

# COVID-19 and Business Income (Interruption) Insurance



## What is business income (interruption) insurance?

When a business sustains property damage, the coverage typically pays for:

- Revenue lost due to the closure
- Fixed expenses, such as rent and utility costs
- Expenses of operating from a temporary location

## What is standard BI coverage?

Standard BI requires “direct physical loss or damage” to the business or, if civil authorities have closed off the area, to a business nearby. Loss or damage means structural alteration, such as in a fire. The coronavirus leaves no visible imprint or structural alteration. Even if remediation is needed – like cleaning metal surfaces – this is no different from removing dirt or mold. Courts have ruled there’s no physical damage from mold if the mold can be cleaned off. The same reasoning applies to viruses.

In addition, most policies specifically exclude losses due to viruses, bacteria and contagious diseases.

## Who determined viruses, bacteria, and contagious diseases would be excluded from these policies?

The Insurance Services Office (ISO) develops policy language that is widely used throughout the insurance industry. The language is then approved by state insurance regulators before policies are sold to prospective policyholders.

ISO introduced the “Exclusion of Loss Due to Virus or Bacteria” in 2006.

ISO also addresses civil authority:

*When a Covered Cause of Loss causes damage to property other than property at the described premises, we will pay...provided that both of the following apply:*

- 1) *Access to the area immediately surrounding the damaged property is prohibited by civil authority as a result of the damage; and*
- 2) *The action of civil authority is taken in response to dangerous physical conditions resulting from the damage or continuation of the Covered Cause of Loss that caused the damage, or the action is taken to enable a civil authority to have unimpeded access to the damaged property.*

**ISO Circular**

**FORMS - FILED**  
**FROM: LARRY PODOSHEN, SENIOR ANALYST**

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**COMMERCIAL PROPERTY**      **LI-CF-2006-175**

**NEW ENDORSEMENTS FILED TO ADDRESS EXCLUSION OF LOSS DUE TO VIRUS OR BACTERIA**

**This circular announces the submission of forms filings to address exclusion of loss due to disease-causing agents such as viruses and bacteria.**

**BACKGROUND**

Commercial Property policies currently contain a pollution exclusion that encompasses contamination (in fact, uses the term *contaminant* in addition to other terminology). Although the pollution exclusion addresses contamination broadly, viral and bacterial contamination are specific



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