Inspira Denied Business Interruption Coverage for COVID-19 Shutdowns



A New Jersey federal Court recently dismissed a healthcare network's claim against its liability insurance provider for business interruptions caused by the COVID-19 pandemic. Inspira Health Network (Inspira), a leading healthcare provider in South Jersey with three hospitals, two cancer centers, and several multi-specialty centers, filed suit against American Guarantee and Liability Insurance Company (AGLI), arguing that AGLI should cover losses incurred by Inspira resulting from government shutdown orders that blocked access to certain parts of Inspira's properties because of the threat of COVID-19, which resulted in an estimated $20 million in lost revenue.

In its ruling to dismiss Inspira's suit, the Court found that Inspira did not establish a viable claim that the shutdown orders prohibited access to its properties, which was required for business interruption coverage under their policy with AGLI, and that while the shutdown orders restricted certain activities at Inspira locations, the orders did not entirely prohibit access. In making its decision, the Court relied on decisions in similar cases brought by health networks in other jurisdictions, most notably a July 2021 decision in the Southern District of New York relating to a claim filed by Northwell Health, New York's largest healthcare system, where the Court found that Northwell failed to show a physical loss to its properties as a result of the government shutdown orders.

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