can survive outside the human body in viral fluid particles that, like the virion
8 itself, cannot be seen by the naked eye. As with other small particles like dust, the
9 physical viruses linger in the air, traveling on air currents until they attach to an
10 object or other surface.

11 55. Scientific studies have confirmed that the coronavirus remains capable
12 of being further transmitted from physical surfaces, creating a dangerous property
13 condition. For example, a study published in the April 16, 2020 *New England*
14 *Journal of Medicine* reported that the virus persisted on plastic and stainless steel.
15 Another study, published in the *Journal of Hospital Infection*, found that the
16 coronavirus can remain infectious on inanimate surfaces at room temperature for
17 well over a week. An April 2020 study published in the journal *Emerging Infectious*
18 *Diseases* found a wide distribution of the coronavirus on surfaces in hospital wards
19 in Wuhan, China, including floors, computer mice, trash bins, bed handrails,
20 patients' face masks, health workers' personal protective equipment, and air vents.
21 Numerous other scientific studies have found that the virus persists on doorknobs,
22 toilets, faucets, and other high-touch points. Recognizing the ability of the
23 coronavirus to attach onto surfaces, researchers have developed technology to test
24 buildings for the coronavirus, and biotechnology companies have been able to detect
25 the virus on building surfaces. Without substantial physical alterations, systems
26 changes to facilities, and new protocols for air circulation, disinfection, and disease
27 prevention, an infected property cannot remain open to the public. Cleaning of
28 surfaces alone is insufficient, as touched surfaces will be re-contaminated. The

1 presence of the virus on fixtures and building systems physically alters the property,
2 such that physical alteration and other measures are necessary to make the
3 property safe.

4 56. Because the coronavirus can spread throughout a property in airborne
5 particles, it can damage building systems, spread through air flow, and contaminate
6 a structure. Numerous articles have demonstrated that without proper modifications,
7 equipment, and protocols in place, aerosols containing the coronavirus recirculate
8 through building systems, such as air circulation and plumbing systems. Medical
9 researchers have advised that physical alterations to buildings and fixtures are
10 necessary to remediate the presence of the coronavirus. In short, physical repairs
11 and alterations of property are required to render property safe from the coronavirus
12 and return it to a usable state.

13 57. Again, without major alterations, equipment, and protocols, once the
14 virus is present, it spreads throughout the structure and through building systems as
15 people enter the building and move about. A person who touches a contaminated
16 object can transmit the virus to previously uncontaminated surfaces.

17 58. The persistent presence of the coronavirus on surfaces and in the air
18 damages buildings, fixtures, systems, and personal property and renders such
19 properties unsafe and unfit for occupancy and use without physical alterations and
20 safety protocols. The coronavirus has a material physical existence; is contained in
21 respiratory droplets and aerosols; attaches to and alters the surfaces of property from
22 once-safe surfaces to fomites containing the virus; and alters the physical condition
23 of air in buildings, all of which constitutes physical damage to and loss of
24 the properties.

25 **ii. The Lakers Have Suffered “Direct Physical Loss or Damage”**
26 **to Their Property**

27 59. On March 19, 2020, two Lakers players who had played games at the
28 Staples Center during the first eleven days of March 2020 tested positive for the

1 coronavirus. Other players from teams who played games at the Staples Center
2 during the same period—including four NBA players from the Brooklyn Nets and
3 eight NHL hockey players from the Ottawa Senators and Colorado Avalanche (in
4 addition to one member of the Senators’ staff)—also tested positive. In addition,
5 other coronavirus-positive individuals were likely present at the arena.

6 60. The presence of the coronavirus at the Staples Center damaged the
7 property, dispersing through the air and affixing to fixtures such as seating,
8 concession areas, food service facilities, toilets, plumbing fixtures and systems,
9 locker rooms, and training facilities, playing surfaces and equipment; contaminating
10 key building systems; and damaging surfaces throughout the building.

11 61. The damage caused by the presence of the virus at the Staples Center
12 made it unusable for hosting Lakers games with fans in attendance for months, so
13 that physical alterations and building system changes could be made to the property
14 to make it safe for fans to attend, and new protocols for disinfection and infectious
15 disease prevention could be implemented. These have been, or are now being,
16 completed, but the arena remains closed to the public under state and local
17 governmental orders. Because of the presence of the coronavirus and/or the
18 government orders, the Lakers are unable to invite fans into the Staples Center and
19 thus are unable to use their property for its intended purpose and suffered physical
20 loss to the property.

