



FAQs from the Colorado Division of Insurance on Business Interruption Coverage and COVID-19

1) What is business interruption coverage?

Business interruption insurance coverage protects against losses from suspended operations. It pays for loss of revenue that would have been earned if the business operations had not been interrupted. It may require physical loss to property, e.g. damage from a fire or tornado, and may have specific exclusions for epidemics, pandemics, viral infections or communicable diseases. Whether business interruption coverage exists for the current COVID-19 circumstances will be determined by what the specific policy language provides.

2) What does business interruption insurance cover?

Business interruption insurance policies or policy provisions usually list the types of events covered. Events not listed on, or described within, the policy are not covered. It is important to review the policy, including policy exclusions, coverage limits, and applicable deductibles and conditions. There may be a waiting period before business interruption coverage is triggered or the business interruption may have to exceed a specified period of time before benefits under the policy would be payable.

Because business interruption coverage varies between policies, and is dependent on the specific policy language, it is important to read the complete policy. More information about the specific provisions of a policy can be directed to the broker, agent or insurance company.

3) What types of insurance policy may contain business interruption coverage?

You may have a specific business interruption insurance policy. But you may also have business interruption coverage as part of other policies such as a Business Owners package policy or in a Special Multi-peril policy. Policies may have available coverage for perils arising out of actions by civil authorities, e.g. a do-not-enter area due to wildfire, or an interruption of a specific supply chain. The insurer or the broker/agent from whom purchased are the best resources for questions about whether there is business interruption coverage.

4) What is contingent business interruption coverage? How is it different from regular business interruption insurance?

Contingent business interruption insurance is broader than regular business interruption coverage. Recall that for regular business interruption coverage, damage to the premises may be required to trigger coverage. For contingent business interruption coverage, the damage could be on someone else's property, but causes your business to be impaired. Think of a fire in a restaurant in an office building preventing employees going to work in their office. Coverage can vary in a contingent business interruption policy, just like it can for a regular business interruption provision, and the broker, agent or insurer should be consulted.

5) How does business interruption insurance treat COVID-19?

Business interruption policies currently in force may exclude coverage for an epidemic or pandemic, or may exclude viral or contagious diseases such as SARS and the new coronavirus COVID 19. You should check whether your policy has an exclusion for any of these circumstances, or has different language about a covered peril. And remember, coverage is dependent on the specific language of the policy. Careful review of the policy and consultation with the broker, agent or insurance company may identify policy provisions that permit coverage.

6) If I don't have business interruption coverage that covers COVID-19, can I buy it?

Insurers typically do not write coverage for known events, particularly where the extent of the potential damage is not readily apparent. That said, there may be insurance for specialty risks, such as business interruption due to COVID-19, in excess (aka surplus) lines market. However, excess or surplus lines coverage can be expensive and is not regulated by the Colorado Division of Insurance, so there is less consumer protection available. Any potential purchase of coverage in the excess or surplus lines market should be thoroughly discussed with a broker or insurance consultant.

7) What about where there is a "stay-at-home" order, the business is not classified as essential, and the employees don't work?

As explained above, business interruption coverage may require related property damage. Without the property damage, coverage may not be triggered.

8) Should my business file a claim if I have business interruption insurance?

Yes. Whether you have business interruption coverage will be dependent on the language in your policy and what has occurred specifically with your business.

It will also help the Division have the most complete data possible as we work towards finding solutions for this issue moving forward.

9) Will filing an insurance claim impair receiving federal assistance under the CARES Act?

We do not believe that the filing of an insurance claim will or should be any kind of an impediment to accessing federal assistance funds from the CARES Act. We would refer you to the Other Resources listed below for assistance with this question and we will update this answer as we learn more.

10) What is the Division of Insurance doing about this issue?

We continue to be a resource for businesses and chambers of commerce to discuss issues and concerns related to business interruption insurance. We are also eager to engage with stakeholders at every level to discuss possible solutions for business interruption insurance coverage stemming from pandemics. We are confident that solutions can be found.

In order to help inform those discussions, the Division plans to collect data from insurance companies related to the number of claims filed by businesses, the number of claims denied by insurers, as well as other information related to a variety of issues including the solvency impact of insurers absorbing the claims impact of a crisis like the one we are currently experiencing.

We will also be working with the National Association of Insurance Commissioners (NAIC) to both engage stakeholders and to gather data in an efficient and effective manner. It is our sincere hope that by acting collectively we can find solutions.

11) Where can I get help understanding business interruption coverage?

Your insurance broker should be able to help you understand your coverage, its benefits, and any limitations on coverage. The company that issued the policy may have a website that explains the coverage under its policies.

If you cannot find the answer to your question in these FAQs, you can contact us at the Colorado Division of Insurance at DORA_Insurance@state.co.us / 303-894-7490 / 800-930-3745.

12) Other resources

There are a number of resources potentially available to businesses affected by COVID-19. Among them are:

Colorado Office of Economic Development and International Trade -
<https://choosecolorado.com/covid19/>
Small Business Support Hotline 303.860.5881

This website has a comprehensive listing of resources available for businesses affected by COVID-19. By clicking on the link you should get the most up-to-date information.

U.S. Small Business Administration

<https://www.sba.gov/>

<https://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources>

The U.S. Small Business Administration has Economic Injury Disaster Loans for Small Business up to \$2M available in all 64 Colorado counties and on all Tribal Lands. To apply for SBA assistance, visit the SBA website above. The Colorado Small Business Development Center COVID-19 website www.coloradosbdc.org/covid/ can help in navigating the SBA application process. Additional support in navigating the SBA application process is available through the Small Business Support Hotline -- 303.860.5881 (M - F, 8 a.m. - 5 p.m.) or oedit_sbnavigator@state.co.us.

State of Colorado Small Business Development Center

<https://www.coloradosbdc.org/>

303.892.3840

It is anticipated that additional federal resources may be available. Information about them will be posted in several locations, but again the Colorado Small Business Development Center is a good central resource.