



Virus Business Interruption

After many conference calls and discussions with the Independent Insurance Agents & Brokers of America Association (Big I) we have drafted the following to help our clients understand the Business Interruption and Civil Authority policy language in commercial insurance policy:

The standard Insurance Services Office (ISO) policy for Business Interruption reads "We will pay for the actual loss of Business Income you sustain due to the necessary "suspension" of your "operations" during the "period of restoration". The "suspension" must be caused by direct physical loss or damage to the property" The policy additionally reads "The loss or damage must be caused by or result from a Covered Cause of Loss."

What this means:

-Physical Damage – Does the virus cause any actual damage to your property that causes the suspension of operation? Consensus is, no, the virus did not cause a direct physical damage to the property requiring it to be repaired or significantly altered to bring back to its original state.

-Covered Cause of Loss – Is a virus even covered under the policy? An unendorsed ISO policy classifies virus/bacteria as a pollutant. Pollutants are a general exclusion under the unendorsed ISO policy. And there is a mandatory exclusion for Virus or Bacteria which is added to commercial policies in the marketplace.

Secondly, there is the question relating to the government action or mandated shutdown. This takes us to the Civil Authority coverage section which reads "action of civil authority that prohibits access to the described premises due to direct physical loss of or damage to property". Again, there is not physical damage to property and we can still have physical access to the premises.

We understand and apologize that this explanation does not provide any solutions to the situation many of our clients are facing. We are committed to following this issue and updating you as new developments emerge. We believe that much of this will be challenged in the courts and we will keep you updated on any changes that might trigger coverage under the Business Income coverage parts. We are also following legislative changes that might allow for a path to coverage and will update you as bills develop. Should you wish to file a claim we will submit each claim on behalf of our clients and follow it through to the end as we do for every claim filed.

Sincerely,
J. Krug Team