Insurance no help for businesses shut down by coronavirus

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The coronavirus outbreak and the state's stay at-home order has caused business interruption — but in at least most cases, insurance industry officials say, that's not the kind of interruption covered by business policies.

Tara McAnarney, co-owner of Pilates Studio of Springfield, 1305 W. Wabash Ave., thought insurance would cover the shutdown like it did when a medical condition caused a driver to crash a car through the wall of the business a few years back. With the stay at-home order that took effect Saturday, her studio is closed to customers. She has "a little bit" of business through online teaching, she said.

And Mark Forinash, owner of Café Moxo, 411 E. Adams St., and Café Moxo Too within Springfield Clinic, 1025 S. Sixth St., said he's had to lay off 15 of his 18 employees. The business is providing curbside and home delivery. He said insurance claim payments would have kept those laid off from needing to seek unemployment payments.

"Insurance companies can get cash in the hands of people extremely quickly when you're a business," he added. "The federal government cannot."

But it turns out, said Kevin Martin, executive director of the Illinois Insurance Association, that a health scare more than a decade ago yielded a change in the insurance industry — to not cover an event like the coronavirus crisis.
“My empathy goes out to all small business owners,” said Martin, whose group represents most property and casualty companies that sell in Illinois. “The effect of what’s occurred is going to be crazy on all of us.” But, he added, policies are contracts and spell out what they cover. And the industrywide standard now, he said is, “business interruption insurance coverage does not apply to a virus of this nature,” or the related government shutdown order.

That’s the result, Martin said, of the outbreak of Severe Acute Respiratory Syndrome, or SARS, in the 2000s. While that disease did not cause the national disruption now being seen by coronavirus, it showed what a “devastating effect” a worse pandemic could have on the insurance industry.

“They’re telling me that it could be in the trillions of dollars in losses,” Martin said. “And if you look at it in that perspective, what will happen is, you will have ... insurance companies that will become insolvent.” With insurance companies unable to function, he said, businesses wouldn’t be paid for any claims.

Phil Lackman, CEO of Independent Insurance Agents of Illinois, also pointed to SARS as a course-changer in the industry.

“A very similar situation happened on 9/11 with the terrorist attacks. The federal government stepped in and created (the) Terrorism Risk Insurance Act,” which has the government share the burden of coverage.

“I believe this situation will require federal intervention as well,” Lackman said, “due to the scope of the risk.”

Lackman suggested that business people contact their agent or insurance company “as businesses all have unique risks which in turn makes their insurance policy unique.

“In these trying times the Independent Insurance Agents of Illinois and our members are here to assist in any way we can and work with various groups to develop a solution as agents are on the front line and see the true ramifications of this pandemic on small businesses,” he said.

McAnarney and Forinash - who happen to be sister- and brother-in-law - are hoping for help.

Forinash said having workers go on unemployment will increase his costs into that system.
also said that he’s lost perishable food.

“Can we make it until next year?” he said. “Can we make it until next week? We are not a cash cow business. ... We still operate on small margins. Those are some of the battles that we’re up against.” He said he would “keep doing left foot, right foot, and try not to trip up too bad.”

McAnarney said she and co-owner Kirsten Wright have one other full-time and four part-time workers who teach Pilates - an exercise regimen that focuses on core strength, balance and flexibility.

McAnarney is hoping for the best, which could include a government program to help. She began online teaching Monday, but she said, it produces “nowhere near the revenue” of regular operations.

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