

NAIC Perspective and Concluding Remarks

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- I hope everyone has found today's session as informative as I have. We led off discussing the ins and outs of Business Interruption coverage, identifying the pandemic BI coverage gap, and discussing lessons-learned from other federal insurance programs. We discussed availability and affordability of the product and by extension the willingness of policyholders to purchase coverage, as well as the potential impact on insurers' financial condition, and the scope of the coverage.
- As we have seen on panel 2, finding solutions to address the Business Interruption coverage gap that the COVID-19 Pandemic exposed is one of the more significant and complicated insurance issues that industry, policyholders, regulators, and policymakers will continue to think through into next year.

- The debate in Congress began with the introduction of legislation earlier this year and continued most recently at a House Financial Services subcommittee hearing just a few weeks ago. Once the dust settles from the Georgia senate elections in early January and the presidential transition a few weeks later, we will undoubtedly know more about the prospects of legislation to establish a federal program to address the BI pandemic coverage gap.
- Finally, we just heard a provocative presentation putting BI in context with all the other areas impacted by the pandemic and the potential need for federal financial intervention, which really highlighted the breadth and scope of the pandemic's impact on our country and raised the question of whether a federal program focused just on BI is sufficient to address the impacts of concern.
- While we have heard from many others today regarding their views, I wanted to take a moment to provide the NAIC's perspective.

- In our view, a federal mechanism is necessary to address the BI coverage gap for pandemic risk. While some coverage was available in the market before COVID-19, given the scale of the problem, the potential for litigation, and insurers desire to protect their solvency, it's unclear how much of this already limited capacity will remain going forward. Even before COVID-19, but especially now with the wisdom of hindsight, this clearly is a risk that the insurance industry is generally unable or unwilling to underwrite at a scale commensurate with the problem.
- To the extent the insurance industry or insurance contracts are used to facilitate a solution, it is important that any legislation establishing such a program not undermine critical insurance regulatory protections. Insurance regulators have authorities to regulate solvency, policy rates and forms, insurer and producer conduct, and insurer and producer licensing, among other authorities. Preserving these authorities will prevent an insurer from taking on an outsized risk that could undermine its ability to pay other types of claims (after all, we just set a record for named storms hitting the U.S.) and ensures policyholders are treated fairly. One lesson from COVID-19 is that despite policy language, many businesses (small and large alike) clearly did not know that they were uninsured, so in particular for businesses that lack the ability to assess these policies, oversight and scrutiny will be necessary.
- Further, any program on balance should reduce the federal government's, and by extension taxpayers. exposure to future pandemics through policyholder payment of premiums, risk mitigation, and perhaps more private insurance and reinsurance industry involvement over time.

- Last, any federal program should also be structured in a manner that incentivizes the purchase of the coverage by ensuring the product is available and affordable to those who need it most. If policyholders can't or won't purchase it, the program won't meet its objectives and Congress will yet again have to negotiate multiple tranches of trillion-dollar relief during a time of crisis.
- The NAIC does not have a position on any of the specific proposals at this time, though that could change as we consider the details further and engage with stakeholders and policymakers to tackle this important issue.
- While the approaches of the proposals we heard about today are different, what they have in common is they represent a good faith effort to lessen the economic pain of a next pandemic crisis. That is an aspiration on which we can all agree. I want to again thank all the panelists and moderators for participating in today's program and, in particular, the NAIC's Center for Insurance Policy and Research for hosting it.
- And thanks to each of you who tuned in virtually to hear this important discussion. I hope we have left you with some food for thought going into the new year.
- Enjoy the rest of the NAIC's virtual meeting, and I wish everyone a happy and healthy holiday season. Thank you.