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## Business interruption loss not covered under insurance

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Many state governments have enforced a partial lockdown to contain the spread of COVID-19, resulting in business interruption losses for small and large companies, shops, and others. But the losses cannot be made good by claiming for insurance as the 'loss of profit' clause does not get triggered in the policies unless there is physical damage.

"The non-life industry does not foresee business interruption loss claims arising due to COVID-19 like quarantine or close down of operations due to non-availability of staff because there would be no property damage due to any accident or event," a General Insurance Council spokesperson said.

"The current business interruption policies for commercial establishments do not offer any cover for epidemic or pandemic declared by the World Health Organization (WHO) or



the government," the spokesperson added.

Normally, business interruption losses are covered under property damage policy. So, only if there is property damage then the 'loss of

profit' policy gets triggered. Cases where there has been a fire, breakdown of machinery due to riots, terrorist activities or natural events like floods, cyclones and earthquake, the 'loss of profit' policy gets

triggered and business which have suffered losses can make claims for their losses.

Sanjay Datta, chief (underwriting & claims) at ICICI Lombard, said: "Business loss from physical damage is covered but not the notional loss.

Notional loss can happen for economic slowdown also. There was a slowdown due to the global financial crisis and several companies shut shops but that was not covered under insurance policies because there was no physical damage".

Generally, major industries, hotels, and big shops take business loss policy along with property insurance wherein any claims arising due to physical damage from any of the insured peril is admissible.

"In this case, since none of the insured perils have happened and the businesses have been closed, under government action, no claim arising out of business loss due to COVID-19 can be admissible," said CR Mohan, senior vice-president,

Bajaj Allianz General Insurance.

"However, there may be some all-risk covers which may include coverage due to COVID-19. But such policies are very rare and have to be underwritten, specifically with terms and conditions, subject to reinsurance support," the General Insurance Council spokesperson said.

The partial lockdown has also resulted in many film productions getting stopped temporarily causing budget over-runs. However, film insurance if taken by the production house or the producer may come in handy here.

"At present, film insurance does offer coverage against losses incurred due to stoppage of production due to an epidemic or pandemic in a limited way subject to the disease being declared as an epidemic/ pandemic by the WHO or the government. However, it may not cover loss of profit since the same cannot be estimated," the spokesperson added.