

Coronavirus (COVID-19) & Business Income Insurance Coverage Summary

Over the course of recent weeks, our office has responded to several member organizations specifically inquiring how the COVID-19 virus impacts your business income insurance coverage. With the amount of concern received, I felt it beneficial to send a brief summary to our entire group how insurance coverage responds to a human contracted virus directly impacting, and potentially temporarily closing, your operations.

1. Under the Business Income/Extra Expense (BI/EE) & Causes of Loss policy form, coverage only applies if there is “direct physical damage to property”. While the spread of the virus is effecting people, the virus is not effecting any business “property”. Therefore, coverage is excluded and any lost income due to authority requirement or voluntarily suspension of operations is not provided.
2. The Causes of Loss form (which applies to Business Income Coverage) provides an exclusion (j.) which “excludes coverage 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”. This exclusion basically sums up what the coronavirus actually is.

Reflecting on recent history of the bird-flu, Ebola, swine-flu, SARS, and others over the course of the last two decades, insurance carriers are reluctant to provide coverage for a significant risk where an exposure can't be controlled, prevented, or seemingly contained. Therefore, carriers have traditionally not provided this type of coverage for loss of income.