21 62. The physical alterations, building system changes, and disinfection and
22 prevention protocols adopted at the Staples Center over many months include
23 upgrades of all air filters to MERV 15 standards to remove extremely small airborne
24 particles of dust, pollen, bacteria, and virus; the addition of numerous hand
25 sanitizing stations; the installation of hundreds of touchless plumbing fixtures, such
26 as touchless toilets and sinks; the installation of nanoseptic sleeves over elevator
27 buttons and door handles; touchless light switches; the reconfiguration of physical
28 space including the installation of numerous plexiglass dividers; and the installation

1 of additional air filters.

2 63. To ensure the safety of the arena for the public and to protect against
3 further property damage, the Staples Center implemented physical measures and
4 practices to receive performance-based accreditation under the GBAC STAR
5 Accreditation Program on Cleaning, Disinfection, and Infectious Disease Prevention
6 for Facilities. This program requires facilities to establish and maintain for as long
7 as necessary to ensure safety a cleaning, disinfection, and infectious disease
8 prevention program to minimize risk associated with infectious agents such as the
9 coronavirus to protect employees, customers, clients, visitors, the community, and
10 the environment. Among the numerous requirements of the GBAC accreditation
11 program are engineering controls for sanitization and disinfection; automated
12 cleaning and disinfection technologies; touchless facilities and technologies;
13 surfaces, objects, and equipment having long term antibacterial and antiviral
14 properties; HVAC systems with ultraviolet cleaning and air filtration; and physical
15 barriers to prevent person to person contact.

16 **iii. The Direct Physical Loss or Damage to the Lakers' Property**
17 **Interrupted and Continues to Interrupt its Business**

18 64. Over 200,000 fans attended Lakers games at the Staples Center and
19 watched the Lakers play over a dozen home games in January and February 2020.
20 The Lakers also hosted a special event at the Staples Center commemorating the
21 tragic death of Lakers legend Kobe Bryant, with so many in attendance that the
22 Staples Center was filled to capacity. Many other fans gathered on the property
23 outside. The Los Angeles Clippers and Los Angeles Kings also played frequently at
24 the Staples Center in January and February. The Grammy Awards were held there
25 on January 26. The Staples Center prior to its shutdown was almost never empty for
26 more than a day or two during the NBA and NHL seasons. It was only a matter of
27 time until the coronavirus infiltrated and damaged the property and individuals
28 became infected.

1 65. By the end of February, the Staples Center began implementing
2 changes to protect the property from further loss or damage and prevent the
3 presence and transmission of the virus between attendees at events. Beginning in
4 March, it took steps to make the facility increasingly “touchless,” added nearly 200
5 hand sanitizer stations, and made other changes to minimize entrants’ risk of coming
6 into contact with the virus.

7 66. Between March 3 and March 11, 2020, the Lakers played four games at
8 the Staples Center, against the Philadelphia 76ers, Milwaukee Bucks, Los Angeles
9 Clippers, and Brooklyn Nets. The Kings also played four home games at the Staples
10 Center during that stretch.

11 67. On March 10, 2020, the same day as a Lakers home game against the
12 Nets, Governor Newsom held a news conference expressing concern about fan
13 exposure to the coronavirus while attending NBA games in California. While he
14 stopped short of calling for games to be canceled, Governor Newsom said sports
15 leagues and local health officials bore the responsibility to ensure that large events,
16 including games, could be held safely.

17 68. On March 11, 2020, the NBA cancelled a game between the Utah Jazz
18 and the Oklahoma City Thunder after a player on the Jazz tested positive for the
19 coronavirus. The NBA also announced a “hiatus” of gameplay “to determine next
20 steps for moving forward in regard to the coronavirus.”

21 69. Within hours of the NBA’s announcement, Governor Newsom and the
22 California Department of Public Health called for the postponement or cancellation
23 of gatherings with more than 250 people in attendance, including all professional
24 sporting events. The following day, the Governor issued Executive Order N-25-20,
25 stating: “All residents are to heed any orders and guidance of state and local public
26 health officials, including but not limited to the imposition of social distancing
27 measures, to control the spread of COVID-19.”
28

1 70. Also on March 12, 2020, the NBA announced that its hiatus would last
2 at least 30 days.

