



## BUSINESS INTERRUPTION INSURANCE

## How Does COVID-19 Affect Your Business Interruption Insurance Coverage?

Countless bars, restaurants and other businesses forced to close because of the COVID-19 pandemic face an uncertain future.

Businesses relying on their business interruption insurance and other policies to cover losses suffered during the pandemic should be prepared to meet resistance from the insurers.

Regardless of the opposition from insurance companies, valid legal arguments exist to justify claims for interruption of business operations.

### **Purpose and limits of business interruption insurance**

When a business purchases business interruption insurance, it does so for protection against financial losses it may suffer from a partial or total cessation of its operations. The policies usually designate fires, floods, earthquakes and similar natural disasters and the physical damage they cause as covered events.

Insurance companies asked to pay a claim caused by a pandemic will undoubtedly point to the language of their policies defining a covered event.

Policies that exclude virus outbreaks would clearly result in claim denials by carriers, but the lack of physical damage caused by a virus could also become the basis for denying a claim.

### **Review policies carefully**

The success of a claim lies in the language of the policy. Business owners should carefully review their business interruption policies.

Ambiguities in insurance policies, particularly exclusions from coverage, may work to the advantage of the claimant.

Courts in Florida, for example ruled that interpretations of ambiguous language must be settled in favor of the insured.

The language in a specific policy will determine what affect, if any, the fact that businesses closed in compliance with government orders has on coverage.

A policy referencing a virus or disease as an exclusion may not apply to a government-ordered closed. Under certain coverage, a business may qualify for business interruption coverage depending upon the language of their policies regarding civil authority.

### **Other business policies may offer coverage and relief**

Losses suffered because of an interruption in business may be covered through other forms of insurance policies:

#### **Specific endorsements**

Businesses tend to tailor their insurance to their specific needs.

While it is doubtful that any business owner specifically insured against the coronavirus pandemic, owners should check their business interruption policies for endorsements eliminating exclusions for losses caused by government-ordered closures.

Losses suffered because of an interruption in business may be covered through other forms of insurance policies:

### **Supply chain insurance:**

Coverage extends to business interruptions caused by disruptions in the flow of supplies and materials a business needs in order to operate. For example, a manufacturing company may be forced to cease production because of a lack of raw materials or parts due to an event, such as COVID-19, affecting its suppliers.

### **Environmental insurance**

A policy covering against losses caused by environmental hazards may contain language broad enough to cover diseases, including viral outbreaks.

The interpretation insurance companies and, ultimately, the courts give to coverage offered by existing business interruption and other policies may be affected by legislative action at the federal and state levels.

A bill introduced in New Jersey extends business interruption insurance coverage to include losses caused by a "global virus transmission or pandemic."

For those business owners who have the coverage, their best chance of winning lies in the policy itself and securing a knowledgeable professional to determine the best path to a successful claim.

Companies without the coverage, the coronavirus pandemic presents a painful learning opportunity. Knowing what can happen will help many plan better in the future. But there may be little solace in this fact.