

NAIC Policy Position for a Federal Pandemic Risk Insurance Program

The National Association of Insurance Commissioners (NAIC) supports the establishment of a federal mechanism to help ensure widespread availability of business interruption insurance for pandemic risks. The risk of a pandemic is difficult to insure and state insurance regulators have seen evidence that demonstrates the insurance industry is not able to take on a substantial portion of this risk on their own. 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. To the extent the insurance sector or insurance contracts are the vehicles used to facilitate such proposals, it is critical that the proposals be designed in a manner that does not undermine state insurance regulatory authorities to protect insurance consumers and ensure the solvency of the industry; does not jeopardize the financial condition of insurance companies or affect their ability to pay other types of claims; and is affordable to policyholders to ensure adequate take up rates while reducing taxpayer exposure.