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## Customer Bulletin: COVID-19 Business Interruption Insurance Claims

The unexpected and sudden shutdown of businesses and organizations due to the COVID-19 outbreak has had an extraordinary impact on our economy that will be felt for years to come. Future risk management planning will place pandemic events higher on the list of risk management priorities than in the past.

However, before we can focus on future events, we must work through the current crisis. There is little doubt that most businesses and organizations will suffer losses involving interruption of business and additional operating expenses associated with the COVID-19 event.

In the months to come, there will be intense scrutiny into the availability of insurance coverage for business interruption losses associated with the COVID-19 event.

There are barriers to coverage that undoubtedly will be raised by insurance companies, which include:

- 1) Most property policies require that for a business interruption loss to be covered, it must be caused by "direct physical loss of or damage to property at premises which are described in the Declarations."
- 2) Aside from the requirement of direct physical loss, many policies do contain specific exclusions for virus-related losses. These exclusions were developed in 2006, reviewed and approved by state insurance departments and are widely used.

Although these barriers may serve to preclude coverage for COVID-19 related business interruption losses, we encourage customers to file claims with their insurers for several reasons:

- 1) The insurance company has the burden to prove that there is no coverage under the policy. Insurers are obligated to investigate all relevant facts and circumstances surrounding a claim and evaluate coverage under the policy.
- 2) There may be governmental and judicial intervention that could compel insurers to pay losses that may not technically be covered. There are ongoing legislative discussions in multiple states on this topic.
- 3) The state or federal government may offer a subsidy program at some point that would reimburse businesses and organizations for additional expenses and lost revenues due to COVID-19. Having detailed and accurate records will be helpful to document a claim. Also, a governmental assistance program is likely to require evidence that an insurance claim has been submitted.

**If you would like to discuss further, please contact your representative at Clark.**

