

Van Osselaer in ABA Insurance Journal: Coverage for Supply Chain Disruptions

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Haynes Boone Associate [Andrew Van Osselaer](#) authored an article for *ABA Insurance Journal* with four other attorneys from around the country detailing the types of insurance coverage that make up “supply chain coverage” and common exclusions and pitfalls.

Read an excerpt below.

Supply Chain Insurance—When Is It Needed?

Supply chains are relationships between a seller or manufacturer of goods and the suppliers of materials the manufacturer incorporates into its product; for example, raw materials and component parts. Supply chains can suffer disruptions for numerous reasons, including weather and climate-related risks, price changes, transportation and storage failures and shortages in modes of transportation, labor shortages or disputes, political instability, financial or management issues affecting a supplier or vendor, physical losses to plants and storage facilities, or cyberattacks—all of which pose a significant risk to businesses. A disruption in one part of the supply chain can cause losses in other parts. This article examines the types of insurance coverage that make up “supply chain coverage” and common exclusions and pitfalls.

Contingent Business Interruption Insurance May Help

In general, commercial property insurance covers an insured’s business income losses only when those losses result from physical loss or damage to its own property. This coverage, without more, may not protect the business from disruptions in its supply chain. Often policies include “contingent” business interruption (CBI) coverage, which may cover losses due to supply chain disruptions. However, this coverage requires physical loss or damage, and coverage may be limited for certain suppliers listed on a schedule. See the following sample provisions:

This policy is extended to cover the actual loss sustained by the Insured due to the necessary interruption of business as the result of direct physical loss or damage of the type insured against to properties not operated by the Insured which wholly or partially prevents any direct supplier of goods and/or services to the Insured from rendering their goods and/or services, or property that wholly or partially prevents any direct receiver of goods and/or services from the Insured from accepting the Insured’s goods and/or services. ISO Form CP 00 30 10 91 (1990).

Contingent Time Element. This Policy covers the Actual Loss Sustained and **Extra Expense** incurred by the Insured at an Insured Location during the **PERIOD OF LIABILITY** directly resulting from physical loss or damage of the type insured to property of the type insured at Contingent Time Element Locations located within the Coverage Territory: ISO Form PF-28906 (04/19).

CBI coverage is sometimes called “dependent properties” coverage. These provisions cover enumerated dependent properties, such as “those who supply materials for the insured, purchase the insured’s goods, or attract customers to the insured’s business.” “Regular business-interruption insurance replaces profits lost as a result of physical damage to the insured’s plant or other equipment; contingent business-interruption coverage goes further, protecting the insured against the consequences of suppliers’ problems.” Broadly speaking, CBI coverage “gives the insured coverage for loss of sales or revenue sustained when its business is interrupted as a result of damage to property that disrupts the flow of goods and services with a supplier or customer.”

To read the full article in *ABA Insurance Journal*, click [here](#).