

Will Your Business Interruption Insurance Actually Pay for Business Interruption?

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The harm caused to Florida businesses by the governmental responses to coronavirus has been swift and in some cases, devastating. Many business owners are (for the first time) reading the fine print of their business property insurance policies, expecting to find coverage for so-called “business interruption” losses. After all, the loss of business revenues caused by Florida hurricanes is typically covered and coronavirus is having the same type of negative impacts on business revenues.

Unfortunately, business owners are now being confronted by business interruption coverage which appears to apply only where there is “physical damage” to the business premises or to an adjacent property which directly impacts access to the business. This is not welcome news where the losses aren’t physical damages but from being ordered closed.

This raises at least two important issues. First, what does your business property policy actually say? While it is true that business interruption coverage provisions tend to be similar, they can also have significant differences. For example, some policies cover loss of revenue where the action of a “civil authority” denies or prohibits access to the business, in some cases, without any physical loss. Similarly, some policies provide coverage for cancellations or other loss of customer-driven events. There may also be exclusions for damage caused by viruses or bacteria.

It is therefore critical to review the complete policy, especially including any “add on” provisions, known as endorsements. If you do not have a complete copy of your property insurance policy, contact your insurance broker or your carrier immediately. It is the starting point for determining whether coverage exists.

Second, even if the business interruption coverage does require physical damage, if the business premises has been contaminated by coronavirus, this contamination may qualify as physical damage. This issue is not resolved and given the amounts of money at stake, is certain to be hotly litigated in the courts in the coming months. The good news is that courts tend to rule in favor of coverage if there is any doubt about it.

So, what to do? Get your policy and have it reviewed by your lawyer. In the meantime, keep documenting your losses. If you have a policy which provides coverage, you'll need proof of those losses.