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3 things business owners should do about business interruption insurance

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Amidst the ongoing Covid-19 crisis, nearly one-third of small business owners' report cash flow as their biggest challenge over the next few months, according to a survey of small and medium size business owners by Facebook and the Small Business Roundtable.

Moreover, they (like many of us) are struggling to balance business needs and caring for added household responsibilities.

Many owners have been paying for business interruption coverage intended to protect companies from the loss of income resulting from unexpected risks and after being hit especially hard, small businesses are dependent on this coverage to stay afloat and provide jobs to employees.

Yet, now that owners need coverage the insurance industry as a whole has indicated they intend to deny pandemic-related claims. While many owners are overwhelmed managing the pandemic's resulting disruption to business operations and daily life, it is important owners effectively deal with their insurer.

Small business owners should take three actions.



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Many owners have been paying for business interruption coverage intended to protect companies from the loss of income resulting from unexpected risks.

1. Locate your policy.

Specific language within individual policies will determine if coverage is triggered, so first and foremost owners need to locate complete copies of their policies.

Business interruption insurance coverage is typically found in a property and casualty insurance policy or a business owners' packet of insurance. If a company cannot find their business owners policies, they should contact their brokers and request a copy.

2. Have an attorney review it.

Policy wording and terms will not only determine if coverage is triggered, but also the scope of coverage and what constitutes a financial loss.

The insurance industry appears to have adopted a blanket denial approach for policyholders instead of addressing each individual claim on a case-by-case basis. Therefore, regardless of the advice given by carriers or brokers, it is in a business owner's best interest to have policies reviewed by a lawyer to interpret key policy provisions.

Interpreting complex, dense policy language and how various provisions interact with one another is challenging. Having your policy reviewed by an attorney with insurance coverage and litigation experience is critical to ensuring policyholders receive the coverage and protection they have been paying for.

3. File a claim.

If a claim is not submitted, business owners may not preserve their right to coverage under their policy. Because policies commonly stipulate a window of time during which a claim should be filed, it is imperative business owners take timely action initiating the claims process.

In doing so business owners should also keep a record of all the various ways the company has experienced a loss. Beginning with the date of shutdown and going forward, track all losses and expenses incurred as a result of the pandemic and the necessary changes to business operations.

Even if a claim for business interruption may likely be denied given the industry's position, taking these steps will protect business owners and best position them to obtain a recovery under applicable policy coverage.

Has your business interruption insurance claim been delayed or denied? Contact an experienced lawyer today for a free consultation.

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