As businesses across the country (and the globe) have been forced to shut down to contain the spread of COVID-19, many have turned to their insurance policies for indemnification of their losses through business interruption (BI) insurance coverage. However, only about 40% of small businesses in the U.S. purchase BI coverage, and for many policies in place, pandemics are excluded or not explicitly covered[1].

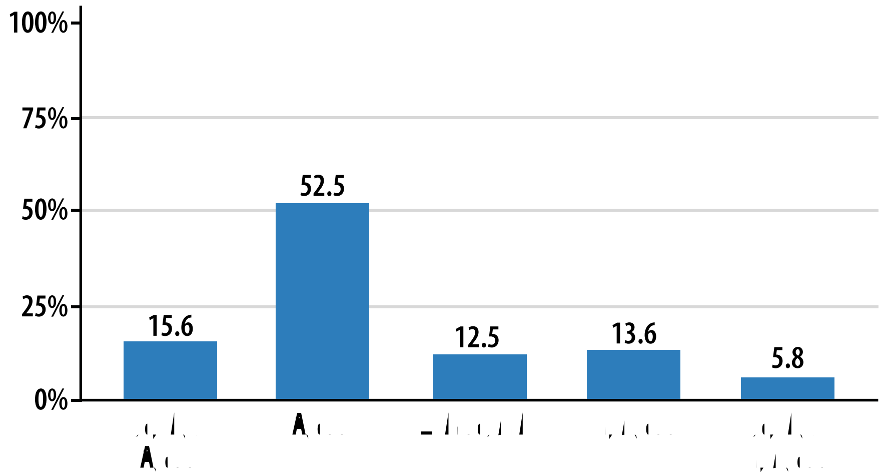
As a consequence of this significant coverage gap, there have been state and federal legislative proposals to either: i) retroactively provide coverage regardless of policy existing policy language; or ii) create a government-backed pandemic insurance program to provide BI coverage for pandemics

We asked respondents to provide their opinions on a number of questions using Qualtrics, a web-based survey tool to conduct survey research. The questions are structured for agree or disagree responses along a scale of strongly agree to strongly disagree. In some instances, a panelist may neither agree nor disagree with a statement. When an expert feels that the evidence on the exact claim at hand is ambiguous, the panelists may vote "uncertain". When an expert believes the topic is far removed from their expertise, the panelists may vote "no opinion". Respondents also provide the confidence that they have in their opinion on a 1 to 10 scale (with 1 being low confidence and 10 being high). Finally, respondents are able to provide context to their responses through brief written comments. Comments, however, are not required.

SURVEY QUESTION #2: Business Interruption Insurance Covering Pandemic risks can be efficiently supplied by the private market?

SURVEY QUESTION #4: Private-market business interruption insurance could cover pandemic risks if there were an effective federal partnership? (For example, under the Terrorism Risk Insurance Program the private market is the primary insurer but the federal government provides reinsurance protection.)

46 total responses (weighted by each expert's confidence)



(3 "no opinion", 4 "did not answer" not included)

- **68% Agree or Strongly Agree – Key themes included:**
  - Needs: federal government backstop (appropriately priced); regulatory environment that permits securitization of the risk; acceptable definition of pandemic including triggers as well as rational and consistent behavior from public policy makers – strong protection against government interference; carefully define terms and to limit coverage.
  - Let the private market work at the primary level (more accurate pricing depending on the business/location/etc...) and the federal government gets involved at the higher levels; an opportunity here to use the efficiency of the private insurance industry to create a platform for macro-economic support to businesses during pandemic (and potentially other) widespread shut downs.
  - It is not obvious that TRIP is a good analogy to pandemic insurance. TRIP allows private insurers to cover modest-sized or localized terrorism risk while providing a federal backstop against catastrophic losses.
  - There is little that an individual company can do to mitigate their risk from pandemic shutdowns. As such, insurance price cannot encourage risk mitigation. With that backdrop, it would make more sense for this system to simply involve federal transfers to cover losses caused by the perils covered by this arrangement (i.e., pandemic state of emergency) perhaps with modest "buy-in" costs for the companies to help partially fund the system.
- **19% Disagree or Strongly Disagree – Key themes included:**
  - What is the gain from the involvement of the private insurance industry?
  - Pandemic losses are an order of magnitude larger than terrorist losses, which are mostly diversifiable. The private insurance market could be part of the delivery mechanism, but not the funding mechanism – the amount of risk that private insurers could bear would be so small as to be almost trivial. If the private market cannot cover the smallest loss, it does not make sense for them to participate on the risk.
  - For a TRIA like proposal to work, pandemic coverage must be mandatory for all commercial business policies. That will make prices higher and perhaps dissuade people from purchasing insurance.
  - Would create an immediate, large liability on the P/C insurance industry's balance sheet. P/C insurers are simply not the appropriate vehicle for delivering pandemic aid to businesses. However, the full arsenal of federal and state policy tools is.
- **13% Uncertain – Key themes included:**
  - The analogy to the "Terrorism Risk Insurance Program" does not really apply here. With terrorism, there is some risk of correlated payouts that the government needs to protect against. With pandemics, all payouts are almost by definition highly correlated
  - Catastrophic potential appears to be much greater for a pandemic than for terrorism.
  - A hybrid program where the federal government provides most of the payouts, but contracts with private insurers to design policies subject to certain constraints.