

Banking & Financial Services

Few insurance options for businesses affected by coronavirus pandemic 🔑

Local businesses may be used to protecting themselves against losses stemming from natural disasters, but it's unlikely many have insurance coverage for losses tied to a pandemic like the coronavirus, officially known as COVID-19.

As the novel coronavirus spreads across the U.S., businesses are worried about the financial impacts of a local outbreak, said Anita Byer, CEO of Plantation-based Setnor Byer Insurance and Risk.

But they could be out of luck, because losses resulting from coronavirus, officially declared a pandemic by the World Health Organization Wednesday, typically aren't covered by business interruption or liability insurance policies.

"Pandemics just aren't an event you typically see covered by standard insurance," she said.

The interruption of company operations leading to lost income - caused by shuttered manufacturing facilities, quarantined workers or the temporary suspension of trade - is a worst-case scenario that could have the biggest financial impact on businesses. Business interruption insurance, which replaces lost income, may appear to be a solution, but Byer said a disease outbreak likely wouldn't qualify.

"Unlike a fire or a hurricane, coronavirus-related claims are unlikely to cause the property damage needed to trigger business interruption coverage," she said.

Business interruption policies usually contain exclusions for bacteria, live viruses and other pollutants, Byer added. So even if key facilities, like warehouses storing inventory like raw materials or produce, are unusable and inventory destroyed due to coronavirus contamination, those losses would not be covered.

Supply chain insurance, which can be written to cover negotiated perils such as pandemics, is an option for businesses that require broader business interruption protection. But Byer said those policies are expensive enough to be out of reach for small businesses.

Daniel Odess, president of Coral Gables-based insurance firm GlobalPro, said the region's 2016 Zika virus outbreak indicates some businesses could have avenues for insurance coverage.

"In the wake of Zika we saw several hospitality companies recover damages after areas of Miami were quarantined, so it's possible," he said. "It's definitely on a case-by-case basis, so I would advise business owners to closely review their policies to see if they have language excluding viruses."

Odess said now is the time for business owners to take proactive measures to protect their enterprises. That includes reviewing their insurance policies, establishing coronavirus risk management protocols for employees, and ensuring they have important documents on hand in the event of a quarantine.

"Collect your financial records and insurance policies, study them and make sure they are easily accessible so you have what you need to make a claim or potentially apply for government relief, even if you're quarantined at home," he said.