



Business Interruption Insurance

The District of Columbia Department of Insurance, Securities and Banking (DISB) is working closely with insurance regulators to devise a comprehensive solution to address business interruption during the unprecedented coronavirus (COVID-19) public health emergency. An event like this is a reminder for small business owners to familiarize themselves with their insurance coverage, particularly optional coverage like business interruption.

Business Interruption Coverage

Commercial insurance policies generally cover property and liability losses. For an additional premium, a business owner can purchase optional insurance that provides coverage for losses resulting in an interruption of the business for a covered peril (event). This type of coverage is known as business interruption (BI) coverage.

BI coverage is triggered when a covered event causes *physical damage* to the insured premises, and the damage requires the business to shut down operations for a period of time. For example, if a fire damages a business and the business cannot operate during repairs, BI coverage will provide funds to the business owner to make up for the loss of income.

Will business interruption insurance cover losses to businesses during the COVID-19 public health emergency? Not necessarily, because of exclusionary provisions. All insurance policies have exclusions of coverage for risks that are too great to be underwritten at an affordable price. For example, BI insurance policies typically contain specific exclusions for loss or damage caused by pandemics, war, nuclear action and radiation. The potential loss costs from such perils are so substantial that providing coverage would jeopardize the financial solvency of commercial insurers.

In some BI policies, coverage may be triggered when a business is shut down due to an order issued by a civil authority. [Mayor Bowser's Order 2020-053](#)

would not trigger BI coverage, however, because a pandemic peril is not a specified event that causes physical damage to a property.

There is a possibility that BI coverage could be triggered if unrelated physical damage occurred to the property during the public health emergency. Most BI policies require a waiting period of 24 to 72 hours before coverage begins. Once it begins, coverage continues for a reasonable period while the property is restored, and the business is reopened; the terms are subject to the coverage limit of liability set forth in the policy.

Business owners should review their policies to understand the specifics of their coverage. Questions about coverage should be directed to agents, brokers or the Department.

Help for Small Businesses

The Department is taking the following actions in support of small businesses during this public health emergency:

- Working with District Government officials on programs to provide relief to small businesses that have been harmed by the COVID-19 pandemic – including the new \$25 million [Small Business Recovery Microgrant Fund](#) and the cash collateral support and loan participation programs.
- Reviewing all options to be certain that insurers fulfill their legal obligations to policyholders in the District.
- Monitoring federal relief efforts aimed at assisting individuals and businesses at the local level.

As this information becomes available, it will be posted at disb.dc.gov. Additional business insurance information can be found at disb.dc.gov/page/consumer-education-and-resources.

Please visit coronavirus.dc.gov/recovery-business to learn more about applying for the a microgrant, and visit disb.dc.gov for information about the cash collateral support and loan participation programs.

About DISB

The mission of the Department of Insurance, Securities, and Banking (DISB) is three-fold:

(1) cultivate a regulatory environment that protects consumers and attracts and retains financial services firms to the District; (2) empower and educate residents on financial matters; and (3) provide financing for District small businesses.