

Insurance and Coronavirus

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Is My Business Covered for Losses Due to Coronavirus?

As universities implement distance learning protocols, international travel is all but halted, and communities and families are faced with quarantines, it's no doubt the kind of question that keeps owners and managers up at night. And we're fielding it – a lot.

A typical set of insurance policies for a small to medium sized business includes a Business Owners Policy (which often insures Property and Business Income) and Workers Compensation. These are the areas that are of most concern and generally speaking, there is no coverage.* Let's break down why.

Business Owners Property Coverage Named Perils

Property Coverage under a Business Owners form may include coverage for your Property (building and business personal property) and Business Income/Extra Expense losses you may sustain. In a Named Perils policy, coverage only applies if the peril (Cause of Loss) is listed on the policy. Perils on this form include fire, lightning, explosion, among others. Virus is not a covered causes of loss.

Business Owners Property Coverage Special Form

Like the Named Perils form, the coverage may include both Property and Business Income/Extra Expense. In a Special Form policy, all causes of direct physical loss are covered, *unless they are excluded*. Most policies include a variation of a virus or bacteria exclusion. Here's part of how that exclusion reads:

We will not pay for loss or damage caused by or resulting from any virus, bacterium or other microorganism that induces or is capable of inducing physical distress, illness or disease.

We expect that carriers will invoke this exclusion to respond to submitted losses. In addition, under Business Income and Extra Expense, the ensuring agreement reads:

We will pay for the actual loss of Business Income you sustain due to the necessary suspension of your 'operations' during the 'period of restoration'. The suspension must be caused by direct physical loss of or damage to property at the described premises. The loss or damage must be caused by or result from a Covered Cause of Loss.

Ignoring the exclusion for a virus, shutdown due to a communicable disease is not due to direct physical loss or damage to property.

You may be asking, "What if the government forces me to shut down?" Business Income and Extra Expense may have a limited carve out for coverage when Civil Authority prohibits access to a premises, but that, too, must be caused by direct physical loss or damage to property caused by or resulting from a Covered Cause of Loss.

Workers Compensation

This one is a little trickier and the answer is “maybe”. Workers compensation is meant to provide compensation for “occupational diseases” arising out of and in the course of employment. Generally speaking, transmission of a disease that can happen in the ordinary course of life is not covered (think catching the flu or a stomach bug). Healthcare workers, international travelers and first responders may be in more compensable positions, but the rest of us probably aren’t. Each case will be scrutinized on its own merits. There just isn’t enough response or data out there to know for sure right now, but my gut tells me we’re going to see a lot of declinations.

So what should a business do? Start by keeping your company and employees safe by knowing the symptoms and asking sick employees to stay home, encouraging regular hand washing and cleaning of surfaces, and assessing and minimizing risk of unnecessary travel.

Do you have a plan in the event of a crisis? Can employees successfully work from home? If you are looking for help, we can point you in the right direction.

Stay safe and stay well.

*Final determinations of coverage are made by the individual carriers. The content of the article is for general information only and does not speak to coverage that may be provided by an individual policy. We encourage you to discuss the details of your specific claim with your agent/carrier.