May 6, 2020

The Honorable Tim Scott
United States Senate
Washington, DC 20510

Dear Senator Scott:

I write in reply to your April 10, 2020 letter to President Trump regarding the impact of the coronavirus disease 2019 (COVID-19) pandemic on business interruption (BI) insurance contracts.

Treasury is actively monitoring the various proposals being discussed in Congress, state legislatures, and the private sector related to insurance and business interruption coverage. The Department is aware that several states have introduced legislative measures to retroactively change the terms of insurance contracts and compel coverage of COVID-19 BI losses. While insurers should pay valid claims, we share your concerns that these proposals fundamentally conflict with the contractual nature of insurance obligations and could introduce stability risks to the industry. Treasury looks forward to working with Congress, the states, the National Association of Insurance Commissioners, and other stakeholders in determining how to best move forward in addressing losses attributable to the current and potential future pandemics.

If you have any further questions, please direct your staff to contact the Office of Legislative Affairs.

Sincerely,

Frederick W. Vaughan
Principal Deputy Assistant Secretary
Office of Legislative Affairs

cc: The Honorable Mike Crapo
    The Honorable Thom Tillis
    The Honorable M. Michael Rounds
    The Honorable Pat Toomey
    The Honorable Ben Sasse
    The Honorable David Perdue