

**Remarks by Sean Kevelighan, CEO, Insurance Information Institute
U.S. House of Representatives' Small Business Committee
Subcommittee on Innovation and Workforce Development
Virtual Forum: Business Interruption Coverage: Are Policyholders Being Left Behind?
Thursday, May 21, 2020**

Thank you, Chairman Crow, Ranking Member Balderson, and esteemed members of the Innovation and Workforce Development Subcommittee. On behalf of the Insurance Information Institute—or Triple-I—I appreciate the invitation and opportunity to speak before the Committee on behalf of America's property/casualty insurers, and reinsurers.

For just some brief background, Triple-I is a 60-year-old non-profit organization that was founded by the insurance industry with the intent of informing and empowering the customer. We are a trusted source of objective and data-driven insight that helps customers understand and manage risk.

Insurance has a proud 350-year history of supporting innovation and prosperity for individuals, businesses, and communities. The industry has been there to help Americans recover from catastrophes including hurricanes, tornadoes, and wildfires. With each of these types of catastrophes, the industry works with urgency as financial first responders to help customers, communities, and economies recover and rebuild.

The shock of the COVID-19 pandemic has devastated the U.S. economy. Understandably, Americans are seeking solutions that can create financial security in this time of uncertainty and get the economy up and running, and the government and private sector alike are bringing ideas to the table. And while the insurance industry has eagerly worked to provide solutions and relief that it can, we also need to be mindful that there are limits. In particular, an event like a global pandemic is uninsurable.

Unlike a typical covered catastrophe, which is limited in terms of geography and time, pandemics have the potential to impact everywhere, all at once. Clearly, as we are seeing with COVID-19, the entire US economy, as well as many other economies around the world, are being impacted all at once. As such, disasters of this magnitude require government resources to step in and provide support. In our case, the U.S. federal government.

Given the unpredictability and unimaginable potential for worldwide losses, insurance is simply unable to underwrite and cover a pandemic like COVID-19. This concept is made expressly clear in standard U.S. business interruption policies, which are reviewed and accepted by state insurance regulators.

For further clarity on this, it is important to provide a brief understanding of property business insurance, and then business interruption as well.

Property business insurance, in general, is meant to cover various physical risks that would jeopardize, devastate, or force closing, such as a fire, tornado, or hurricane. Should these unfortunate events happen, insurance customers can and should make a claim.

Business interruption policies are offered as an “add-on” to the general property policy to cover lost income and continuing expenses while the business is closed or being repaired because of the same circumstances—direct physical damage. Only about one-third of U.S. small businesses choose to have business interruption coverage.

Understanding the insurance industry is heavily regulated at the state level, these policies are written and approved by regulators.

As such, I draw your attention to a recent statement by the National Association of Insurance Commissioners: “Business interruption policies were generally not designed or priced to provide coverage against communicable diseases, such as COVID-19 and therefore include exclusions for that risk. Insurance works well and remains affordable when a relatively small number of claims are spread across a broader group, and therefore it is not typically well suited for a global pandemic where virtually every policyholder suffers significant losses at the same time for an extended period.”

Any efforts to retroactively rewrite business interruption policies are not only unconstitutional (Article I), but would imperil the insurance industry’s ability to pay covered insurance claims filed by American homeowners, drivers, and injured workers.

To further clarify this from a legal perspective, I reference Michael Menapace, a Connecticut-based insurance attorney, counselor, and [Quinnipiac University School of Law School](#) professor. Michael is also a non-resident scholar for the Triple-I. In a recent blog post, Menapace notes that “insurers evaluate individual business interruption claims according to specific policy terms and conditions and the facts known at the time of review.”

Menapace further explains that “the current government shut-down orders do not trigger the vast majority of standard business interruption policies because those orders do not qualify as direct physical loss to property—a requirement under the policies. Moreover, most policies expressly exclude losses incurred due either to a virus or bacteria because pandemics interrupt nearly all businesses everywhere, all at the same time. The federal government is the only entity with the financial resources to help businesses during a widespread global pandemic.”

Make no mistake; retroactive business interruption payouts would bankrupt insurers.

A recent Triple-I [economic analysis](#) determined this approach would decimate the industry’s financial resources in a matter of months, at a time it needs those monies for major natural disasters that insurance policies do cover, such as tornadoes, hurricanes, and wildfires.

Again, the most effective solutions originate with the federal government.

The federal government is the only entity with the financial resources available to help businesses impacted by the government-mandated quarantines. Federally backed government solutions to help struggling businesses weather the COVID-19 pandemic are available—and more are expected. We hope that ongoing legal action to rewrite policies will not distract from the urgent needs of American small businesses—both now and in the future.



I must stress how vital it is that the public and private sectors get this process right, and that everyone fully understand the effect that financial instability in the industry could have on the broader American public.

That is why more than 40 trade organizations—including those representing insurers, restaurants, and other hospitality industries—are also supporting a proposed, federally financed program known as the COVID-19 Business and Employee Continuity and Recovery Fund.

To help better inform this discussion for the broader public, Triple-I this Monday launched a new campaign, known as the Future of American Insurance & Reinsurance (FAIR). The intent of FAIR is to better tell that story and ensure that we are doing all we can as an industry to step up during this time. Fair is also an important word or point that needs to be brought into today's virtual discussion. Simply, to redirect premium dollars away from the policies that millions of Americans are relying on for help and recovery during a different type of covered catastrophe would be unfair. Even more, it would put into jeopardy an industry that does so much for economic growth and sustainability.

Insurance is a critical part of what's keeping the American economy going right now. Healthcare and first responders, and all "essential" businesses, have insurance backing them in the form of workers' compensation and commercial auto insurance. Restaurants—some of which are staying open for take-out and delivery—are covered for their delivery services as well as other covered events, such as a fire or property damage caused by vandalism.

This is a time to come together and work toward recovering from this unimaginable and uninsurable catastrophe. The insurance industry is stepping up for Americans, with the likes of \$10.5 billion in personal auto insurance premium relief, \$220 million in charitable donations, and even more by keeping nearly two million Americans employed so insurance customers will be covered, and have their claims handled, when other disasters strike.

Thank you.

