

Crisis Coverage: Insurance for Business Interruption

The blackout that shut down businesses from New York to Detroit has focused attention on the importance of business-interruption insurance. Policyholders should review their property insurance policies and submit claims for business-interruption losses now.

What Is Business-Interruption Coverage?

Many businesses purchase business-interruption insurance as part of their first-party property insurance. Unlike first-party property insurance, which covers damage to insured property, business-interruption insurance applies to the policyholder's consequential loss of business due to damage to property, including loss of business income. Business-interruption insurance policies generally limit coverage to the business income lost during the time required to restore the business, or to a period of twelve months following the loss or damage. Other time limitations may apply to certain aspects of the coverage

Other Related Coverages

Business-interruption insurance policies and endorsements may include other valuable coverages:

- Extra Expense Coverage;
- Civil Authority Coverage; and
- Contingent Business Interruption Coverage

For example, contingent business-interruption coverage pays for losses resulting from property loss at the location of a key vendor or supplier even in the absence of physical damage at the policyholder's premises. Other extensions of coverage may protect a policyholder's loss of leasehold interest, valuable papers, computers, and electronic data and media. A related coverage, called event cancellation coverage, is extended to pay a policyholder's losses from events that are cancelled for reasons specified in the policies.

Making a Claim

As with other insurance claims, policyholders should give notice as soon as possible after the loss occurs to avoid unnecessary disputes over coverage. Property and business-interruption insurance policies may require a policyholder to submit written proofs of loss that identify and price the elements of the loss. Business-interruption policies often pay for the policyholder's costs for preparing the claim.

Conclusion

Insurers likely will be facing an unusual number of claims as a result of the power outages last week. Policyholders should take a protective approach in these situations because, in insurance, the "squeaky wheel," or determined policyholder, is often the one that gets paid.

For more information regarding this topic, please contact any of the following Jenner & Block attorneys:

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