



## **WILL YOUR INSURANCE POLICY COVER YOU FOR BUSINESS INTERRUPTION LOSSES CAUSED BY COVID-19? .....ANSWER: IT DEPENDS....**

On March 11, 2020, the World Health Organization (“WHO”) declared that the worldwide outbreak of the COVID-19 virus is now officially a pandemic. Since then, there have been shut down orders or “shelter in place” orders issued by the government in many jurisdictions. The impact on business is severe. This raises an issue of whether a business can assert a claim under its business insurance policy.

### **The Insuring Provision**

To trigger coverage, the insuring provision of the property policy contains a requirement that there be “direct physical loss or damage” to the covered property. “Direct physical loss or damage” essentially means some type of damage having a material existence and perceptible through the senses even if on a microscopic level.

### **Civil Authority**

Many policies contain what is known as “Civil Authority” coverage. In a nutshell, civil authority is an order by the government to shut down or to stay away from a certain area due to property damage. To trigger coverage, there are typically four requirements: (1) an insured peril (2) that causes or result in (3) an order or action of civil or military authority (4) during which access to or ingress/egress from real or personal property was impaired, inhibited or prevented to some extent. Regional – an in this case, worldwide – catastrophes implicate this coverage. For instance, although a business may not have sustained any physical loss or damage to its own property, a business may nevertheless claim to have sustained business interruption as a result of some restriction or access to its property imposed by a government order.

### **Exclusions For Pollution, Contamination, And Endorsements Regarding Virus**

Under many insurance policies, coverage is provided for damage due to all causes UNLESS there is an applicable exclusion. If an exclusion applies, there will be no coverage for your business losses. Consequently, the policy language and the interpretation of any exclusion is extremely important. Here, COVID-19 presents an issue of whether a “virus” is an excluded peril. This requires a review of your policy. If a “virus” were to be excluded, it would most likely be wrapped up in the “contamination and pollution” exclusion or in a separate endorsement that expressly excludes viruses. Many insurers began to include these endorsements after SARS/H1N1. You should review the specific terms of your policy with your broker to determine whether your policy specifically excludes damage caused by or resulting from a “virus.” If there is no exclusion, you might be able to assert an insurance claim.

### **Have Your Policy Reviewed**

Undoubtedly, many businesses are going to be financially hurt because of forced closures. In the event your business sustains a loss due to a closure, it is important to review your policy.

*If you’d like a legal expert to review your policy, or you have any other questions, please contact: Christian Muller at [christian@reharris.com](mailto:christian@reharris.com) or (818) 935-0216.*