

Key Principles Of Forward-Looking Government-Backed Pandemic Recovery Solutions

Given their universal scope, pandemics are largely uninsurable. Therefore, 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, while protecting the insurance industry's commitments to policyholders, an essential driver of economic growth.

Proposed Solutions Must:

Maintain the federal government as a primary provider of relief, reflecting the reality that pandemic risks are not privately insurable.

- Insurance works by pooling risk. Insurers can cover damage even from extremely expensive events such as hurricanes or wildfires because risk-adjusted premiums have been collected, and such events are limited in scope both geographically and temporally.
- In contrast, a pandemic has the potential for unlimited impact and range. Only the federal government has the financial capacity to cover all pandemic-related losses.

Provide widely accessible relief payments to businesses in a fast and efficient manner once a pandemic is declared by the federal government, with minimal chance of abuse.

- The universal scale of pandemic damage calls for a relief program that is equally broad in reach. However, given the extraordinary losses resulting from a potential future pandemic, purely market-based risk-adjusted insurance policies would necessitate premiums that are cost prohibitive for most businesses. This would leave many—especially small businesses—unprotected.
- Small businesses often have limited financial reserves, making it difficult for them to stay in business during a prolonged period of disruption. By clearly tying pandemic recovery payouts to a business's operating expenses, small businesses rapidly would be able to access financial relief in lieu of an indemnity-based process.
- Any relief program at the necessary scale for pandemic relief must also prioritize accountability, minimizing inefficiency, fraud, waste, and abuse. Placing this transparency and oversight at the forefront of relief proposals would improve execution and expedite much-needed help to the businesses and communities across the country in dire need.

Protect businesses from losses, and incentivize businesses to retain employees, without jeopardizing existing insurer commitments.

- If insurers were made to cover pandemic losses without having collected corresponding risk-adjusted premiums, the viability of the insurance industry would be placed into jeopardy within a matter of months.
- A pandemic insurance solution must protect insurers' existing commitments, such as to auto and homeowners' policyholders.
- Keeping employees on the payroll is essential to economic stability, while state-level presumptions related to workers compensation claims should be recognized.