Business Continuity Protection Program (BCPP) Questions and Answers

Q. Why is a federal program needed to assist businesses in dealing with the risk of a viral outbreak or other public health emergency?

A. Pandemics and other widespread viral outbreaks are fundamentally uninsurable events. While roughly one-third of U.S. businesses maintain insurance policies to cover loss of business income due to direct physical damage to a business property, such policies are not and cannot be designed to cover business interruption due to a pandemic. To bolster the nation’s economic resilience, a public sector solution is needed.

Q. Which agency would administer the program?

A. The program would be administered by the Federal Emergency Management Agency (FEMA), with input from the Centers from Disease Control (CDC) and the Department of Health and Human Services (HHS).

Q. Who would be eligible for the Business Continuity Program?

A. Any for-profit or non-profit firm incorporated in the United States or a U.S. territory would be eligible.

Q. What benefits would the program offer?

A. The program would reimburse up to three months of a business’ estimated payroll, benefits, and expenses. Business would choose the level of protection they purchase, up to a cap of 80% of anticipated expenses.

Q. How much would it cost to participate?

A. The program’s director would determine rates based on each participant’s anticipated expenses and the percentage of assistance the business is seeking.

Q. How would a business apply to participate?

A. Program participation would be voluntarily marketed through insurers, agents, and brokers. As part of the application process, participating businesses would have to provide one to two years of tax returns, as well as their relevant NAICS industry code and a breakdown of the percentage of their operations located in each state.

Q. Are there other conditions to participate?

A. Businesses would have to pledge to comply with all relevant rules set forth by the CDC and OSHA and other applicable federal and state requirements.

Q. When would assistance be triggered?

A. In the event of a viral emergency, the governor of an affected state would request an emergency declaration from the President. A presidential declaration would trigger payments to businesses in the
affected states and industries specified by the declaration. The declaration would also indicate businesses that can remain partially open, who would be eligible for partial benefits under a formula determined by the program director.

Q. How would assistance be processed?

A. A presidential declaration would trigger all relevant assistance on a parametric basis, and money would be distributed immediately. Participants would pledge to use benefits only for permissible expenses. The program director would establish processes to audit how funds are used and set rules regarding return of funds or penalties for improperly used funds.

Q. Do businesses have to be headquartered or domiciled in the affected state?

A. Businesses would not need to be headquartered or domiciled in an affected state. They would be eligible to receive expense reimbursement for that proportion of their operations they estimated in their application were located in an affected state.

Q. When would business or non-profit entities be required to apply?

A. To encourage long-term participation and discourage gaming coverage, participants must purchase the protection at least three months (90 days) prior to a viral emergency declaration to be eligible for coverage.

Q. What is the advantage of this approach over a TRIA-like model?

A. The risk-based approach of insurance underwriting that provides valuable price signals in most markets, including in the market for terrorism insurance, is misaligned for the goals of a public health response to a pandemic. Rather than charge higher rates to those industries most likely to be ordered to close or structure policies to discourage ceasing operations if doing so is at all avoidable, the program should provide incentives that would encourage industries that could serve as vectors of viral transmission to close.

Q. Does a resurgence of the same pandemic reset the clock on the 3 months of revenue available to the same firm for a repeat loss within the term period?

A. The program is designed to pay a maximum of 80 percent of the monthly amount shown on the certificate up to a maximum of three (3) months during any one certificate year.

Q. What happens when the program’s expenses exceed the fees it has collected from participants?

A. The program would have authority to borrow amounts from the U.S. Treasury sufficient to pay all claims. The program director also would be directed to consider the purchase of reinsurance or issuance of catastrophe bonds or insurance-linked securities if market conditions are attractive.