COVID-19: Is your company insured for business interruptions?

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The COVID-19 pandemic can have significant impacts and severely disrupt business operations. Now is the time to examine whether your company is insured for losses resulting from interruptions caused by COVID-19, which is the focus of this article.

Business interruption insurance

Business interruption insurance protects companies from disruptions to their operations. Coverage under these policies generally extends to business losses resulting from direct damage to insured property leading to an interruption. While this aspect of the coverage may not be applicable to most scenarios in relation to the COVID-19 outbreak, some business interruption insurance policies offer protection to insured establishments for interruptions caused by other circumstances. For example, coverage may be provided in circumstances where federal or provincial government authorities have ordered businesses to close. Often, such coverage extensions will be subject to modest limits of insurance as compared to the limits available for other coverages.

Key considerations

- While business interruption coverage is often limited to closures due to physical damages, there are policies that cover closures or interruptions related to other circumstances, such as government orders or decisions made by "civil authorities" (or similar language).
- Review the insurance policies for your company to identify any business interruption coverage that may be available to you.
    - Applicable terms may include "pandemic", "epidemic", "public health emergency", "state of emergency", "quarantine", "outbreak" or "infectious disease.
- Review insurance policy exclusion clauses that exclude coverage for losses to your business because of a virus, pandemic, outbreak or other public health emergency.
- Review questions concerning business interruption coverage with your broker.
- Consider the merits of making a business interruption claim.
- Take steps to mitigate any losses caused by business interruption.

Takeaway

Many businesses across the country are currently facing challenges with respect to the COVID-19 outbreak, including closures and disruptions. To assist with mitigating operational losses, insurance policies should be reviewed for business interruption coverage. Whether coverage is extended will turn on the wording of the policy and the nature of the events giving rise to the disruption. As the circumstances relating to the COVID-19 outbreak are fluid, business interruption coverage should be reviewed in the context of this changing landscape.

For legal advice on issues arising from COVID-19, please contact the author or related contacts below who are ready to assist businesses navigate these uncertain times. BLG has also created a COVID-19 Resource Centre to assist businesses on a variety of topics, including labour and employment, contractual risks, public disclosure requirements, education and criminal law.

By

T. Kirk Boyd

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BLG Offices

Calgary
Centennial Place, East Tower
520 3rd Avenue S.W.
Calgary, AB, Canada
T2P 0R3

T 403.232.9500
F 403.266.1395

Ottawa
World Exchange Plaza
100 Queen Street
Ottawa, ON, Canada
K1P 1J9

T 613.237.5160
F 613.230.8842

Vancouver
1200 Waterfront Centre
200 Burrard Street
Vancouver, BC, Canada
V7X 1T2

T 604.687.5744
F 604.687.1415

Montréal
1000 De La Gauchetière Street West
Suite 900
Montréal, QC, Canada
H3B 5H4

T 514.954.2555
F 514.879.9015

Toronto
Bay Adelaide Centre, East Tower
22 Adelaide Street West
Toronto, ON, Canada
M5H 4E3

T 416.367.6000
F 416.367.6749

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