3 71. On March 15, 2020, Los Angeles Mayor Eric Garcetti issued a “Public
4 Order Under City of Los Angeles Emergency Authority.” All live performance
5 venues were closed to the public.

6 72. Mayor Garcetti followed his March 15 order with a “Safer at Home”
7 order on March 19, 2020, which explained that its mandates resulted from the risk
8 coronavirus posed to “life and property in the City of Los Angeles.” The same point
9 was made on April 1, 2020, when Mayor Garcetti revised the order to include an
10 explanation of its purpose: “This Order is given because, among other reasons, the
11 COVID-19 virus can spread easily from person to person and *it is physically*
12 *causing property loss or damage due to its tendency to attach to surfaces for*
13 *prolonged periods of time.*” (Emphasis added.) The Safer at Home Order stated
14 that a failure to comply would “constitute a misdemeanor subject to fines and
15 imprisonment” and directed the Los Angeles Police Department and city prosecutors
16 to “vigorously enforce” its requirements.

17 73. On March 16, 2020, the County of Los Angeles Department of Public
18 Health issued a “Health Officer Order for the Control of COVID-19,” which
19 prohibited all indoor public and private gatherings of 50 or more individuals,
20 including athletic events and events in arenas, and required the closure of gyms and
21 fitness centers.

22 74. On March 19, 2020, the County of Los Angeles supplanted its
23 March 16 order with a new “Safer at Home Order.” It prohibited public gatherings
24 of more than ten people. The county orders carried the weight of law, and their
25 violation was “a crime punishable by fine, imprisonment, or both.”

26 75. Also on March 19, Governor Newsom issued Executive Order
27 N-33-20, requiring Californians to “stay home or at their place of residence except
28 as needed to maintain continuity of operations of the federal critical infrastructure

1 sectors.” The order incorporated Government Code 8665, under which “[a]ny
2 person . . . who refuses or willfully neglects to obey any lawful order . . . issued as
3 provided in this chapter, shall be guilty of a misdemeanor and, upon conviction
4 thereof, shall be punishable by a fine of not to exceed one thousand dollars (\$1,000)
5 or by imprisonment for not to exceed six months or by both such fine
6 and imprisonment.”

7 76. Although these orders do not mention the Staples Center by name, the
8 arena, which is less than two miles from Los Angeles City Hall, was undoubtedly
9 contemplated as one of its principal subjects. This is particularly true for the orders
10 issued by Los Angeles County and City, where the Staples Center is the only
11 property of its kind. The Lakers, Clippers, Sparks, and Kings all play at the Staples
12 Center. Thus, any reference to sports arenas in the county and city orders is a *de*
13 *facto* reference to the Staples Center. The decision to close Los Angeles sports
14 arenas to the public was functionally a determination that the Staples Center
15 specifically must remain closed.

16 77. The decisions of State, County, and City leaders in mid-March to
17 prohibit games at the Staples Center were based upon their assessment that the virus
18 was already present at the property and that allowing access would result in further
19 damage to the arena and worsen its spread.

20 78. That assessment proved accurate. In the weeks following the initial
21 shutdown, athletes from multiple teams who had played at the Staples Center in
22 early March 2020 tested positive for the coronavirus, confirming its presence and
23 spread at the property during that time.

24 79. On March 17, 2020, the Brooklyn Nets, the last team to play the Lakers
25 at the Staples Center before the hiatus, announced that four of their players had
26 tested positive for the coronavirus.

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1 80. In response, public health officials and Lakers team physicians
2 recommended that Lakers players be tested as well. On March 19, 2020, two Lakers
3 players tested positive.

4 81. Three individuals in the Philadelphia 76ers organization, the team that
5 had played the Lakers at the Staples Center on March 3, 2020, tested positive for the
6 coronavirus on the same day.

7 82. On March 17 and 21, 2020, two players from the NHL's Ottawa
8 Senators, who had played the Los Angeles Kings at the Staples Center on March 11,
9 tested positive. By April 1, 2020, three more players on the team and one member
10 of the Ottawa Senators' staff tested positive. All had been at the Staples Center for
11 the March 11 game.

