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Dear NAIC Leadership:

APCIA, NAMIC, and IIABA have been working for several months on potential solutions to provide timely and efficient financial protection to the private sector in the event of a future declared public health emergency. We wanted to share our joint proposal with you for a prospective federal Business Continuity Protection Program, and a summary of the program is attached. Our organizations are currently discussing this proposal with federal policymakers and commercial policyholders, and we would welcome your views and input as well.

Pandemic risk protection has been largely unavailable in the private marketplace because the underlying peril is inherently uninsurable. As the NAIC recently stated, “insurance works well and remains affordable when a relatively small number of claims are spread across a broader group, and therefore it is not typically well suited for a global pandemic where virtually every policyholder suffers significant losses at the same time for an extended period.”

An innovative solution is necessary to address the extraordinary and unique nature of these risks, and the BCPP proposal would utilize parametric principles and enable swift and efficient payments to be made should future pandemics arise.

Congress is beginning to consider potential options for providing prospective protection for widespread viral outbreaks. Insurers, agents, and brokers want to ensure that any future framework works for all of our customers and the industry, and we believe the Business Continuity Protection Program can be that solution. Your consideration and review of this proposal is greatly appreciated. We welcome any thoughts or comments that you may have and look forward to following up with you in the future.

David A. Sampson  Charles Chamness  Bob Rusbuldt
President and CEO  President and CEO  President and CEO
APCIA  NAMIC  Big I

CC: Michael F. Consedine, CEO, NAIC
NAIC Membership
Business Continuity Protection Program (BCPP)

Executive Summary:

Pandemic risk protection has been largely unavailable in the private marketplace because it is inherently uninsurable. But insurers, together with agents and brokers, have been developing solutions that work for our customers and all parts of the industry to provide protection against widespread economic shutdowns due to a viral outbreak. NAMIC and APCIA represent approximately 90 percent of the home, auto, and business property/casualty insurance underwriters in the United States. The Big “I” is the nation’s oldest and largest national association of independent insurance agents and brokers, representing more than 25,000 agency locations united under the Trusted Choice brand. The three trade associations look forward to working with members of Congress and the Trump administration to enact the BCPP to protect America’s businesses. Purpose: The BCPP is designed to bolster the country’s economic resilience by providing timely and efficient financial protection and payroll support to the private sector in the event of a future declared public health emergency.

How it Works:

- Businesses purchase revenue replacement assistance from the BCPP – up to 80% of payroll and other expenses.
- Applications are based on past years’ tax return data.
- Businesses certify that they will use any funds received for retaining employees and paying necessary operating expenses and that they will follow applicable federal pandemic guidance.
- Relief is automatically triggered following a federally declared public health emergency.

Application:

- Applications would be simple to complete, using a one-page electronic application that includes information directly from the business’ previous annual tax returns (e.g., IRS Form 1120 or Form 990).
- Protection must be purchased at least 90 days before the Presidential declaration.
- Businesses could choose a desired level of protection for 3 months relief for up to 80% of: payroll (excluding highly compensated employees); employee benefits; and operating expenses.
- Multistate businesses would provide a specific allocation of protection at the time of application or renewal.
- Businesses would attest to compliance with federal pandemic guidelines and certify that any relief assistance would be used to retain employees and keep the business viable.
- Eligible businesses would include any firm incorporated in the U.S./Territories - including nonprofits.

Business Continuity Payments:

- Businesses purchase revenue replacement assistance through state-regulated insurance entities that voluntarily participate with the BCPP.
- Relief would be automatically triggered and immediately paid following a Presidential viral emergency declaration (no advance documentation or claims adjustment).
- Closure declarations would specify which types of businesses are partly or fully closed (referencing business categorization under the North American Industry Classification System (NAICS)).

Program Administration:

- The BCPP would be run by FEMA, with limited administrative assistance from private contractors.
- Post-relief auditing for valid use of funds enforced through fines, required repayment, and criminal penalties.
- Every year, the BCPP shall consider purchasing reinsurance from payments received to protect federal taxpayers.
- The BCPP would work with risk mitigation experts to develop pandemic and viral risk mitigation guidelines and safety standards for businesses that would be provided to the purchaser at time of application and payment.