

An Overview Of Proposed Government-Backed Solutions For Pandemic Losses

Given the universal scope of the pandemic, only the government has the financial capacity to provide the relief businesses—small and large—need to weather this crisis. A viable, sustainable, and inclusive government-backed solution is one that can provide relief to business owners today and protect them from similar situations in the future.

Proposed policies must:

- Reflect the extraordinary challenges of an uninsurable event.
- Avoid putting the federal government in a backseat role on tackling the unpredictable economic damage of future pandemic crises.
- Understand the important role insurance plays in keeping the American economy running—now and in the future—by keeping promises to policyholders for covered catastrophe losses, such as hurricane damage, and therefore refrain from measures that could impose a systemic strain on the industry.

Two proposed legislative solutions by both policymakers and industry leaders are the Business Continuity Protection Program (BCPP) and the Pandemic Risk Insurance Act (PRIA).

Business Continuity Protection Program (BCPP)

- The BCPP policy proposal was introduced by the American Property Casualty Insurance Association (APCIA), the Independent Insurance Agents & Brokers of America (IIABA), and the National Association of Mutual Insurance Companies (NAMIC) and is generally supported by insurance industry stakeholders.
- The BCPP would set up a voluntary program within the Federal Emergency Management Agency (FEMA) to provide timely and efficient financial protection to businesses in the event of another public health emergency warranting economic shutdowns.
- Licensed insurance agents and brokers would function as the BCPP program's distribution network.
- The BCPP would pay out revenue replacement to protect up to 80% of businesses' payroll, benefits, and other expenses like rent during a public health-warranted economic shutdown.
- The BCPP would charge rates calculated as a uniform percentage of revenue across all participating businesses.
- Uniform rates instead of risk-based rates would support robust participation in BCPP which is necessary for BCPP's success.

Pandemic Risk Insurance Act (PRIA)

- PRIA is federal legislation introduced by Representative Carolyn Maloney (D-NY-12), a member of the House Financial Services Committee.
- The U.S. Treasury would administer PRIA just as it currently administers the Terrorism Risk Insurance Act (TRIA). Under this proposed program, insurers would be required to make their policies available without an exclusion, limitation, or other special condition for pandemics. In return, the program would reimburse participating insurers for a certain amount of losses from those events—referred to as the federal backstop.
- PRIA, as is the case for TRIA, would aim to open up commercial insurance markets to take on "hard-to-insure" catastrophe exposures.
- Compared to TRIA, the proposed PRIA is much larger in magnitude, even though PRIA would only cover business interruption and event cancellation losses, whereas TRIA covers all of those in addition to property damage, workers compensation, and general liability.

