



Frequently Asked Questions about Business Interruption Insurance Coverage and the Novel Coronavirus 2019 (COVID-19)

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There are both commercial multi-peril property policies and business owners policies that provide coverage for business interruption. There are also endorsements that extend the coverage provided by such policies and stand-alone policies that provide business interruption insurance coverage.

Business interruption coverage provides coverage for both lost income, as defined in the policy, and associated extra expenses, which typically includes costs incurred to continue operations after the interruption. The scope of business interruption coverage varies by policy. You should read your policy or policies carefully and consult with both your insurance agent and insurer to determine the exact scope of coverage provided by your specific policy or policies.

1. Does a business package policy provide business interruption coverage?

Not all businesses carry a stand-alone business interruption policy. That said, policies that package liability coverage and property coverage into one policy will almost always provide some coverage for business interruption. You should read the property coverage section of your package policy carefully to determine the initial scope of coverage that the policy provides (the trigger) for business interruption and associated extra expenses, as well as any exclusions or conditions that would limit the coverage.

2. How does business interruption coverage typically work?

Most business property insurance policies either insure specific named perils, losses from specifically identified causes, or provide coverage for so-called "all-risks" with specific named perils excluded. An example of a named peril is fire. Thus, the first question that needs to be asked is whether the COVID-19 related loss issue falls within one of the perils that would be covered by the business interruption section of the package policy.

In addition to a covered peril, package policies will also require that the business interruption be the result of a direct physical loss. For example, if a person suffering from COVID-19 were to go to work at a restaurant, contaminating the kitchen by coughing, there would be an argument that there is a direct physical loss sustained by the restaurant for the period of time that it had to close to decontaminate the kitchen. This fact pattern is different from a

restaurant that closed because customers ceased coming to the restaurant out of a general fear of infection.

The important point is that each fact pattern should be examined to determine if both the covered peril and the required direct physical loss requirements have been satisfied. As noted in Question 1, you should also read all exclusions and conditions to determine if such things as viruses or pandemics are either specifically excluded or have further conditions before coverage will be provided.

3. Can I buy a policy now that will cover COVID-19 loss that has already occurred?

No. You cannot purchase an insurance policy that would cover a loss that has already occurred. However, you may be able to purchase a business property policy that includes business interruption coverage for future losses. You should review the policy to determine the scope of the coverage provided and discuss any potential other stand-alone coverages that might be appropriate for future losses.

4. Does business interruption insurance provide coverage if my employees stay home out of fear of COVID-19?

Fear of COVID-19 alone is unlikely to trigger business interruption coverage. See Question 2.

5. Does the Governor's declaration of a state of emergency affect my business interruption insurance policy?

The state of emergency does not change the terms of your business interruption coverage. Your policy likely will provide some coverage for the peril of "civil authority." The typical business package policy would likely still require that a direct physical loss be present, as discussed in Question 2. However, it is important to read your specific policy to determine the scope of coverage that your insurer has agreed to provide.