12 83. Three players from the NHL's Colorado Avalanche, who had played
13 the Los Angeles Kings at Staples on March 9, later also tested positive.

14 84. In the first few weeks of March 2020, fully half of all coronavirus cases
15 among NBA and NHL players involved athletes who were present at the Staples
16 Center during the infectious period. Every reported coronavirus-positive test of an
17 NHL player involved someone who was at the Staples Center in March.

18 85. On June 4, 2020, the NBA announced a tentative season restart date of
19 July 31, on a reduced schedule. NBA games were played in an isolation zone or
20 "bubble" at Walt Disney World Resort in Orlando, Florida. The Lakers have not
21 been able to host a home game with fans in attendance at the Staples Center since
22 March 10, 2020. This not only resulted in a significant loss of income, but caused
23 the Lakers to incur substantial extra expenses.

24 86. The Lakers were also harmed as a result of the physical loss or damage
25 caused by the coronavirus to the properties of other NBA teams. The other teams
26 against which the Lakers play both provide services to the Lakers and receive
27 services from the Lakers. For example, during home games, the Lakers supply their
28 arena and related game-day services to the visiting team, as well as making their

1 team available to the visiting team to play against. And the visiting team provides
2 the reciprocal services of its team to play against the Lakers. During away games,
3 this mutual relationship is reversed. As NBA arenas closed across the country as a
4 result of the coronavirus, the Lakers lost considerable business income and were
5 required to incur substantial extra expenses. These losses were insured under the
6 Policy's Dependent Business Premises coverage.

7 **iv. Civil Authority Orders Resulting from Physical Loss or**
8 **Damage to Nearby Properties also Prohibited Access to The**
9 **Lakers' Property**

10 87. The Staples Center is across the street from Pico Station on L.A.'s
11 Metro, which many fans use to travel to Lakers games. Four other Metro stations
12 are within a mile of the Staples Center, including the 7th Street/Metro Center
13 Station—the heart of the entire Metro rail network.

14 88. The Metro system has been deeply impacted by the coronavirus. Metro
15 reports 1,640 confirmed coronavirus cases among employees and contractors (riders
16 have not been counted). The first case was documented on March 23, 2020,
17 although epidemiologists confirm that the coronavirus was present in the Metro
18 system much earlier. One of the reasons Los Angeles County and the City of Los
19 Angeles prevented public access to Lakers games at the Staples Center was to
20 prevent thousands of fans crowding into the Metro system and Pico Station,
21 spreading the virus in metro cars, stations, and ultimately to all four corners of L.A.

22 89. As Mayor Garcetti's orders stated, the coronavirus had already begun
23 causing significant damage to property in Los Angeles, including within one mile of
24 the Staples Center. The orders were issued because of the presence of the virus at
25 properties in these areas and to minimize its spread by reducing the likelihood
26 of exposure.

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1 v. **The Coronavirus Also Caused Physical Damage to The**
2 **UCLA Health Training Center**

3 90. Like the Staples Center, the UCLA Health Training Center (located at
4 2275 E. Mariposa Avenue, El Segundo, California 90245) is a covered property
5 under the Policy.

6 91. The Lakers and their affiliated NBA “G League” team,⁵ the South Bay
7 Lakers (owned by a wholly-owned subsidiary of The Los Angeles Lakers, Inc., LAL
8 G Team, LLC), practice and train at the UCLA Health Training Center. The UCLA
9 Health Training Center is the home arena for the South Bay Lakers, serves as office
10 space for the Lakers organization, and hosts other Lakers-related events.

11 92. The Lakers reasonably expected that if a virus on the property or a
12 government shut-down order prevented them from carrying on training activities,
13 administrative functions, or playing South Bay Lakers’ home games at the UCLA
14 Health Training Center, Chubb would cover those losses.

15 93. Testing of Lakers players who trained at the UCLA Health Training
16 Center revealed that two athletes had contracted the coronavirus, demonstrating that
17 the virus was present at and spread at the property during early March 2020.

18 94. In addition to the applicable State and County orders restricting use of
19 the UCLA Health Training Center, the City of El Segundo on March 19, 2020
20 issued “Administrative Order No. 2 to Address COVID-19” applying the Los
21 Angeles Safer at Home Order as “necessary for the protection of life *and property*.”
22 (Emphasis added.)

