

## BUSINESS INSURANCE.

# Proposed backstop would cover pandemic business interruption

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A discussion draft of a bill that would establish a federal backstop for pandemic insurance industry losses in excess of \$250 million is being circulated on Capitol Hill.

The so-called Pandemic Risk Insurance Act of 2020 would create “a Federal program that provides for a transparent system of shared public and private compensation for business interruption losses resulting from a pandemic or outbreak of communicable disease,” the April 3 draft of the bill states.

The proposed legislation is being led by House Financial Services Committee Chairwoman Maxine Waters, D-Calif., sources say. The office of Chairwoman Waters did not immediately respond to a request for comment.

Administered by the Department of Treasury, the Pandemic Risk Reinsurance Program would act as a reinsurer for commercial property/casualty insurers.

The program would be triggered when industry losses exceed the \$250 million threshold and aggregate losses would be capped at \$500 billion in a calendar year for both insurers and the government.

Insurers that participate in the program will be charged an annual premium for reinsurance coverage, “based on the actuarial cost of providing such reinsurance coverage, including costs of administering the program,” the bill states.

In return for a federal backstop on pandemic losses, insurers would agree to make available business interruption insurance coverage for insured losses that does not “differ materially from the terms, amounts and other coverage limitations applicable to losses arising from events other than public health emergencies,” the bill states.

Similar to the Terrorism Risk Insurance Act, which was enacted in 2002 after the 9/11 terrorist attacks, each insurer participating in the program would be subject to a deductible.

Losses in excess of an individual insurer’s deductible would be shared between the federal government and the individual insurer, with the government paying 95%, the bill states.



Momentum has been [building](#) to provide a go-forward mechanism for a federal backstop for pandemic risk insurance amid escalating losses to businesses because of the closures and shutdowns amid COVID-19.

Insurer groups maintain that most commercial property policies do not provide coverage for business interruption losses arising from the pandemic, but policyholder lawyers have disagreed and a growing number of [suits](#) are being filed against insurers.

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