

The Business Continuity Protection Program: Building on Experience to Develop an Affordable and Effective Federal Program for Future Pandemic Business Relief

NAIC Center for Insurance Policy and Research Fall Meeting

December 8, 2020

Guiding Principles for a Future Pandemic Relief Program

- Widespread viral outbreaks are not insurable risks:
 - Too widespread, severe, and unpredictable to underwrite
 - Correlate with other catastrophic losses (liability, WC, investments, rebates, forbearance)
 - Payments need to be heavily subsidized by the government to address affordability and encourage adequate take-up and risk spreading
- Magnitude of pandemic-driven government closures demands a federal solution
- Federal protection must be simple to administer; immediate relief should be subsidized and available to all businesses to encourage adequate take-up and reduce moral hazard
- Protection must provide certainty for businesses, governments and insurers
- Viral risk is uninsurable, but insurers could service a prospective federal business continuity program

APCIA/NAMIC Business Continuity Protection Program (BCPP)

- Revenue Replacement Assistance to Protect Business Continuity
 - Businesses purchase up to 80% of payroll/necessary expenses; 3 months protection
- Simple Application; Immediate Relief in a Crisis
 - Application limited to available, verifiable data (e.g., tax return information)
 - Straightforward, objective parametric trigger (including a presidential declaration)
 - Automatic revenue replacement based on application data – not an insurance product
- Resistant to Political Manipulation
 - Rules/relief formulas established in advance (no certification delay/adjustment/cap)
 - Protection aligned with closure orders
- Leverages Private Sector
 - Program contracts with voluntary third-party servicers from a range of industries
 - Foundation for private insurance (localized coverage, excess, wrap, & reinsurance)
 - Creates opportunity for excess coverage and other lines innovation (e.g., event cancellation)
- Federally funded protection
 - Subsidies and program designed to ensure widespread take-up

Questions To Ask About Any Proposal

Businesses:

- Does it offer simple to obtain and immediate relief for businesses?
- Can servicers compete for business?
- Does it provide federally subsidized rates to ensure affordability and high take up?

Government:

- Does it utilize a preestablished private mechanism for distributing closure relief?
- Is there alignment of health information, government decisions triggering the program, and how does it impact potential government ordered business curtailments?
- Is there partial private funding through subsidized rates?

Resilience:

- How is the uninsurability of viral pandemics addressed?
- Does it potentially impact the availability and choices of other insurance coverage?
- Does the program create the opportunity to innovate on non-BI lines?