

Business Interruption Losses Due to COVID-19 May Be Covered by Insurance

COVID-19 has and will continue to cause businesses to scale back or shut down operations because of illnesses in their workforce or government order. This interruption in business is costly. On March 18, certain members of the U.S. Congress sent a letter to major insurance companies asking them to work with businesses and pay out claims under their business interruption policies despite language that otherwise would prevent or restrict coverage. We will continue to monitor the insurance industry's response to that appeal from Congress members.

Even absent a positive response from the insurance industry to that appeal, coverage still may be available. Whether you have coverage will depend on the types of insurance you purchased, the language of your insurance policies and the circumstances that caused your loss.

Business Interruption coverage (BI) is generally provided through property policies. Although standard BI pays for economic loss because of an interruption of your operations, it still requires that the loss be due to direct physical damage to property. Even Civil Authority provisions often require direct physical damage to property as the impetus for the government closing you down. However, standard BI may arguably cover a shutdown for sterilization of a facility that has been contaminated with the virus, because contamination of property has been found by most courts to constitute direct physical damage to that property.

If you have Contingent Business Insurance, it could also provide coverage if suppliers or other companies upon which you rely are shut down due to physical damage to property, which may include COVID-19 contamination of your supplier's facility.

Although most shutdowns in response to COVID-19 have been government ordered or voluntary to avoid spread of the virus rather than as a result of physical damage to property, there is still hope. If you purchased supplemental business interruption coverage, it may expand coverage to circumstances beyond those involving physical property damage. For example, supply-chain insurance may cover losses due to your inability to obtain parts or product from suppliers due to issues impacting your supplier, such as bankruptcy, civil commotion, problems with access to the supplier's facilities or in communications with the

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supplier.

After the Ebola scare, many insurers specifically excluded bacterial or infectious disease, but some also developed new specialty insurance products, for hospitals and the hospitality industry as an example, to cover loss of business due to infectious disease.

Of course, your first priority should be your health and the health of your employees so that you can continue all or most of your operations during this pandemic. But, if you experience losses because of this global threat, we urge you to review your insurance coverages to determine whether you potentially have coverage and should make a claim.

If you need help determining whether you may have coverage, we are available to assist you. If you would like our assistance, please contact Steve Bogart at sbogart@reinhartlaw.com or (414) 416-8464, or your Reinhart attorney.

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