



The Real Estate
Roundtable

AUGUST 2021 TOWN HALL

PANDEMIC RISK TALKING POINTS

Pandemic Risk

- Pandemic risk is the largest unhedged risk in the U.S. and perhaps the world. The magnitude of the COVID-19 pandemic's financial impacts has exposed significant shortcomings and vulnerabilities in our country's economic preparedness for and resilience to systemic catastrophic events of such scale.
- Expanding coverage gaps in pandemic risk/business continuity coverage present challenges for businesses across many industries and could stall economic recovery and job growth. Most business interruption (BI) insurance policies and other related lines fail to cover claims associated with pandemic risk related mandatory government shutdowns.
- A number of frameworks have been proposed – by Rep. Carolyn Maloney, Chubb, Zurich and the APCIA. These proposals envision programs where insurers offer pandemic coverage policies to businesses with the federal government bearing most – or all – of the coverage costs. For example, Maloney's bill – PRIA (H.R. 6983) – would see the government cover 95% of an insurer's insured loss in excess of a deductible policyholders cover themselves. APCIA's proposal would require the US government to take 100% of the risk.
- The Roundtable is working through the Business Continuity Coalition (BCC) to build on these proposals and develop and enact an effective federal pandemic risk/business continuity insurance program that provides the economy with the coverage it needs to provide business continuity coverage and backstop other key lines in the face of pandemic risk.
- The Senate Banking Committee Subcommittee on Securities, Insurance, and Investment recently (July 22) held a hearing – Examining Frameworks to Address Future Pandemic Risk – and our BCC coalition had several witnesses. The hearing helped focus policymakers on the issue, and there is growing recognition that a federal program along the lines of Terrorism Risk Insurance – TRIA – is necessary.
- Senators Sinema and Tillis have a bipartisan working group, and we expect to see a bill introduced in the Senate this fall. In the House, Rep. Carolyn Maloney is expected to reintroduce a revised version of her PRIA bill as well.
- Commercial insurance is an important component to an efficient and vibrant advanced economy. Leaving this massive risk unhedged in response to the first significant event in a century should not and does not satisfy anyone, including an insurance sector that wants to remain relevant. Clearly, shutting down the entire economy for an extended period and spending trillions of dollars as a way of managing a pandemic is not a feasible future solution.



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Pandemic Risk (Continued)

- Precedents for government involvement in insurance markets exist for a broad range of risks where private markets fail to provide the economy with the coverage it needs. These include terrorism (TRIA), flood (NFIP), and crop risk (FCIC), as well as other less immediate examples such as:
 - » War (“enemy attack”) risk (e.g., War Damage Corporation during World War II);
 - » Current aviation and maritime war risk programs;
 - » Nuclear liability risk for commercial power production (e.g. Price-Anderson Act); and
 - » Political risk insurance for U.S. direct foreign investment (e.g., U.S. International Development Finance Corporation (DFC))
- We urge Congress to move expeditiously to pass bipartisan legislation that creates a public-private insurance solution – similar to the Terrorism Risk Insurance Act (TRIA) – to share the financial risk of losses related to pandemics. This urgent task will help protect jobs and reduce economic damage from further pandemics.

