

What Businesses Can Do To Prepare For Coronavirus

Description

With anxiety over a potential coronavirus (also known as COVID-19) pandemic spreading more quickly than the virus itself, people across the United States are being advised to take the common-sense approaches of washing their hands, using hand sanitizer, and coughing and sneezing into their elbows to reduce the risk of transmission.

Business leaders should also be thinking about common-sense approaches to reduce the impact of the coronavirus on their organizations.

With the further spread of coronavirus likely but difficult to predict, there are some basic preventative steps that businesses can take to limit business disruption, contract liability and financial losses from the coronavirus.

First, business leaders should ensure that they have a good first line of defense, namely proper and adequate insurance coverage. At first glance, it may seem that coronavirus-related issues should be covered by business interruption coverage under a property insurance policy. In many cases, however, business interruption coverage only insures a “physical loss” from a “designated cause.” The exact definitions of “physical loss” and “designated cause” vary by policy; many possible issues arising from the coronavirus, such as widespread absences or shutdowns resulting from quarantine of employees, may not be covered. Business leaders who believe their businesses may be at risk from coronavirus should consult with their insurance brokers to ensure that they have necessary coverage in place.

Second, business leaders should review any previously executed contracts that may be impacted by the coronavirus for a “force majeure” clause. Force majeure clauses are often included in contracts to excuse a party’s failure to perform under the contract due to unforeseeable events outside such party’s control. Ideally, any previously executed contracts would include force majeure language that would apply to issues arising from the coronavirus. However, most standard force majeure clauses do not directly address the impact of pandemics; therefore, such clauses may not adequately mitigate the risks associated with the coronavirus. If a force majeure clause is included in the contract, then it is important to review with counsel (i) if the clause would cover coronavirus-related issues, and (ii) whether triggering the force majeure clause requires any kind of notification to another party to the contract, and if so, what those requirements are. Notice to another party may need to be delivered in a certain form and within a certain time period for the force majeure clause to be properly invoked.

Third, for contracts or transactions that are currently in negotiation, business leaders should consider the potential impacts of coronavirus-related disruptions before agreeing to final deal terms and ensure that any new contracts include force majeure provisions adequate to protect against such risks. Whether a transaction involves a lease, a purchase contract for goods or services, the acquisition of a business, or other types of agreements, it may make sense for the parties to re-assess the terms. Depending on the type of transaction, the parties should consider directly addressing specific coronavirus-related issues that could impact the transaction or the parties’ respective abilities to perform under the proposed contract.

Partridge Snow & Hahn’s [Business Law Group](#) is ready to answer questions and to provide advice on how to address general and specific business risks posed by the coronavirus.

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