



Independent Insurance Agents  
& Brokers of America.

**Statement for the Record  
Submitted to the Senate Committee on Banking, Housing, and Urban Affairs  
Subcommittee on Securities, Insurance, and Investment**

**“Examining Frameworks to Address Future Pandemic Risk”**

**July 22, 2021**

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Founded in 1896, the Independent Insurance Agents & Brokers of America (IIABA or the Big “I”) is the nation’s oldest and largest association of independent insurance agents and brokers, representing more than 25,000 agency locations united under the Trusted Choice brand. Trusted Choice independent agents offer consumers all types of insurance—property, casualty, life, health, employee benefit plans and retirement products—from a variety of insurance companies. Independent agents sell nearly 80 percent of all commercial lines insurance policies in the United States, and our expertise and experience with businesses and the commercial marketplace affords our membership a distinct perspective with which to speak on the topic of insuring businesses against a pandemic.

The businesses and nonprofit organizations our members serve have been impacted by the COVID-19 pandemic in distressing and sometimes heartbreaking ways, and IIABA welcomes and greatly appreciates the subcommittee’s examination of how to better prepare our country’s economy against future pandemics. The world now recognizes that events of this nature can indeed occur, and we need to prepare for the possible occurrence of similar outbreaks in the future. As the United States hopefully enters the tail end of the current COVID-19 pandemic, the discussion among policymakers, the business community, the insurance industry, and other stakeholders about how to address future pandemics has appropriately begun. IIABA looks forward to assisting your efforts.

The challenge with addressing pandemic risk is that these events possess unique characteristics and can have a global reach. They are unlike other types of risks that the insurance industry and private marketplace are typically able to address. As many experts and observers have noted, pandemics can produce an immense magnitude of potential financial losses, do not allow for the spreading of such risk in traditional ways, and make it challenging for the insurance industry to provide coverage to the millions of

businesses and nonprofit entities in the United States. The simple and unfortunate reality is that the risk we are confronting is unique and anomalous and will require a prospective solution all its own. We can learn lessons and incorporate elements from past experiences with other risks, but there are no off-the-shelf public policy solutions.

IIABA believes any proposal for addressing future pandemics should satisfy the four principles outlined below:

- First, any legislative solution must effectively meet the needs of the businesses we serve. Any action taken should ensure that businesses and other enterprises can receive timely financial assistance when their operations are disrupted as a result of a pandemic that rises to the level of a public health emergency. This type of financial protection program needs to be as efficient and seamless as possible.
- Second, any prospective solution should provide an active and relevant role for the insurance industry in the delivery of assistance for business consumers (a perspective shared by a growing universe of policymakers and industries). Businesses and nonprofit organizations look to their insurance agents to help them address and protect against risk, and any conversation about whether an entity is protected against a particular risk is almost certainly and most appropriately going to come up as part of the insurance placement process and in conversations between an owner and their agent. The product that may ultimately be developed to respond to pandemic risks may not be an insurance product, but our members want a solution that can fill the gap that traditional insurance is unable to fill and enable insurance agents to help their clients weather future pandemics.
- Third, given the unique nature of pandemic risk, it is essential that the federal government bear all or nearly all of the financial responsibility for business losses associated with COVID-19-like events. The insurance industry is simply unable to cover these potential losses due to their magnitude. Certain insurers may be willing to assume very small and precise portions of the risk but requiring the marketplace generally to assume this risk would be troubling.
- Fourth, the product or program designed to fill this protection gap must reflect the unique nature of pandemics. Among other things, this means the product must be parametric in nature and obviate the need for traditional claims adjustment. Financial assistance to businesses should be based on their existing payroll, expenses, and other factors and should begin to flow when clearly defined triggers are satisfied. Traditional claims adjustment in this sort of instance would be overwhelming and impractical and would unnecessarily delay much-needed payments to businesses.

One proposal that satisfies these high-level principles is the Business Continuity Protection Program (BCPP). This proposal would establish a voluntary federal program through the Treasury Department delivered by the private market. The program would

allow for the purchase of revenue replacement assistance for business interruption caused by a viral pandemic or other epidemic infectious disease that have been federally declared as public health emergencies. The Big "I" welcomes the opportunity to discuss this proposal should you have any questions.

While IIABA sees potential in the BCPP concept, we should also note that there may be other meaningful proposals that satisfy the principles outlined above and those proposals deserve serious consideration as well.

IIABA is excited to work with the Committee on this critical issue and hopes the information above provides helpful insight into how all parties can come to the table to create a pandemic risk program. IIABA is thankful for your consideration of our views.