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APCIA: Insurance Perspective on COVID-19

WASHINGTON, D.C. — David A. Sampson, president and CEO of the American Property Casualty Insurance Association (APCIA) issued the following statement:

“Property casualty insurers recognize that American businesses are facing unprecedented disruption. Property casualty insurers are working in a number of other ways to proactively help consumers in this time of crisis.

“Many insurers and agents are implementing new measures to directly help policyholders. Insurers are adopting new technologies and remote solutions to minimize any interruptions in service. Meanwhile, even as insurers are protecting the safety of their employees and transitioning to remote workplaces and implementing employee travel bans, our industry is handling claims as we always have.

Recent, voluntary examples from some property casualty insurers include temporary arrangements for:

- Flexible payment solutions for families, individuals, and businesses—providing additional time to make payments;
- Suspending premium billing for small business insureds such as restaurants and bars, for a specific number of days or billing cycles;
- Waiving insurance premium late fees for families, individuals, and businesses;
- Pausing cancellation of coverage for personal and commercial lines due to non-payment and policy expiration, which includes personal auto, commercial auto, homeowners, business owners, renters, boat, motorcycle, condo, mobile home, personal umbrella, and landlord.
- Wage replacement benefits for first responders and medical personnel who are quarantined;
- Suspending personal auto exclusions for restaurant employees who are transitioning to meal delivery services using their personal auto policy as coverage;
- Adding more online account and claims services for policyholders;
- Shifting more resources to anti-fraud and cyber security units, in recognition of the bad actors who will prey on victims during times of crisis;
- Suspending in-person loss control visits and inspections, and transitioning to telephone calls and mail surveys; and
- Immediate adjustments to policies in-force for significant changes in operations (i.e. reductions in payroll, sales, employee count).

“Insurers are working with Congress and the Administration on a national solution for managing pandemic risk to support an efficient and well-functioning economy. APCIA supports the federal assistance programs that the Administration and Congress are proposing to deliver aid directly to vulnerable business communities, particularly affected small businesses. We also are working with all insurance trades and trades from the broader business community on alternative approaches to address the liquidity needs of American businesses and employees during this time of an unprecedented shut down of the economy.

“Many commercial insurance policies, including those that include business interruption coverage, do not include coverage for communicable diseases or viruses such as COVID-19. There are some who are calling for actions that would retroactively rewrite existing insurance policies to add new risks to the promises that were made to insurance customers. These types of proposals could have dramatic repercussions for families, individuals, motorists and businesses, potentially compromising the financial ability of insurers to meet their existing promises.

“If policymakers force insurers to pay for losses that are not covered under existing insurance policies, the stability of the sector could be impacted and that could affect the ability of consumers to address everyday risks that are covered by the property casualty industry.

“Any action to fundamentally alter business interruption provisions specifically, or property insurance generally, to retroactively mandate insurance coverage for viruses by voiding those exclusions, would immediately subject insurers to claim payment liability that threatens solvency and the ability to make good on the actual promises made in existing insurance policies.

“APCIA’s preliminary estimate is that business continuity losses just for small businesses with 100 or fewer employees could fall

between \$220-383 billion per month.* The total surplus for all of the U.S. home, auto, and business insurers combined to pay all future losses is roughly only \$800 billion, with the combined capital of the top business insurance underwriters representing only a fraction of that amount.

“For perspective, our industry responded to more than three million claims, the most ever handled by the property casualty industry due to catastrophes during the 2005 hurricane season that included Hurricanes Katrina, Rita, Wilma, and several others. While a significant number, it dwarfs in comparison to the potential for 30 million or more claims from each of the small businesses operating in the United States today.

“Insurance stability is especially important in a time of increased natural catastrophes. Spring flood season is underway, hurricane season is around the corner, and wildfires pose a threat year-round.

“We will continue to work with the Administration, Congress, governors, state legislatures, and state insurance regulators to ensure our nation recovers from this crisis, and to provide effective relief to those most vulnerable, as well as forward-looking answers that speed economic recovery from future pandemics.”

** Sources used: APCIA using publicly available data sources including Bureau of Labor Statistics (employment, wages), ISO, Houston Chronicle (average revenue and profit)*

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.

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