

April 15, 2020

## **Does Business Interruption Insurance Cover COVID-19 Losses?**

Let's begin with a simple definition of business interruption insurance. Business interruption insurance covers the loss of income which adversely impacts a business after a disaster. This is different from property insurance which typically covers physical damage to the business. The additional coverage provided by a business interruption policy covers the profits that would have been earned. The goal for businesses adding this policy provision is to place their business in the same financial position as it would have been if no loss had occurred.

We can all agree that the coronavirus outbreak is clearly a disaster, and the forced closure of businesses caused by COVID-19 shutdowns would seem to be the precise situation for filing a business interruption claim. So, does your business interruption policy cover your COVID-19 related losses? Though there are nuances to this question, a simple answer is, not likely. Why is that? Since the SARS epidemic of 2003, most of these policies exclude compensation for communicable disease outbreaks. This change was made by most insurance carriers after that outbreak.

By the time the global SARS outbreak was finally contained, the virus spread to over 8,000 people and killed almost 800. Carriers paid out many millions in claims related to the outbreak. Consequently, many insurers added exclusions to commercial policies including business interruption policies, precluding damages caused by viruses or bacteria. Even specialized policies such as communicable disease coverage may only offer limited assistance. Many of these policies limit payments to physical costs and exclude revenue losses caused by the outbreak.

There are multiple companies filing lawsuits against certain carriers, claiming they should be paid under their business interruption policies. A restaurant in New Orleans recently filed a lawsuit requesting a declaratory judgment that its business-interruption policy should cover damages if it is ordered to close by civil authorities because of COVID-19. Ultimately, the courts may decide the answer to the question of whether business

interruption insurance will cover COVID-19 losses. However, this could take years for courts to decide, and in the meantime, most policy holders will be unlikely to receive payments for their losses.

Ultimately, the best guidance is to speak with your insurance agency about the specifics of your policy, as coverage can vary by industry, type of damages, circumstances and carrier.

[Contact our expert team](#) for more guidance on this or other industry-related topics.

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