

🖨 Click to print or Select '**Print**' in your browser menu to print this document.

Page printed from: <https://www.propertycasualty360.com/2020/2020/02/10/iso-provides-business-interruption-endorsement-in-response-to-coronavirus-414-171888/>

## Coronavirus spurs ISO to provide business interruption endorsement

Coverage is for loss of business income or extra expenses incurred because the civil authority ordered a closing to prevent the spread of disease.

By **Christine G. Barlow, CPCU** | February 10, 2020



A nurse holds a test tube with blood for analyzing 2019-nCoV, the coronavirus strain that originated in Wuhan, China. **Continue on to see how the virus is interrupting business and travel worldwide.** (Photo: Shutterstock)



A transit worker takes the temperature of a passenger before letting him on to a ferry in Shanghai , China on Thursday 30 January 2020. (Photographer: Qilai Shen/Bloomberg)



Travellers all wear mask at airport to prevent infection from coronavirus. The virus has caused emergency situation during Chinese New Year. (Photo: Shutterstock)



A couple wearing surgical mask passes in front of a Tiffany & Co. shop at the Time Square in Causeway Bay in Hong Kong, China, on Thursday, Feb. 6, 2020. (Photographer: Ivan Abreu/Bloomberg)

*Analysis by FC&S Expert Coverage Interpretation, the recognized authority on insurance coverage interpretation and analysis for the P&C industry. To find out more — or to learn how to find answers to your coverage questions — visit [nuco.com/fcs](https://www.nuco.com/fcs) (<https://www.nuco.com/fcs/>).*

The Insurance Services Office (ISO) has released two optional endorsements for use with commercial property forms to provide limited business interruption coverage for circumstances related to the coronavirus (<https://www.propertycasualty360.com/2020/02/03/is-the-coronavirus-a-covered-insurance-loss/>).

The pandemic began in December in Wuhan, China, and has since spread to more than 37,500 and caused more than 800 deaths, according to early February reporting from Johns Hopkins University. Efforts to curtail the spread of the disease have closed businesses, stopped international travel, and disrupted shipping. Consider that Wynn Resorts is losing \$2.4 million to \$2.6 million each day that its casino in Macau remains closed, according to The New York Times (<https://www.nytimes.com/2020/02/07/business/coronavirus-business-impact.html>).

## Insurance industry response

The ISO endorsements have NOT been filed and are not being added to the ISO portfolio of forms. Likewise, ISO is not providing loss costs or supplementary rating information. ISO is continuing to monitor the situation. Any company filing the forms must follow all filing regulations.

There are two forms:

1. Business Interruption: Limited Coverage for Certain Civil Authority Orders Relating to Coronavirus and



## 2. Business Interruption: Limited Coverage for Certain Civil Authority Orders Relating to Coronavirus (Including Orders Restricting Some Modes of Public Transportation). Neither form is numbered.

The first form modifies coverage under the Business Income and Extra Expense coverage form, the Business Income Without Extra Expense coverage form, and the Extra Expense coverage form. The form requires the insured to schedule the premises (<https://www.propertycasualty360.com/2019/12/18/insuring-one-residence-with-multiple-buildings/>), and list a coverage period specified by number of days, weeks or months, and an annual aggregate limit of insurance. The coverage applies only if the policy otherwise covers business income; likewise extra expense applies only if the policy provides coverage for extra expense.

Coverage is for the actual loss of business income or necessary extra expenses incurred because the civil authority ordered the closing of the premises or ordered all or part of the premises to be put under quarantine to prevent infection by or spread of a coronavirus, even if the action is taken based on suspicion of a risk of contagion. Because the spread of infectious diseases is unpredictable, coverage is provided even if no disease is yet present; if an area has been struck by the virus, civil authority may order businesses closed in order to minimize exposure to the virus.

If the insured's business operates from a vehicle or mobile equipment shown in the Off-Premises Interruption of Business — Vehicles and Mobile Equipment endorsement, then references to the described premises include such vehicles and mobile equipment.

If dependent properties are included in coverage, then coverage applies when the dependent property has been ordered closed or put under quarantine by civil authority in efforts to avoid or limit the spread of infection by a coronavirus, if the insured sustains a suspension of business as a result of the closure of the dependent property. An insured may rely on another company to provide parts for its product; if that company is closed by civil authority to prevent spread of a coronavirus, the insured may also have to suspend operations because of a lack of parts.

## Exclusions are as follows...

- If the virus was spread or introduced intentionally by any person or group with the intent to cause disease, damage, fear or anxiety;
- Clean-up or disinfection of the premises due to contamination or suspected contamination;
- Costs to replace property or property of others that has been or is suspected to have been contaminated;
- Cost of disposing of contaminated or suspected contaminated property;
- Cost of disinfecting or disposing of bodily fluids or waste material;
- Cost of testing or monitoring for the presence of a coronavirus
- Losses or expenses attributable solely to fear of contraction of the disease — i.e , if customers, vendors or tenants avoid part of the premises not under quarantine;
- Loss or expense attributable to absence of workers, including managers, due to infection or suspected infection of that worker, except to the extent that there is a suspension of operations as covered by the endorsement;
- Any fines or penalties levied against the insured by any organization or authority.

Coverage applies immediately upon suspension of the business and applies for the time limit as shown in the schedule while the civil authority orders are in force. The same is true for coverage related to dependent properties.

## How much is covered?

The limit shown in the schedule is the most that will be paid for all occurrences in a 12-month period, regardless of the number of occurrences. The limit applies to all coverages in this endorsement, and does not apply separately. For example, an insured has a limit of \$100,000. The civil authority closes the business at the cost of \$40,000. This leaves \$60,000 for the rest of the policy period. If another outbreak occurs, and the insured sustains another loss for \$70,000, only \$60,000 of that loss is covered as the policy limit has been reached, even though it is two separate losses.

Additional coverages, coverage extensions and optional coverages do not apply to the coverages provided in this endorsement. Likewise, any existing exclusions for viruses, bacteria or pollution are not modified by this endorsement. This endorsement is particular to this situation, and those existing virus exclusions do not apply to coverages under this form.

The Business Interruption: Limited Coverage for Certain Civil Authority Orders Relating to coronavirus (Including Orders Restricting Some Modes of Public Transportation) form is virtually identical to the previous form, except that it includes coverage if the civil authority orders the closure or restricted usage of public bus, rail or ferry lines, or related stations or terminals service the areas where the described premises are located.

**See also:**

- **Measles and the role of the P&C insurance industry**  
(<https://www.propertycasualty360.com/2019/04/17/measles-and-the-role-of-the-pc-insurance-industry/>)
- **3 steps to managing your potential infectious disease exposures**  
(<https://www.propertycasualty360.com/2018/06/12/3-steps-to-managing-your-potential-infectious-dise/>)
- **18 emerging risks for the insurance industry, its customers and society at large**  
(<https://www.propertycasualty360.com/2017/06/29/18-emerging-risks-for-the-insurance-industry-its-c/>)

---

Copyright 2020. ALM Media Properties, LLC. All rights reserved.