23 95. The presence of the coronavirus at the UCLA Health Training Center
24 caused physical loss or damage by infiltrating the property, dispersing through the
25 air, and affixing to fixtures such as seating, concession areas, playing surfaces, and
26

27 _____
28 ⁵ The G League is the NBA’s official minor league.

1 equipment. Additional physical loss or damage occurred as the virus entered key
2 building systems, and spread to surfaces throughout the building.

3 96. The presence of the virus at the UCLA Health Training Center thus
4 physically altered the property and rendered it unusable as either the Lakers'
5 practice site or for hosting South Bay Lakers NBA G League games. All South Bay
6 Lakers games were cancelled for the remainder of the season.

7 97. More than 120 Lakers employees who work at the UCLA Health
8 Training Center have been denied access to their workspaces, requiring the Lakers
9 to facilitate at substantial cost its staff working from home. Office work at the
10 UCLA Health Training Center still has not been permitted to resume.

11 98. Many of the Lakers' sponsorship contracts include use of the training
12 center for events like tours, autograph-signings, or corporate functions. Beginning
13 in March, all these events were cancelled, and the Lakers were forced to provide
14 other services and sponsorship assets to replace those that were unavailable because
15 the UCLA Health Training Center was closed—services and sponsorship assets the
16 Lakers otherwise could have charged money to provide.

17 99. On April 27, 2020, the NBA announced that team practice facilities
18 could re-open on a limited basis in certain cities, subject to applicable local
19 government restrictions. However, the Lakers were not able to resume workouts at
20 the UCLA Health Training Center in view of the State of California and Los
21 Angeles County orders.

22 100. In June, the Lakers began discussions with the Los Angeles County
23 Department of Public Health about returning to the UCLA Health Training Center in
24 a limited capacity. Only after consultation with County health officials in mid-June
25 were the Lakers able to resume voluntary training and treatment activities, subject to
26 numerous limitations and implementation of extensive—and expensive—procedures
27 and protocols.

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1 101. Before reopening, the Lakers were required to conduct a deep clean of
2 the UCLA Health Training Center and install hospital-grade air filters and air
3 ionization purifiers in the HVAC system. The Lakers also built a decontamination
4 station so that those entering the building could remove potentially contaminated
5 shoes and wear sanitized slippers.

6 102. When training restarted, it was subject to strict limits on the number of
7 players in the building and required daily testing and regular sanitation, including
8 sanitation of training and sports equipment after contact by players.

9 **C. Chubb Wrongfully Denies Coverage to the Lakers, Breaches the**
10 **Policy, and Breaches its Duty of Good Faith & Fair Dealing**

11 103. The Lakers provided timely notice of their claims for coverage to
12 Chubb. However, in a May 14, 2020 letter, Chubb wrongfully denied coverage for
13 all of the Lakers' losses.

14 104. As an insurer doing business in California, Chubb is subject to
15 California's Fair Claims Settlement Practices Regulations, 10 CCR § 2695.1 *et seq.*
16 These regulations include the following requirement:

17 Where an insurer denies or rejects a first party claim, in whole
18 or in part, it shall do so in writing and *shall provide to the*
19 *claimant a statement listing all bases for such rejection or*
20 *denial and the factual and legal bases for each reason given for*
21 *such rejection or denial which is then within the insurer's*
22 *knowledge. Where an insurer's denial of a first party claim, in*
23 *whole or in part, is based on a specific statute, applicable law*
24 *or policy provision, condition or exclusion, the written denial*
shall include reference thereto and provide an explanation of
the application of the statute, applicable law or provision,
condition or exclusion to the claim.

25 10 CCR § 2695.7(b)(1) (emphases added). The claims regulations also require
26 Chubb to "provide thorough and adequate training regarding the [Claims]
27 regulations to all their claims agents." 10 CCR § 2695.6.
28

1 105. At the time Chubb denied the Lakers’ claims on May 14, 2020, it and
2 its claims agents were aware of their regulatory obligations, so Chubb intentionally
3 relinquished any basis for denying coverage not specifically identified in the May 14
4 letter. Any attempt to invoke a basis for rejecting coverage not stated in that letter
5 would be so inconsistent with the claims regulations as to induce a reasonable belief
6 that any such additional basis has been relinquished.

