

## Coronavirus (COVID-19) Losses and the Potential for Business Interruption Insurance Coverage

Organizations worldwide are experiencing the financial impacts of the coronavirus (COVID-19), raising the question of whether insurance may cover the financial losses resulting from their business interruption. The answer is that business interruption or related coverage might apply, depending on the nature of the loss and the policy language.

Most commercial property policies include some form of coverage for both business interruption and contingent business interruption. Business interruption coverage is intended to protect an insured against disruptions to its own operations, while contingent business interruption provides cover for financial losses resulting from an interruption to the insured's customers or suppliers.

Under most policy forms, business interruption coverage is implicated when "direct physical loss of or damage to" the insured's property has occurred due to a covered cause of loss (or, in the case of contingent business interruption coverage, the property of the insured's customer or supplier has sustained a "physical loss"). The meaning of "physical loss" is a matter of policy interpretation. Insurers will likely argue that the introduction of a virus does not constitute "physical loss." However, certain courts across the U.S. have found that contamination that causes property to be unfit for its intended purpose qualifies as a "physical loss" that triggers business interruption coverage. The issue of whether a covered "physical loss" has occurred will depend on the particular circumstances and policy language involved. It also should be noted that some policy forms may specifically exclude losses resulting from bacteria and/or viruses. These types of exclusion became more prevalent after the SARs outbreak in 2003 and subsequent outbreaks of Ebola and Zika.

Further, most property policies offer an important coverage enhancement for loss caused when a "civil authority" prohibits or restricts access to the insured's premises. This "civil authority" coverage may or may not require that the restricted access result from a "physical loss" to the insured's property. Businesses affected by this type of restricted/prohibited access should consult their policies' specific language and consider the potential for coverage.

Some policies are endorsed to specifically provide coverage for losses resulting from "communicable or infectious diseases" without requiring a "physical loss." This coverage extension is most commonly found in policies issued to insureds in the hospitality and health care arena, but it may also appear in the policies of insureds in other industries.

No uniform answer exists to the question of whether property coverage will apply to coronavirus-related financial losses. Businesses that are suffering these financial effects should also examine their existing coverage and consider whether to include disease-related coverage enhancements in future coverage. The Insurance Services Office ("ISO") has already introduced business interruption endorsements specifically applicable to coronavirus. As noted above, other endorsements exist that more broadly apply to disease-related business interruption.

### Contact

[Erika L. Bright](#)

214.740.4050

[erika.bright@wickphillips.com](mailto:erika.bright@wickphillips.com)

[Noah Nadler](#)

214.740.4044

[noah.nadler@wickphillips.com](mailto:noah.nadler@wickphillips.com)

[Charles Keeble, Jr.](#)

214.740.4018

[charles.keeble@wickphillips.com](mailto:charles.keeble@wickphillips.com)

Dallas | 3131 McKinney Avenue | Suite 100 | Dallas, Texas 75204 | (214) 692-6200

Fort Worth | 100 Throckmorton Street | Suite 1500 | Fort Worth, Texas 76102 | (817) 332-7788

Austin | 7004 Bee Caves Road | Building 1, Suite 110 | Austin, TX 78746 | (512) 681-3732