

Contact Info: Gagan Gupta / (844) 335-4392 / ggupta@paynterlaw.com

NC COURT FINDS INSURANCE COMPANY MUST PAY BUSINESS INTERRUPTION COVERAGE FOR LOSSES DUE TO COVID-RELATED GOVERNMENT SHUTDOWN ORDERS

Paynter Law secures historic victory for restaurant clients

October 21, 2020 (Durham, NC) – Paynter Law secured a major victory when a North Carolina court ruled that The Cincinnati Insurance Company must pay business interruption coverage for losses suffered by 16 restaurants due to COVID-19-related shutdown orders entered by government authorities across the state. Paynter Law’s action represents the first case in the country requiring an insurance company to pay such losses.

The Plaintiff-restaurants include Vin Rouge, Parizade, Mateo Bar de Tapas, Rosewater, Mothers & Sons Trattoria, Saint James Seafood, Lucky’s Delicatessen, Bin 54, City Kitchen, Village Burger, Nasher Cafe, Local 22, Kipos, Golden Fleece, Farm Table, and Gatehouse Tavern, and are owned and operated by Matthew Kelly, Giorgios Bakatsias, Jay Mehdian, and Laszlo Lukacs, local chefs, businessowners, and multi-time James Beard award nominees who helped ignite the region’s culinary renaissance.

“This ruling marks the first victory among the thousands of such lawsuits across the country,” says lead attorney for the Plaintiffs, Gagan Gupta. “It’s a historic and powerful win for policyholders during this era of economic devastation for small businesses everywhere.”

Business interruption policies, like the ones Cincinnati issued to the Plaintiffs, provide coverage when a business experiences “direct physical loss or direct physical damage.” During the September 23, 2020 hearing before Judge Orlando Hudson, Senior Resident Judge of the Durham County Superior Court, Cincinnati argued the position adopted by the insurance industry nationally that the phrase “direct physical loss or direct physical damage” requires structural alteration to property for coverage to apply. Cincinnati asserted that neither COVID-19 nor the related shutdown orders caused structural alteration to property. But as Judge Hudson’s opinions explain, Plaintiffs’ Cincinnati policies cover loss *or* damage, and because “loss” must mean something different from “damage,” there is no requirement for structural alteration to property. Rather, Judge Hudson ruled that Cincinnati must pay for coverage because the restaurants lost the physical use of and access to their businesses, a clear “direct physical loss.”

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About Paynter Law: With two offices in North Carolina and one in Washington, D.C., Paynter Law is dedicated to protecting the rights of businesses, consumers, and victims of fraud and negligence, with a focus on insurance disputes, class actions, high-stakes personal injury litigation, complex commercial cases, intellectual property disputes, and antitrust litigation. More about the firm can be found at: <https://www.paynterlaw.com>.