



Many businesses in the United States and throughout the world are feeling the effect of the coronavirus (COVID-19). Among the impacts of COVID-19 is potential loss of business income due to closings and additional business disruptions.

What Is Business Interruption Insurance Coverage?

The general purpose of business interruption insurance is to make the insured party whole from the damaging event. Business interruption and expense loss must be supportable. In other words, you need to document it to ensure it's not speculative.

Does My Policy Specifically Cover Business Losses Associated with COVID-19?

Currently realized, or anticipated, loss of business income is a significant concern for owners and other stakeholders in light of COVID-19.

Relatively few insurance policies specifically outline coverage for outbreaks of disease. Most are either vague or include no such language at all.

Certain policies include coverage for "Interruption by Communicable Disease." Even with this language included, some policies still exclude contamination due to a pathogenic organism, bacteria, virus or disease. Some exclusionary language may not explicitly reference "viruses," which might actually help with claims associated with physical property damage related to the COVID-19 outbreak. As such, a detailed review of the policy is paramount.

What If I Don't Have Coverage for Interruption by Communicable Disease?

This may be more challenging, even without the specific exclusion discussed above. On the other hand, there may ultimately be more coverage under policies that do not contain the communicable disease coverage limits. Remember that business interruption claims require physical loss or damage for coverage to be triggered so any claim would need to be documented in that context.

Do I Have Coverage If the Government Requires Me to Shut My Doors?

Many policies include language and restrictions related to actions of civil and/or military authorities. Generally, actions such as a declaration of a state of emergency do not change policy terms. However, if a civil authority requires you clean or disinfect your property, then the damage to your physical property is more easily supported, which again is required to recover business interruption losses.

What Other Coverage Might Exist in My Policy Associated with COVID-19?

Be sure to review your policy for Contingent Business Interruption coverage. Under this type of insurance, you are covered from losses due to damages to property owned by others. A more typical example might be a fire occurring at nearby property, which restricts customer access to your business. In the case of the COVID-19 pandemic, if the virus causes damage to a major supplier, you might be covered for business losses stemming from that supply chain disruption.

What Do I Need to Know in Order to Use Business Interruption Insurance?

Here are a few tips to help you navigate business interruption insurance:

1. **Obtain a copy of the insurance policy and declaration page.** You, and/or your legal counsel, should review the policy for potential coverage. Business interruption insurance is typically included as part of a commercial property insurance policy. Policy wording is vital as this type of insurance is typically triggered when there is a "direct physical loss of or damage to" an insured's property. Additional contingent coverage may exist depending upon the policy. Certain industries such as healthcare, hospitality, and travel may have specific coverage for diseases such as the coronavirus. Pay attention to covered causes of loss, exclusions and limitations.
2. **Time matters.** You may have a deadline to report your claim within a certain window such as 60, 90 or 180 days. The clock starts running as of the date of damage. A phone call to your insurance provider along with a follow up email to memorialize the call is recommended.
3. **Documenting your loss.** How has the business been affected by the damage? Documentation is needed to substantiate loss of sales, customers, extra expenses (e.g., payroll, material, rent, and replacement inventory to shorten period of restoration) and hard costs (e.g., legal and accounting). Documenting sales trends and business cycles before and after the damaging event is important to show the related losses.
4. **Documenting saved expenses.** What expenses were not incurred as a result of the loss? Saved expenses include, but are not limited to, payroll, inventory, and utilities.
5. **Identify preliminary estimated period of restoration.** The period of restoration starts at the date and time of loss. It ends when the business's income is back to "normal" (e.g., inventory or production levels return to normal). This may be calculated in days, weeks, months, or years.
6. **Mitigation of losses.** The business should attempt to mitigate losses to the extent it can. Mitigation examples include continuing to operate if possible, limit the period of restoration, or mitigate certain costs.
7. **Frequent communication.** Ongoing communication with the insurance adjuster is important to address expected timelines for all parties and to cover additional items. You'll need to communicate how these potential extra expenses may be handled by the insurance provider.
8. **Get your documentation ready.** Insured parties often need help by forensic accounting experts to document their loss of business income for insurance. Tax returns, financial statements, sales forecasts, invoices, receipts, contracts, and exports/reports from accounting systems are a good start for independent third parties to document and/or verify the loss of business income.

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