

# COVID-19 and business insurance: How coverage is triggered

*These are uncertain and challenging times. With COVID-19 causing global concern, we understand many Canadians will have questions related to commercial insurance. IBC has produced a brief Q&A document outlining how coverage is triggered and how business interruption policies work.*

*Updated: April 1, 2020*

Commercial insurance is complex and specialized, which makes it important that you speak to your insurance representative if you have any questions or need clarification about your coverage.

## **Will my standard business policy or business interruption policy cover me for interruptions due to COVID-19?**

- Generally, commercial insurance policies and traditional business interruption policies do not offer coverage for business interruption or supply chain disruption due to a pandemic such as COVID-19.
- Some organizations may have purchased specialized contingent business interruption coverage, stand-alone business interruption coverage and supply chain disruption coverage which may be triggered as a result of the World Health Organization's declaration of a pandemic.
- Commercial insurance is complex and specialized and specific to your business which makes it important that you speak to your insurance representative if you have any questions or need clarification about your coverage.

## **How does business insurance work?**

Property insurance for businesses is designed to protect the physical assets of a business against loss and/or damage from a broad range of causes. There are two basic policy types:

1. **Named perils** – covers only loss and/or damage caused by perils specifically listed in the policy, subject to exclusions. Loss and/or damage caused by any other peril is not covered.
2. **Comprehensive** – covers loss and/or damage caused by any peril, unless specifically excluded.

## **What is business interruption (BI) coverage?**

BI coverage is an add-on to an existing business insurance policy. In the event of a business temporarily needing to shut down, BI covers continuing expenses or replaces lost profits. There are three types of BI policies:

1. **Gross earnings policy**, which pays only until property or damage is replaced or repaired, or stock is replaced
2. **Profits form policy**, which continues to pay until a business resumes its normal, pre-interruption level (subject to policy limits)
3. **Extra expense policy**, which is designed for businesses that can remain operational during periods affected by loss and/or damage.

## How does BI insurance work?

BI policies are not standardized and include many variants, but most contain language indicating that the insurer will pay for the actual loss of “business income” due to the “necessary suspension” of operations during “the period of restoration.” A number of concepts and nuances come into play, including:

- **Physical damage requirement:** Most policies require proof that the insured premises sustained physical damage (for example, from fire, heat, flooding or firefighting efforts) that was covered under their property policy, which caused an interruption that resulted in a loss of business income. A business that is interrupted due to the loss of data or a loss of utilities may not have sustained a physical loss. (There is separate utility loss coverage.)
- **Period of restoration:** If BI coverage is triggered, a significant issue is defining the period of indemnity or, as some policies refer to it, the period of restoration. Most policies will pay business income loss through to the point that the business is restored or when the coverage expires (usually 12 months from the beginning of the interruption).

## Consumer Relief Measures

This is a challenging and uncertain time for Canadians. Canada's P&C insurers are here to help and work with those adversely affected by the pandemic and are prepared to offer flexible solutions to their customers. The Board of Directors of the Insurance Bureau of Canada (IBC), which represents Canada's P&C industry, informs consumers of the following:

- Insurers understand that life has changed as a result of the pandemic, and that you may be temporarily using your car or home differently (for example, you may be using your car to commute to work instead of taking public transit, or you may be working from home). Insurers stand ready to ensure your ability to make a claim is not impacted by circumstances over which you have no control. Solutions are available – if you have questions or concerns, please contact your insurance representative to discuss your situation.
- Similarly, your business operations may have changed as a result of the pandemic. If this is the case, please contact your insurance representative to discuss your situation.

- Your insurer will accept the late filing of claims against them that would otherwise have been due, until the government ends the emergency period.
- For at least the next 90 days, insurers will waive the NSF fees they would have charged if you have insufficient funds to cover your premium. You remain responsible for any fees your bank may charge you.
- Insurers will try to find flexible payment options for consumers who are in a vulnerable position or facing financial hardship as a result of COVID-19. If you have questions or concerns, please contact your insurance representative.

# Useful Links

## Business Interruption Insurance

Your ability to generate sales could be threatened at any moment. With business interruption coverage, a business owner can collect the income he or she would have expected to generate were it not for the unexpected event.

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[Consumer Info \(/about-us/contact-us/contact-us-form\)](#)

[1-844-2ask-IBC \(tel:1-844-2275422\)](#)  
[\(1-844-227-5422\) \(tel:1-844-2275422\)](#)

[Stop Insurance Crime \(/about-us/contact-us/crime-reporting\)](#)

[1-877-IBC-TIPS \(tel:1-877-4228477\)](#)  
[\(1-877-422-8477\) \(tel:1-877-4228477\)](#)

[Report Cargo Crime \(/business/business-crime/cargo-theft/cargo-theft-incident-form\)](#)

 [\\_ \(http://www.essentialaccessibility.com/ibc/en?](http://www.essentialaccessibility.com/ibc/en?utm_source=ibcenhomepage&utm_medium=iconlarge&utm_term=eachannelpage&utm_content=header&utm_campaign=ibcen)

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