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Insights

Business Interruption Insurance: Will Insurers Be on the Hook for Business Losses Stemming from COVID-19?

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This week, a Miami Beach beauty salon owner initiated a class action lawsuit against its insurer for failing to pay for losses and expenses caused by the suspension of its business due to the COVID-19 outbreak.

The salon owner had purchased property insurance, which included protection against loss of business income and expenses due to a suspension of the salon's business operations. This type of coverage is commonly referred to as "business interruption insurance."

Like so many business owners across Florida, the salon owner was forced to suspend its business due to the COVID-19 outbreak. Local authorities have prohibited the salon owner from accessing and occupying its salon since early March 2020. Consequently, the salon owner lost out on weeks' worth of vital income and incurred unanticipated expenses.

When the salon owner looked to its insurer to honor its business interruption insurance, the insurance company refused to reimburse the salon owner for its losses. As a result, the salon owner has filed a class action lawsuit against its insurer alleging that it breached its insurance policy and seeking the court to declare that the salon owner, along with other insureds, are entitled to coverage for the loss of business income and expenses resulting from the COVID-19 outbreak.

This class action lawsuit is one example of a burgeoning issue that is sure to play out in courts across the country: whether insurers will be on the hook for the loss of business income and expenses resulting from the COVID-19 outbreak.

Given the highly complex nature of insurance contracts and coverage issues, business owners would be well served to consult their attorneys about reviewing and, potentially, making claims on their business interruption policies for any business losses stemming from the COVID-19 outbreak.

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