

BUSINESS INCOME AND BUSINESS INTERRUPTION: COVID-19 IMPACTS

Q: “Is there business income coverage if a governmental authority (civil authority) requires businesses to close?”

A: No, there is no business income coverage. This is the short answer.

Before business income responds there must be damage to property leading to the cessation of a business. This requirement applies to business income dependent property losses (supply chain) and civil authority losses covered by business income policies. Additionally, there is a specific property exclusion applicable to viruses that may (generally will) apply. This is true of “standard” business income forms; there may be some proprietary forms that respond, but these are rare.

Q: Is there business interruption insurance coverage for communicable diseases such as the COVID-19?

A: As to contingent business interruption, coverage requires covered direct physical damage to property of a customer or supplier. The coronavirus would not constitute physical damage to property, so the insured’s financial loss resulting from the inability to supply a customer or a supplier being able to supply the insured due to the effects of COVID-19 would generally not be covered.

One of the largest independent claim managers has cautioned that “successful claims under business interruption coverage for infection are not common. Indeed, there are no reported cases in the United States regarding business interruption coverage in connection with human infectious disease epidemics or pandemics.

Sources: “Coronavirus and Business Income Losses”, Chris Boggs, Executive Director of IIABA, March 5, 2020.

“Will Business Interruption Insurance Provide Coverage for Coronavirus Losses?” www.strook.com. March 6, 2020.

“Would Insurance Policies Cover Losses Related to Coronavirus” www.willistowerswatson.com. February 20, 2020.