

Arkansas Insurance Department

Asa Hutchinson
Governor



Allen Kerr
Commissioner

March 23, 2020

BULLETIN NO. 9-2020

TO: ARKANSAS INSURANCE CONSUMERS, ALL ADMITTED AND SURPLUS LINES INSURANCE CARRIERS DOING BUSINESS IN THIS STATE, AND OTHER INTERESTED PARTIES

FROM: ARKANSAS INSURANCE DEPARTMENT

SUBJECT: BUSINESS INTERRUPTION INSURANCE AND COVID-19

The Arkansas Insurance Commissioner is issuing this Bulletin to inform consumers about Business Interruption Insurance (BII) relative to the state's current COVID-19 health emergency.

The Arkansas Insurance Department is committed to assisting elected government officials and its fellow state agencies, in providing important consumer information for the health and welfare of the people of Arkansas.

On March 11, 2020, Governor Asa Hutchinson issued Executive Order 20-03 declaring a statewide state of emergency in response to the outbreak of the COVID-19 virus among Arkansans. The Order may impact various insurance regulatory statutes so that the Department may effectively render maximum assistance to overcome any potential impediment to the rapid and orderly rendering of assistance to our citizens affected by the virus.

BUSINESS INTERRUPTION INSURANCE EXPLAINED

Business interruption insurance protects businesses against income losses sustained as a result of disruptions to their operations when loss or damage has occurred.

Typically, BII indemnifies the insured for loss of revenue that would have been earned had there been no interruption and the continuing normal operating expenses during the time it takes to restore the business.

In most BII policies, coverage is triggered when the policyholder sustains **physical damage to insured property** caused by a covered peril resulting in a quantifiable business interruption loss.

VIRUS AND DISEASE

Viruses and disease are typically NOT an insured peril unless added by endorsement.

Most policies generally exclude loss caused by or resulting from any virus, bacterium, or other microorganism that induces or is capable of inducing physical distress, illness, or disease.

CIVIL AUTHORITY COVERAGE

Civil Authority coverage is additional coverage that may be purchased as a part of a BII policy.

These policies *may* include coverage for losses caused by the forced closure of property by a civil authority.

This type of coverage would apply when an insured is unable to access its property due to a government order as a **result of physical damage** to an adjacent or nearby property.

Consumers should be aware that if Civil Authority coverage requires physical damage to adjacent or nearby property, and the insured cannot establish a causal connection between a civil authority order and that physical damage, then there will likely be no coverage.

COVID-19 BII COVERAGE

Standard BII policies generally exclude viruses and bacteria and/or communicable disease.

Recently, the Insurance Services Office, Inc. (ISO) developed two new endorsement forms relating to business interruption insurance and COVID-19. These forms provide coverage for actual loss of business income and extra expenses caused by a civil authority ordering the closing of an insured's premises.

AID APPROVAL OF ISO ENDORSEMENT FORMS

The Arkansas Insurance Department has reviewed the ISO endorsement forms related to BII coverage for COVID-19 and has approved them for use in Arkansas should insurers wish to adopt and file them with the Department.

Any questions regarding this Bulletin should be directed to insurance.compliance@arkansas.gov at the Arkansas Insurance Department or by phone at 501-371-2600.



ALLEN KERR
INSURANCE COMMISSIONER
STATE OF ARKANSAS

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DATE