



April 13, 2020

The Honorable Mike Thompson
406 Cannon House Office Building
Washington, DC 20515

Dear Representative Thompson:

The undersigned organizations who collectively represent the U.S. insurance industry are working closely with Congress on proactive solutions that provide aid directly to American individuals and businesses that have been affected by COVID-19.

However, we write in opposition to the “Business Interruption Insurance Coverage Act,” which works against the goal of aiding small businesses and rebuilding the nation’s economy in the most efficient and effective manner possible. The legislation would require every property/casualty policy which includes business interruption coverage to cover losses stemming from a viral pandemic or business closure while preempting state law in nullifying any such exclusions in force on the date of enactment.

As we noted in our April 2, 2020 letter, standard business interruption policies are not designed to provide coverage for viruses, diseases, or pandemic-related losses because of the magnitude of the exposure. Insurability requires that loss events are due to chance and loss exposures are not too heavily concentrated or catastrophic which is not possible if everyone in the risk pool is subject to the same loss at the same time. Therefore, mandating coverage for this size and type of exposure while nullifying existing exclusions would amount to an unconstitutional abrogation of insurance contracts and end the very existence of the business interruption insurance market as we know it. This would also undermine existing protections for the business community and policyholders against risks that are currently covered under standard business interruption policies. Recent estimates show that business continuity losses just for small businesses of 100 employees or fewer could amount to between \$220 billion to \$383 billion per month. Meanwhile, the total surplus for all of the U.S. home, auto, and business insurers combined to pay all future losses is only \$800 billion.

The U.S. insurance industry remains committed to consumers and small businesses as our nation faces extraordinary challenges and is ensuring that prompt payments are made in instances where coverage exists. Our members have also begun to work with our policyholders, including providing credits and offering flexibility in premium payments.

We also stand ready to work with Congress on solutions that provide the necessary relief as soon as possible. The loan programs instituted by the CARES Act provide a down payment on economic support for Main Street businesses, but additional liquidity will be required for impaired industries and businesses to avoid an unprecedented systemic, economic crisis. To that end, we joined more than 30 groups representing commercial policyholders in a letter to President Trump and leaders of Congress urging the creation of the COVID-19 Business and Employee Continuity and Recovery Fund (“Recovery Fund”). The Recovery Fund would be backed by the federal government and under the authority of a special federal administrator with the ability to enter into contracts with interested businesses to administer the Recovery Fund and facilitate the distribution of federal funds and liquidity to impacted businesses and their employees.

In addition to these efforts, our industry is also working with members of the House Financial Services Committee in developing a federal government model designed to assist small businesses during future

pandemics. However, this work will only be impeded by proposals like the “Business Interruption Insurance Coverage Act” that work against assisting those in need as quickly as possible.

Sincerely,

Mr. Jimi Grande, Senior Vice President, Government Affairs, National Association of Mutual Insurance Companies

Mr. Charles E. Symington, Jr., Senior Vice President of External, Industry & Government Affairs, Independent Insurance Agents & Brokers of America

Mr. Nathaniel F. Wienecke, Senior Vice President, Federal Government Relations, American Property Casualty Insurance Association

Ms. Nicole C. Austin, Senior Vice President and Director of Federal Affairs, Reinsurance Association of America

Mr. Joel Wood, Senior Vice President, Government Affairs, The Council of Insurance Agents & Brokers