7 106. In the May 14 letter, Chubb denied coverage for the Lakers’ property
8 and business interruption claims because the coronavirus had supposedly not caused
9 any “direct physical loss or damage.” The Lakers’ civil authority claims were
10 denied because, according to Chubb, civil orders had neither “prohibited access” to
11 the Staples Center or other covered property nor resulted from “direct physical loss
12 or damage” at a nearby property.

13 107. Chubb performed no investigation whatsoever before denying coverage
14 to the Lakers. It conducted no interviews. It did not perform any testing. In fact, all
15 Chubb did was send the Lakers a form denial letter. That letter was signed by a
16 claims-handler named Richard B. Johnstone. Mr. Johnstone, like other claims
17 handlers, had been directed by the very highest levels of Chubb never to approve
18 COVID-related business interruption claims under any circumstances.

19 108. Consistent with the statements of its CEO quoted at paragraph 21
20 above, that Chubb would not honor claims for business interruption arising from the
21 coronavirus, Chubb published a “Final – March 26, 2020” notice nearly two months
22 *before* denying the Lakers’ claim. That notice said:

23 Business interruption insurance generally covers losses to your
24 business’ income that result from disruption of your business.
25 The disruption must be caused by physical loss or damage to
26 your property by a “covered peril.” The presence of an
27 infectious agent or communicable disease at a location where
28 there is covered property generally will not mean that property
has suffered “physical loss or damage” under your policy.
Generally, “physical loss or damage” means that the physical

1 structure or physical characteristics of the property have been
2 altered by a “covered peril.” Loss of use, or diminished value
3 of property that has not been physically altered will not be
considered “physical loss or damage.”

4 Despite the notice purporting to be “final,” scientific knowledge and study
5 of the virus and its methods of transmission were at that time still in
6 their infancy.

7 109. Nowhere in the Policy is “physical loss or damage” defined. Nowhere
8 does the Policy say that the “physical structure” or “physical characteristics” of a
9 property must be “altered” for coverage to apply. Moreover, Chubb did no
10 investigation to determine whether the “physical characteristics of the property”
11 covered by the Policy were in fact “altered.” Had it done so, Chubb would have
12 concluded that the Lakers’ claim was covered, even under its own standard.

13 110. Chubb created and published this notice—along with a “What You
14 Need to Know” page on its website making similar statements—in an effort to
15 dissuade and intimidate policyholders such as the Lakers from pursuing valid claims
16 for coverage under Chubb’s policies. It falsely represented that the coronavirus
17 does not cause “physical loss or damage” to property.

18 111. Chubb’s denial is part of a consistent and unremedied pattern of
19 denying coverage for property and business interruption claims arising out of the
20 coronavirus pandemic, with intentional disregard of its obligations to policyholders.
21 This greed has impacted not only the Lakers but millions of hard-
22 working Americans.

23 **FIRST CLAIM FOR RELIEF**

24 **(Declaratory Judgment)**

25 112. The Lakers refer to above paragraphs 1 through 111, inclusive, and by
26 this reference incorporate the same as though fully set forth.

27 113. The Policy constitutes a valid and enforceable written contract between
28 the Lakers, on the one hand, and Chubb, on the other.

1 114. The Lakers have complied with all applicable terms and conditions of
2 the Policy including the timely payment of premiums due under the Policy.

3 115. Pursuant to the terms of the Policy, including the property, business
4 interruption, and civil authority coverages, Chubb is obligated to provide coverage
5 to the Lakers, up to the respective limits of liability, for property and business
6 interruption and time element losses and extra expenses.

7 116. The Lakers have incurred losses that are covered under multiple
8 coverage grants in the Policy and submitted claims for coverage to Chubb.

9 117. Chubb has wrongfully denied coverage for the Lakers' losses and
10 disputes that it has any coverage obligation under the Policy.

11 118. An actionable and justiciable controversy exists between the Lakers
12 and Chubb concerning the parties' rights and obligations under the Policy, and the
13 Lakers are entitled to a declaration with respect to Chubb's coverage obligations
14 under the Policy.

15 119. Under 28 U.S.C. § 2201, this Court should enter a declaratory
16 judgment in favor of the Lakers and against Chubb declaring that the Lakers are
17 entitled to coverage for its claims under the Policy and, under 28 U.S.C. § 2202, any
18 other relief this Court deems proper.

