

Protecting Small Businesses During the COVID-19 Pandemic & Beyond

The Big “I” opposes attempts by Congress to unconstitutionally manipulate the Business Interruption (BI) insurance market by retroactively forcing insurers to pay COVID-19 BI claims that were not covered by most insurance contracts.

Specifically, the Big “I” opposes H.R. 6494, the Business Interruption Insurance Coverage Act, by Rep. Mike Thompson (D-CA). This legislation would require every property-casualty policy that includes BI coverage to cover losses stemming from a viral pandemic or business closure from the date of enactment of the bill. This legislation would also preempt state law and unconstitutionally nullify any such prior exclusions in force on the date the bill is enacted. Currently only around 30% of small businesses have BI insurance and as small businesses themselves, Big “I” members strongly believe that forcing insurers to pay BI claims would be the least effective way to assist small businesses. Additionally, requiring insurers to compensate businesses with fewer than 100 employees for these excluded losses would cost the industry between \$255 and \$431 billion per month. That amount rises to \$900 billion per month if the threshold is raised to 500 employees. In contrast, the P&C industry’s total surplus – which exists to pay covered automobile, home, and business losses – is only \$812.2 billion and could be wiped out quickly if such mandates took effect.

The Big “I” supports providing small businesses needed financial assistance via continued funding of the Paycheck Protection Program (PPP) and/or the COVID-19 Business and Employee Continuity & Recovery Fund (Recovery Fund).

The PPP has already provided over \$650 billion in loans and grants to small business across the country. The money has been vital to keeping small businesses viable and Americans employed. As small businesses who are struggling through the COVID-19 pandemic, Big “I” members know first-hand the impact the PPP has made for themselves and their clients. The Big “I” also asks Congress to expand the PPP to allow 501(c)(6) organizations, such as trade and professional associations, to utilize the PPP and supports H.R. 6697, the Local Chamber, Tourism, and 501(c)(6) Protection Act by Rep. Chris Pappas (D-NH). Trade associations across the country, including the Big “I,” its 50 state associations and numerous city/county associations, play an important role to train America’s workforce and disseminate essential information and resources to people in need – particularly during times of crisis. Without support, 501(c)(6) organizations could be unable to provide the services on which so many rely.

The Recovery Fund is a legislative proposal that would create a federal direct assistance grant program to provide liquidity to businesses that have been significantly impacted by the COVID-19 pandemic. It is backed by America’s Recovery Fund Coalition, a broad coalition of more than 100 trade associations and business groups spanning 30 sectors and representing 58 million employees. Specifically, the Recovery Fund would establish an expedited and streamlined relief program run by a special federal administrator within the Treasury Department. The program would contract with third parties that agree to assist with application filing, compensation determination, payments, and auditing. It would be overseen by the Treasury Secretary, the Special Inspector General for Pandemic Recovery, and a Congressionally appointed Oversight Board. The program would be funded through advanced authorization of appropriations and the creation of an obligation of the federal government.

The Big “I” believes that Congress should engage in a public policy discussion on proposals to cover economic losses from future pandemics and the possible role of the insurance market.

Specifically, the Big “I” supports Congressional consideration of the pros and cons of various federal risk-transfer models to cover future pandemic losses (Terrorism Risk Insurance Act model, National Flood Insurance Program Write Your Own model, etc.) but any federal solution must work for both the policyholder community and the insurance market and have significant/certain federal financial support.

However, the Big “I” opposes H.R. 6497, the Never Again Small Business Protection Act, by Rep. Brian Fitzpatrick (R-PA). This legislation would require commercial property-casualty policies to include BI coverage for future “national emergencies,” which would include losses associated with a virus or pandemic. Mandating coverage for this size and type of exposure, with its proposed amorphous/yet-to-be-determined federal backstop, would threaten the very existence of the BI insurance market and thereby undermine protections for the business community against risks that are currently covered under standard BI policies.

