



About

Business Interruption and Related Coverages in a Pandemic

1

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NAIC Data Call

- 82% of the Business Interruption policies include some form of virus exclusion
- Total premium collected for policies with business interruption:
 - \$48 billion
- 201,285 Covid Property/BI Claims Made to Date
 - Seeking \$1.275 Billion
- Number of claims closed with a payment:
 - 2.3%
 - \$296 million paid where carriers are claiming it is baseless to assert a business interruption claim absent deformation or physical alteration of property
 - Average claim amount paid and reserved:
 - \$201,285

2

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Coverages to Consider in a Pandemic



3

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Types of Coverage Under Commercial Property

- Real and personal property
- Business income loss
- Extra-expense
- Civil Authority
- Ingress-Egress
- Dependent Properties Time Element Coverage
 - Time element property insurance that pays for the loss of income or increase in expenses resulting from damage from a covered cause of loss to the premises of another organization on which the insured depends, such as a key supplier or customer.

4

- Some policies include “rental income” coverage
 - Often has caps or sublimits
 - Covers gross lost rents
 - Some carriers wrongly try to steer coverage to a sub-limited coverage
- Overlaps with business income loss or business interruption coverage
 - Covers lost net income plus continuing expenses

- Leases typically require the tenant procure commercial property coverage
- Business interruption is typically required
- Tenant must also procure and maintain business income/business interruption insurance and extra expense coverage ("Business Income Insurance") with coverage amounts that will reimburse Tenant for all direct and indirect loss of income arising out of and all charges and costs incurred in connection with all named perils insured against by Tenant's Property Insurance. This coverage must include loss arising from prevention of, or denial of use of or access to, all or part of the Premises or the Project as a result of those perils. The Business Income Insurance coverage must provide coverage for no less than 12 months of the loss of income, charges, and costs contemplated under this Lease.

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