

Business interruption insurance and COVID-19

Business interruption insurance coverage protects against losses sustained due to periods of suspended operations. It pays for the loss of revenue that would have been earned if business was not interrupted. While there are many different types of policies, coverage is typically triggered only by property damage or loss. Many policies may have specific exclusions for viral infections, such as COVID-19.

Contingent business interruption insurance policies protect against losses from supply chain disruptions. This type of coverage is also triggered only by property damage or loss. Cancellation insurance provides coverage for expenses arising from delays, rescheduling, or cancellations due to unforeseen covered events. Typically, policies exclude coverage for communicable diseases, such as COVID-19.

Some specialty business insurance policies designed with specific industries in mind, such as hospitality or retail, may provide some coverage for losses caused by infectious disease. These policies often provide coverage only for a limited amount of time or up to a lower sublimit.

NOTE: *This information was developed to provide general information and guidance. It is not intended to provide a formal, definitive description or interpretation of your policy. Contact your agent or insurance company to discuss your coverage.*

What does my business interruption policy cover?

Your business interruption insurance policy should list or describe the types of events it covers. Events that are not listed on, or not described in, the policy are typically not covered. It is important to review the policy exclusions, coverage limits, and applicable deductibles. You should also determine if the policy requires your business interruption to last for a certain time period before you are entitled to any policy benefits.

Business interruption coverage typically can be triggered only if you have property loss that leads to the business interruption. One example could be that a fire in your office has caused you to suspend your business activities.

Because coverage varies across policies, you need to read your particular policy and consult your broker or insurer or its agent for more information.

How does my business interruption insurance policy treat the coronavirus (COVID-19)?

It is unlikely that a current business interruption policy has contemplated the coronavirus specifically. However, you should check to see if your policy has an exclusion that would disable coverage for an incident triggered by a pandemic or epidemic. Also, any claim still needs to be related to your property damage for coverage to be triggered.

Do I have insurance coverage for my business closure when the government mandated it because of the coronavirus?

Most business interruption insurance covers only loss of income that results from physical damage to property. Business interruption policies typically exclude coverage for a pandemic/epidemic. A state of emergency declaration does not change the terms of your business interruption policy and is unlikely to trigger business interruption coverage.

Some policies may cover loss of income due to a pandemic/epidemic, but only for a limited amount of time. Contact your insurance company or agent to see if your policy covers an epidemic or pandemic.

If I have to close my business temporarily because of staff being sick, can I claim business interruption?

Insurance coverage can vary depending on the type of policy you have. Check with your insurance company or agent to see if your policy covers an epidemic or pandemic. Most business interruption policies cover business closures for events such as fire, a burst pipe, or a windstorm.

If I cannot do business because my inventory is stalled overseas, can I claim business interruption?

Most business interruption insurance covers only loss of income that results from physical damage to property, so it is unlikely that stalled inventory will trigger business interruption coverage. Insurance coverage can vary depending on the type of policy you have. Check with your insurance company or agent to see if your policy covers an epidemic or pandemic.

If I have to close my business temporarily because of fear of contracting the virus in public places, can I claim business interruption?

Most business interruption insurance covers only loss of income that results from physical damage to property, so it is unlikely that travel restrictions or space closures will trigger business interruption coverage. Check with your insurance company or agent to see if your policy covers an epidemic or pandemic.