

Business Interruption (BI) insurance talking points

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A standard BI policy generally pays out when a business incurs direct physical damage

- Business interruption policies generally provide coverage for a business's lost or diminished earnings when it has closed because of direct physical damage the business incurred from a fire, explosion, windstorm, or some other covered event listed in the policy
- BI policies may provide coverage in the event a business closes and did not incur direct physical damage, but only when civil authorities close the area near the business due to a fire, explosion, windstorm or some other covered event in the closed business's BI policy
- BI policies are [purchased by 34 percent of small businesses](#)—defined as having less than 300 employees in a 2015 national poll—and must be added onto standard coverages like commercial multiperil and businessowners policies

A standard BI policy does *not* pay out for closures caused by either a virus or bacteria

- BI policies generally do *not* provide coverage if the business closed due to a “virus or bacteria”
- The BI policy language generally says “Exclusion for Loss Due to Virus Or Bacteria”
- BI insurers would likely charge substantially more for BI policies which included coverage for business closures due to a “virus or bacteria.” Fewer businesses would therefore buy a BI policy, leaving them unprotected from closures after the business incurred direct physical damage due to a fire, explosion, or windstorm

Contingent BI and Supply Chain Insurance are other policies purchased for business interruption

- Contingent BI policies protect against losses caused by specific supply chain disruptions
- The supplier often must incur direct physical damage for the policy to pay out; contingent BI policies usually have “virus or bacteria” exclusions
- Supply chain policies protect a business against lost or diminished earnings caused by a supply chain disruption without requiring direct physical damage to the business or its supplier(s)