19 **SECOND CLAIM FOR RELIEF**

20 **(Breach of Contract)**

21 120. The Lakers refer to above paragraphs 1 through 119, inclusive, and by
22 this reference incorporate the same as though fully set forth.

23 121. The Policy constitutes a valid and enforceable written contract between
24 the Lakers, on the one hand, and Chubb, on the other.

25 122. The Lakers have complied with all applicable terms and conditions of
26 the Policy including the timely payment of premiums due under the Policy.

27 123. Pursuant to the terms of the Policy, including the property, business
28 interruption, and civil authority coverages, Chubb is obligated to provide coverage

1 to the Lakers, up to the respective limits of liability, for property and business
2 interruption and time element losses and extra expenses.

3 124. Chubb has breached its obligations under the Policy by wrongfully
4 denying the Lakers' claims for coverage and refusing and failing to pay their
5 covered losses.

6 125. The Lakers have been damaged and continue to sustain damages due to
7 Chubb's breaches of the Policy in an amount to be determined at trial but anticipated
8 to be up to or beyond the limits of the Policy.

9 126. As a result of Chubb's breaches of the Policy, the Lakers request entry
10 of judgment for breach of contract, awarding payment of damages in an amount to
11 be proven at trial.

12 **THIRD CLAIM FOR RELIEF**

13 **(Breach of the Implied Covenant of Good Faith and Fair Dealing)**

14 127. The Lakers refer to above paragraphs 1 through 126, inclusive, and by
15 this reference incorporate the same herein as though fully set forth.

16 128. The Policy constitutes a valid and enforceable written contract between
17 the Lakers, on the one hand, and Chubb, on the other.

18 129. The Lakers have complied with all applicable terms and conditions of
19 the Policy including the timely payment of premiums due under the Policy.

20 130. The Policy includes an implied covenant that Chubb will act in good
21 faith and deal fairly with the Lakers.

22 131. Chubb breached the implied covenant of good faith and fair dealing by
23 among other things (a) denying the Lakers' claim for coverage without any
24 reasonable basis; (b) denying the Lakers' claim without conducting a fair and proper
25 investigation; (c) misrepresenting the terms of the Policy in denying coverage;
26 (d) acting solely in its own economic interests and without any regard for the
27 interests of its policyholder, the Lakers; and (e) compelling the Lakers to file this
28 lawsuit to obtain the coverage owed under the Policy.

1 132. As a result of Chubb's breaches of the implied covenant of good faith
2 and fair dealing, the Lakers have incurred substantial damages, including but not
3 limited to the attorneys' fees they are being forced to incur to obtain the coverage
4 owed under the Policy.

5 133. Because Chubb's conduct was malicious and oppressive, and because it
6 was part of a broader fraudulent and malicious scheme by Chubb to avoid its
7 coverage obligations for claims arising out of the coronavirus pandemic, the Lakers
8 are also entitled to punitive damages.

9 134. As a result of Chubb's breaches of its duty of good faith and fair
10 dealing, the Lakers request entry of judgment, awarding payment of damages,
11 including but not limited to attorneys' fees, as well as punitive damages.

12 **PRAYER FOR RELIEF**

13 WHEREFORE, Plaintiff prays that the Court enter judgment ordering
14 as follows:

15 On the First Claim for Relief: For a judicial declaration that Chubb is
16 obligated to provide coverage to the Lakers under the Policy for the Lakers' losses
17 and whatever further relief the Court deems proper.

18 On the Second Claim for Relief: For damages in an amount in excess of
19 \$75,000 to be determined at trial, together with prejudgment and post-
20 judgment interest.

21 On the Third Claim for Relief: For damages in excess of \$75,000 to be
22 determined at trial, attorneys' fees, and punitive damages, together with
23 prejudgment and post-judgment interest.

24 On all Claims for Relief:

- 25 1. For the Lakers' costs of suit; and
26 2. For such other and further relief as the Court may deem just.
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DATED: March 15, 2021

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DEMAND FOR JURY TRIAL

Plaintiff hereby demands a jury trial in the above-entitled action on all claims for relief for which plaintiff is entitled to a trial by jury.

DATED: March 15, 2021

MANUEL CACHÁN
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