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

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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?