Barry Buchman, Greg Van Houten in Law360: Insurance Cases Illuminate Business Interruption Disputes

By Barry I. Buchman, Greg Van Houten | October 11, 2019

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In the wake of devastating disasters over the past several years, such as Hurricanes Dorian, Florence and Harvey, the California wildfires, and the April tornadoes of 2018, the ability of businesses to offset losses caused by damage to their supply or distribution chains has become increasingly important. Media outlets have reported on the rising business and other costs of such events.

In that regard, property damage insurance policies typically contain several extensions of coverage that can be particularly useful for addressing this issue, including coverage for contingent business interruption issues. On a typical policy form, CBI coverage reimburses the policyholder for losses that the policyholder incurs when a supplier or customer has suffered property damage that interrupts the policyholder's ability to take deliveries from the supplier and/or sell to the customer.

Given the increased frequency and severity of natural disasters, there has been an increase in the number of significant CBI claims — sometimes reaching nine figures. The increase in the frequency and severity of CBI claims has caused some insurers to look for ways to avoid paying under their CBI coverage provisions. …

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