



Member Company Executives:

This afternoon, APCIA learned of two troubling legislative proposals by Republicans in Congress, one in the House and the other in the Senate, and a third adverse proposal by House Financial Services Committee Chair Maxine Waters (D-CA).

First, Housing and Insurance Subcommittee Ranking Member Steve Stivers (R-OH) is drafting a bill with the following provisions:

- A targeted preemption of state insurance regulation under the McCarran-Ferguson Act aimed at the treatment of the coronavirus under business interruption insurance, retroactively eliminating any exclusions of business interruption due to the coronavirus;
- Federal government coverage of the full costs of industry payment of coronavirus business interruption claims as if virus exclusions did not exist;
- Payments directed only to insured businesses that kept their workforce employed;
- Recoupment of federal payments over some period of time, potentially 7 years; and
- No impact on industry surplus or reserves.

APCIA is stressing to Rep. Stivers and his staff that federal payments to businesses to stay open or keep their workforce employed should be considered as a part of the overall federal economic response and disconnected from the insurance mechanism. APCIA is underscoring our support for the federal economic stimulus bill, but reiterating APCIA's complete opposition to any retroactive legislation affecting coverage under insurance contracts.

Second, Senator Mike Rounds (R-SD) reached out to APCIA this afternoon with a similar proposal for insurers to retroactively cover business interruption claims for excluded coronavirus losses and have the federal government cover the cost of doing so. Sen. Rounds compared his proposal to the National Flood Insurance Program's "Write Your Own" program and suggested that insurers would act as a servicer for the federal government in order to expedite payments to affected businesses. Sen. Rounds shared his idea at a meeting of Senate Republicans today and apparently received favorable responses from National Economic Council Director Larry Kudlow and Majority Leader Mitch McConnell (R-KY).

Third, Chair Waters is proposing a Pandemic Risk Insurance Program. Waters' proposal would create a reinsurance program similar to the Terrorism Risk Insurance Act for pandemics by capping the total insurance losses that insurance companies would face. This proposal comes at the request of the retailers. It is APCIA's understanding from a conversation with Chair Waters' staff this afternoon that the basis of this program is a result of policyholders hearing from lenders that they may need to purchase pandemic insurance in the future.

We are evaluating what we have learned about the proposals and their potential impact on the industry for the purpose of developing APCIA's strategic response over the coming days.

Senior Staff and I tonight had an extensive conversation with White House National Economic Council staff where we forcefully raised our strong objections to the congressional proposals. We made the case that the congressional proposals would not meet the President's objective to inject liquidity for small businesses and support for impacted workers within the time span of days and weeks as the President has called for.

We are coordinating a unified industry response with the other property casualty trades. We also have added this urgent issue to the LGA/ERM joint committee (Legal and Government Affairs/Enterprise Risk Management) call on COVID-19 scheduled for tomorrow afternoon.

Please let me know if there are questions about the proposals or APCIA's engagement.

Sincerely,

David A. Sampson

The American Property Casualty Insurance Association (APCIA) is the primary national trade association for home, auto, and business insurers. APCIA promotes and protects the viability of private competition for the benefit of consumers and insurers, with a legacy dating back 150 years. APCIA members represent all sizes, structures, and regions—protecting families, communities, and businesses in the U.S. and across the globe.