

FAQ On Business Interruption Insurance Affecting Alabama Small Businesses

The [Alabama Department of Insurance](http://www.aldoi.gov) (ALDOI) recognizes that COVID-19 is affecting businesses throughout our state. With many businesses experiencing severe interruption, it is important to be as informed as possible and consider all the facts. If you want to know if you have business interruption coverage and if it covers the COVID-19 pandemic, please contact your agent, broker or insurance company. If you have additional questions, you may contact the Alabama Department of Insurance at (334) 269-3550, by email at Insdept@insurance.alabama.gov or using the Department's website at www.aldoi.gov.

Important Note: While the ALDOI often helps consumers as an advocate in the claims process, the Department does not have the authority to require insurers to extend coverage under existing policies, especially if there are specific exclusions of business interruption coverage.

1) What is business interruption coverage?

Business Interruption Insurance is optional coverage that may be purchased as part of a comprehensive multi-peril commercial policy. Business interruption insurance coverage typically lists or describes the types of perils or causes of loss it covers. Perils or causes of loss that are not listed on, or are not described in, the policy are typically not covered. Business interruption coverage typically can only be triggered if there is direct physical property loss that leads to the business interruption – for example, a fire or flood damaging your property that has caused you to suspend your business activities. Business interruption coverage 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.

Extra Expense and Civil Authority coverage(s) are additional coverages that may be purchased as a part of business owner's business interruption or business income coverage.

Extra Expense Coverage: Extra expense coverage is complementary to business interruption insurance coverage. It is designed to compensate the business owner for those necessary extra expenses to operate while the business is being repaired to enable the insured to minimize suspension or interruption of the business' operations.

Civil Authority Coverage: This coverage is also additional coverage under a business owner policy. It covers situations where the business has not been damaged but has been ordered to shut down by civil authorities (i.e. do-not-enter area due to hurricane, supply chain interruption, etc.).

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 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 carefully read the complete policy. Requests for more information about the specific provisions of a policy may be directed to the agent, broker or insurance company.

3) How will I know if I have business interruption insurance?

Not all commercial multi-peril policies include business interruption insurance. We strongly encourage businesses to carefully review their policies, including policy exclusions, coverage limits and applicable deductibles. Businesses should also contact their agent, broker or insurance company to determine what their policies cover as each insurance policy may be different and the coverage varies.

4) 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 (i.e. do-not-enter area due to hurricane, supply chain interruption, etc.). Agents, brokers and insurance companies are the best resources for questions about business interruption coverage.

5) How do I know if my policy excludes COVID-19?

Most commercial policies have exclusions for loss due to contamination by virus and similar perils. You should check your policy for a specific exclusion for viral or bacterial contamination or an incident triggered by an epidemic or pandemic, which means your insurance policy may not cover losses related to COVID-19. Additionally, any claim may still need to be related to your property damage for coverage to be triggered. Conversely, check to see if you have a special endorsement for a virus or pandemic, although very few, if any, policies are known to have these. Remember, coverage is dependent on the specific language of the policy. Careful review of the policy and consultation with your agent, broker or insurance company may identify policy provisions that permit coverage.

6) What if my business is closed due to a voluntary or mandatory government order?

While you should consult your policy, in general, coverage resulting from the actions of a civil authority also requires physical damage to the insured premises caused by a covered peril. If this is the case, a government ordered shutdown due to a pandemic may likely not be fully sufficient to trigger business interruption insurance coverage in the absence of physical damage to the insured property caused by a covered peril – whether that order is voluntary or mandatory.

7) Can I buy insurance now to cover business interruption losses due to COVID-19?

Insurers typically do not write coverage for known events, particularly where the extent of the potential damage is not readily apparent. Some companies may currently market insurance that covers business interruption losses related to a pandemic. However, if this type of coverage is purchased today, it will not apply to the current COVID-19 pandemic. The expression that “you cannot buy fire insurance for a currently burning house” applies in other active emergency situations as well.

