

Q and A on Business Interruption Insurance Coverage

This is a challenging and uncertain time for Canadians. Canada's P&C insurers are here to help and work with those adversely affected by the pandemic and are prepared to offer flexible solutions to their customers. Insurance continues to play an important role in the overall economy, and insurers remain open for business to assist consumers and continue to pay claims for covered losses. Below is a Q and A document to assist in discussions with clients about business interruption coverage.



What is business interruption (BI) coverage?

BI coverage is typically an add-on to an existing business insurance policy. In the event of loss or damage to a business or damage to a neighbouring property, requiring the business to shut down, BI insurance covers continuing expenses or replaces lost profits.

Will my standard business policy or business interruption policy cover me for interruptions due to COVID-19?

BI policies require proof that the insured premises sustained physical damage from an insured peril that was covered under their business insurance policy. Once that damage is established, the BI coverage is triggered for loss of business income. A business that is interrupted due to the pandemic may not have sustained any physical damage.

How does business interruption insurance work?

There are three types of BI policies:

1. Gross earnings policy, which pays only until property or damage is replaced or repaired, or stock is replaced.
2. Profits form policy, which continues to pay until a business resumes its normal, pre-interruption level (subject to policy limits).
3. Extra expense policy, which is designed for businesses that can remain operational during periods affected by loss and/or damage.

Am I covered by my business interruption insurance for COVID-19?

A business that is interrupted due to closure due to the pandemic may not have sustained any physical damage. Without physical damage to the insured premises the BI coverage is not triggered.

Should I be making a business interruption insurance claim given that I had to close down operations due to COVID-19?

All businesses are encouraged to talk to their insurance representative if they are unsure whether the BI coverage was triggered.

Are there any preventative measures that I can take to help ensure commercial insurance coverage remains in place and facilities are maintained due to my business closure?

Your business insurance policy may have coverage limitations if your business premises are vacant or unoccupied for 30 days or more. You should have someone visit the insured premises regularly to verify they are secure and check for any undetected damage. If you are unable to have someone visit your business premises, contact your insurance representative to determine what solutions are available.

Am I covered for change of use of my home or vehicle (working from home, using your vehicle for volunteer efforts or deliveries, etc.)?

Insurers understand that life has changed as a result of the pandemic, and that you may be temporarily using your car or home differently (for example, you may be using your car to commute to work instead of taking public transit, or you may be working from home). Insurers stand ready to ensure your ability to make a claim is not impacted by circumstances over which you have no control. Solutions are available – if you have questions or concerns, please contact your insurance representative to discuss your situation.

MDS Inc. v. Factory Mutual Insurance Company

Over the last few days, there have been questions about whether MDS Inc. v. Factory Mutual Insurance Company decision has an impact on current business interruption claims related to COVID-19. IBC believes this case is based on a unique set of facts involving a policy with unique coverage terms and does not deal with viral contamination. Business interruption insurance will not generally respond to financial losses resulting from pandemics, unless specialized pandemic coverage had been purchased. The case does not change the law in any material respects as it relates to business interruption coverage and financial losses caused by COVID 19.

About Us

Established in 1964, Insurance Bureau of Canada (IBC) is the national trade association representing Canada's private home, auto and business insurers.

Its member companies represent 90% of the Canadian property and casualty insurance market. IBC works on a number of fronts to increase public understanding of home, auto and business insurance.

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