

# Arnold & Porter

## Business Continuity Coalition Recommendations for Pandemic Insurance Solution

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# Business Continuity Coalition (BCC)



- The [Business Continuity Coalition](#) comprises a broad range of business insurance policyholders – large and small – from across the American economy, employing more than **62 million** jobs
- BCC [members](#) represent sectors as diverse as manufacturing, finance, retail, hospitality, media/film/broadcast, real estate, and housing
- BCC is dedicated to working constructively with policymakers, insurers, and other stakeholders to develop a workable insurance solution to the pandemic protection gap
- BCC believes this should be a TRIA-like availability and backstop Federal program for all impacted P&C lines but with important differences appropriate to the scope of the current problem

# TRIA-Like Program is Needed to Address Significant Protection Gap Exposed --or Created -- by COVID-19



- Universally acknowledged that non-physical damage business interruption (NDBI) coverage is unavailable going forward
- Other commercial P&C lines being restricted even where, in many cases, viral infection coverage was available at the start of 2020. These include:
  - Management coverages such as GL, EPL and D&O, which have not so far produced “across-the board” losses feared in business-interruption line.
  - Film, TV, media and journalism packages as well as key-man and essential elements coverage now face unprecedented restrictions which
- As with terrorism, Workers Comp line will likely need backstop for non-excludable risk
- While reactions of commercial insurers and reinsurers are understandable, economy recovery requires these crucial coverages be restored and stabilized in order to move forward

# Key Elements of BCC Recommendations



- TRIA-Like Availability and Backstop for All Impacted P&C Lines
- Specific Parametric Expense-Replacement Product in Commercial Property Line (similar to Insurers' proposals)
  - Insurer option to support joint facility (purchase surplus notes) in lieu of direct writing
- Federal Backstop for Insurers
  - 95% Quota Share Federal Support
  - No Insurer Deductible; no Program Cap
  - Insurer Option to Purchase Stop-Loss; Long-term assumption for pricing
- Federal Program Financing
  - Federal Reserve liquidity facility
  - Utilize private reinsurance as available
  - Federally-guaranteed bond sale for long-term financing
  - Mandate consideration of capital markets innovation
  - Permanent (or open-ended) authorization with structure similar to War Damage Corp. or FCIC

QUESTIONS?