Non-admitted companies, also called Surplus lines carriers, may not have the same exclusions in their all peril policies. However, excess or surplus lines coverage can be expensive and is not regulated by the ALDOI, so there is less consumer protection available. Any potential purchase of coverage in the excess or surplus lines market should be thoroughly discussed with an agent, broker or insurance consultant.

8) How is contingent business interruption coverage different from regular business interruption insurance?

Contingent business interruption insurance is broader than regular business interruption coverage. 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 from going to work in their office. Coverage may vary in a contingent business interruption policy just as it may for a regular business interruption provision. As in all cases, the agent, broker or insurance company should be consulted.

9) What about where there is a "stay-at-home" order, the business is not classified as essential, and the employees are not working?

As explained above, business interruption coverage may require related property damage. Without the property damage, coverage may not be triggered. The same applies where there is a "stay-at-home" order even if the business is not classified as essential and employees are not working.

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

Yes. However, whether you have business interruption coverage will be dependent on the language in your policy and what has specifically occurred with your business. Additionally, it will also help the ALDOI have the most complete data possible as we work to find solutions for this issue moving forward.

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

Filing of an insurance claim should not be an impediment to accessing federal assistance funds under the CARES Act. We would refer you to "Other Resources" listed below for assistance with question related to the CARES Act.

12) What is the Alabama Department of Insurance doing about this issue?

The ALDOI will continue to be a resource for policymakers, businesses and all stakeholders to discuss issues and concerns related to business interruption insurance. The Department will also be working with the National Association of Insurance Commissioners (NAIC) to engage with stakeholders at every level to discuss possible solutions for business interruption insurance coverage stemming from pandemics and to gather data in an efficient and effective manner. We are confident that working together and acting collectively, solutions can be found.

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

Your agent, broker or insurance company is your best resource 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. As stated above, if you cannot find answers to your questions in these FAQs, you may contact the ALDOI at (334) 269-3550, by email at Insdept@insurance.alabama.gov or by using the Department's website at www.aldoi.gov.

14) Other Resources

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

Altogetheralabama.org

Governor Kay Ivey recently announced the launch of a COVID-19 search engine tool that enhances the state's official resource site, altogetheralabama.org. Through a public-private partnership between Yext and the state of Alabama, this innovative platform provides real-time answers to questions about everything from the virus itself, through a symptom checker that was developed at UAB, to upcoming COVID-19 testing site locations. This service is free of charge and can be accessed either through altogetheralabama.org or directly at covid19.alabama.gov.

U.S. Small Business Administration

Most businesses and non-profits with fewer than 500 employees will be able to apply for Small Business Administration 7(a) loans. Self-employed workers will also be able to apply for loans, as will workers employed by ride-sharing apps. The federal stimulus package was signed into law on March 27, and businesses will need to contact banks, credit unions, and other lenders to apply for the loans. For more information, please visit the [Small Business Administration website](https://www.sba.gov/coronavirus). Also check out the SBA's [Coronavirus \(COVID-19\): Small Business Guidance & Loan Resources](https://www.sba.gov/coronavirus) website.

U.S. Treasury

The federal CARES Act provides fast and direct economic assistance for American workers, families, small businesses and preserves jobs for American industries. The [U.S. Treasury Department's website](https://www.treasury.gov) provides specific information regarding the resources being made available related to Coronavirus relief, including initial guidance. The [Paycheck Protection Program](https://www.treasury.gov) provides small businesses with the resources they need to maintain their payroll, hire back employees who may have been laid off, and cover applicable overhead.

Alabama Department of Insurance

The Alabama Department of Insurance is dedicated to keeping the public informed on how COVID-19 impacts consumers, businesses and insurance companies. For all the latest information on the Department's response to the COVID-19 pandemic and for other general information and resources, check out the [Department's COVID-19 webpage](https://www.aldoi.gov).

***About the ALDOI:** The ALDOI is a regulatory agency of the State of Alabama. Its mission is to serve the people of Alabama by regulating the insurance industry, providing consumer protection, promoting market stability, and enforcing fire safety standards and laws.*

Alabama Department of Insurance

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