

BUSINESS INTERRUPTION INSURANCE FOR COMMERCIAL CLIENTS AND THE COVID-19 CORONAVIRUS OUTBREAK

Business Interruption insurance (“BI”) provides cover for firms against loss of profits should the firm cease to trade for a period of time following one of a number of specified incidents. It is usually a cover included within the overall commercial insurance cover a business has rather than a standalone policy.

No two insurers’ policy wording and coverage are the same, so if a customer has a specific question, they need to speak to their broker/insurer. However, as a general position:

- Many Business Interruption (BI) policies require physical damage to be sustained before a BI claim can be made, for instance a fire at the client’s factory that leads to a shutdown of the business. Some BI policies cover loss as the result of physical damage to a neighbouring property that prevents access to the client’s property, and some will cover loss following physical damage to a supplier or customers’ premises. It isn’t the “norm” for BI to cover loss following an incident that does NOT emanate from physical damage, such as closure due to illness or on the instructions of the Government.
- Where a BI policy DOES cover loss of business due to a non-physical incident, we would expect to see the following considerations:
 - » Whether closure is forced upon the business (for instance on the specific instructions of the Government, Local Authority, etc). We would NOT expect to see cover operate where the client decides to cease to trade for a while UNLESS they are forced to close by an outside Government agency – so if the client is saying “my people can’t work from home, but I’m thinking of closing down for 6 weeks to protect my staff – can I claim”, whilst this should be formally checked with the insurer, it’s highly unlikely cover would be included under the policy.
 - » Whether any cover for an infectious disease requires said disease/infection to be specified. Following the SARS outbreak in 2003, we saw that in most insurance policies the infectious diseases were specified and of course, therefore, cover was not provided due to it being a new virus. The same will apply with Covid-19. In the slender chance a policy is written on an “any notifiable disease” basis, there could still be a “communicable diseases” exclusion. This means cover would not be provided where the shutdown is due to a virus/infection that passes from human to human.
 - » Even where cover for an infectious disease is included and doesn’t need to be specified, it is likely the insurer will only consider a claim under this section where there is an occurrence of the infectious disease at the business premises that causes an interruption to the business. Enforced closure by the Government as a general measure across the country/area would not in itself be enough to trigger a claim under such a policy
 - » Even if the scenarios above result in cover being in place, it’s possible the business will need to be closed for a specified period of time before a claim can be made.

In conclusion therefore, clients will either have the cover whether closure is forced or not. It is important to note that the ability to obtain cover retrospectively is not an option.

The information contained in this bulletin is based on sources that we believe are reliable and should be understood as general risk management and insurance information only. It is not intended to be taken as advice with respect to any specific or individual situation and cannot be relied upon as such. If you wish to discuss your specific requirements, please speak to your provider.