

May 5, 2020

Dear Chairman Mendelson and Council Members:

Thank you for the opportunity to write in opposition to Section 2 of the Coronavirus Omnibus Emergency Amendment Act of 2020 (Section 2). If enacted, Section 2 would rewrite existing insurance contracts for the purpose of taking funds set aside for all policyholders of certain insurers to pay for the pandemic-related economic losses of select businesses in the District. The District would be the first U.S. jurisdiction to take such legislative action. We believe that only the Federal government, through initiatives such as the Paycheck Protection Program and other federal recovery initiatives under consideration in both chambers of Congress, can provide the level of economic relief that will be needed to respond to this crisis for American businesses.

In addition to the various statements in opposition to Section 2 from other industry stakeholders, which we support, we respectfully request the Council carefully consider the following:

- Section 2 would rewrite existing contracts after the fact. Property insurance contracts that insure against loss of use and occupancy and business interruption at a physical business location do not cover economic losses related to a global pandemic. Insurers did not agree to cover these losses in their insurance contracts issued in the District any more so than any other private group of companies outside of the insurance industry.
- Insurer-funded economic stimulus for the business community. Section 2 at its core seizes funds from one group to give to another group. The funds the District proposes to seize are reserves and surplus required to be set aside for all of the policyholders of each insurer subject to Section 2 by insurance regulators such as the DISB. This means there will be fewer funds available to cover valid claims from the insurers' other policyholders in the District (and elsewhere).
- Opposing state insurance department and state legislator statements. At least eighteen (18) insurance departments, along with the National Council of Insurance Legislators and National Association of Insurance Commissioners, have issued statements opposing retroactive coverage legislation like that outlined in Section 2.
- Unprecedented insured losses. This global pandemic is projected to be the largest single insured event in history, even without insurers being required to pay for losses they did not agree to cover, such as under Section 2 and similar proposed legislation. A recent report by insurance broker Willis Towers Watson estimates general insurance losses of between \$32 billion and \$80 billion across the U.S. and UK from the novel coronavirus, surpassing claims from the 9/11 attacks. Such losses from legitimate insurance claims are in addition to insurers' own pandemic-related economic losses such as from investments and premium refunds.
- Staggering financial burden. Other stakeholders have provided the Council information on estimated losses to businesses in the District that Section 2 would require insurers alone to fund. Inasmuch as the bill was amended last evening, we are updating our per month claims costs and will provide that information to you as soon as possible. (The cost to fund such economic losses to businesses nationwide could exceed \$1 trillion.)

- Litigation. Legal challenges to Section 2 are a certainty and they are very likely to prevail, in order to protect the sanctity of contract and preserve the fundamental ability to engage in the business of insurance that is undercut by this unconstitutional bill. Insurers support constitutional ways to provide immediate financial relief to ailing businesses, such as those provided under the CARES Act and additional measures that are supported by the insurance and policyholder community jointly.

Thank you again for considering our opposition to Section 2. We respectfully request the Council remove Section 2 from the Omnibus legislation, and at the very least delay a vote on Section 2 to allow sufficient time for a more thorough review and hearing on the issues. We would be pleased to answer any questions.

Sincerely,



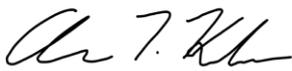
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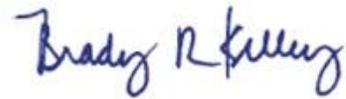
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