

Business Interruption Insurance – COVID-19

As the spread of COVID-19 deepens, containment measures implemented by the government have already led to substantial economic losses, suffered by many, if not all UK businesses.

There is much confusion regarding business interruption insurance and whether this extends to cover financial losses suffered as a result of the COVID-19 virus.

Standard commercial insurance policies (the type the vast majority of businesses purchase) provide cover or the option of cover against a wide range of day to day risks including business interruption resulting from damage to premises caused by fire, flood, theft etc. but it is not designed, nor is the insurance industry capitalised, to cover major systemic risks such as global pandemics or war risks.

All commercial Insurance policy wordings are different and if insurance companies insist on standing behind their policy wordings, there is little, if any, cover for businesses under general insurance policies for costs from an interruption or loss of income, in the absence of physical damage to your or surrounding premises.

In general terms insurance exists to cover losses from an unlikely or fortuitous risk. Insurance companies assess risks based upon their estimated maximum exposure and they are able to price these risks accordingly. Insurers couldn't possibly include global pandemic cover in their commercial insurance policies as by the very nature of the

global exposure, they would be unable to survive if they were called upon to pay claims for every business they insure.

Few standard commercial insurance policies provide cover for enforced closure by a public authority or for non-damage denial of access following an outbreak of an infectious disease. Even insurers that offer these cover extensions are repudiating claims on the grounds that causation cannot be satisfied as no policy wording exists to provide cover for global pandemics of this magnitude.

While the outlook is not good, we at Hamilton Leigh believe that our clients' businesses are suffering enough and that the Government and insurers need to do more. No one predicted we would all be faced with mass, compulsory closures, leaving businesses without policy coverage but that doesn't mean we cannot challenge what insurers are saying.

Since 16th March 2020, representatives from Hamilton Leigh have been lobbying the Government, in addition to recognised trade bodies such as the Association of British Insurers (ABI) to offer a commercial and pragmatic business interruption claims solution to support businesses.

We understand there is dialogue between all parties, however this is likely to remain ongoing for some time and also likely to be tested in court. With this in mind and to apply every conceivable effort to support our clients in making business interruption claims, we have engaged with firms of specialist insurance solicitors to assist Hamilton Leigh in challenging insurers on our clients' behalf. Please contact your Hamilton Leigh Client Service Executive.

