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As the United States adapts to COVID-19 and our economy fights for survival, the insurance industry is joining with retail partners and broad business groups to ensure that federal money is injected into the small-business community immediately and with the longevity necessary to save our jobs and our future economic health.

Solving the liquidity crisis facing so many small businesses due to COVID-19 and the economic shutdown that followed is critically important. However, attempting to mandate that insurance carriers cover a pandemic under existing business interruption policies is not a viable solution.

### **WHAT IS BUSINESS INTERRUPTION INSURANCE?**

Business interruption insurance is designed to cover financial losses to replace income for a defined time period, limited to covered events, known as perils, in which the cause of the temporary lost income is covered under the policy contract. While insurance policies differ, generally this coverage is activated by a physical loss such as building damage.

### **WHY DOESN'T BUSINESS INTERRUPTION COVER COVID-19?**

Insurance is meant to cover isolated, unforeseen incidents that create a risk to an individual or business. A sustained, known incident such as a pandemic that affects every person and every business simultaneously is not an insurable event simply because its impact is too wide and too damaging. There is no way to anticipate, or price, such a widespread risk. There is additionally no way for the private sector to retain enough money to bear the costs of worldwide simultaneous claims.

### **WHY SHOULDN'T WE JUST FORCE BUSINESS INTERRUPTION TO COVER COVID-19?**

- Insurance companies have policyholders that will need help with claims that are covered by their insurance policies, such as damage from hurricanes, fire, or tornadoes. If business interruption insurance requires insurers to cover excluded perils, such as pandemics, there will be insufficient money to honor those claims for contractual perils.
- Small business will need future coverage for business interruption. If markets are forced to cover perils not stated in the policy, companies will either be unable to write any business interruption coverage or will have to price it to any peril irrespective of the policy terms, resulting in a policy price above what many businesses can afford. What happens to those small businesses after a fire or storm?
- Insurance markets will collapse. There is no question in the math – there is more potential exposure in COVID-19 business interruption claims than capital in the entire U.S. insurance industry. That means insurance companies will go insolvent and insurance markets will not be able to survive.

### **WHAT IS THE ANSWER?**

The only entity large enough to respond to the nationwide impact of a pandemic, both physically and financially, is the federal government. Insurance sectors are working with partners from the retail and business communities to ensure Congress provides the funds needed to save small businesses in the immediate term as well as develop long-range solutions that help our country prepare and respond to any future pandemic threat.

### **FOR MORE INFORMATION, PLEASE CONTACT ERIN COLLINS**

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