



Business Interruption

Here are some thoughts that I figured I should write down and distribute to our clients to provide some insight into business interruption and how it works globally. I am the first person to challenge our insurers when they look to deny coverage. Having a client's claim denied is the most challenging issue to deal with as an Insurance Broker. But, in my opinion, this pandemic and the resulting business interruption is not something that insurance can solve for and here are a few reasons why.

Underwriting and pricing :

The average small business insurer underwrites and prices your Business Interruption coverage based on the law of large numbers. In insurance, we say "the premiums of many pay for the losses of a few." Insurance companies price policies based on predictable losses such as fire, wind, theft. They are not capable of predicting and paying losses that will impact **every single small business that they insure at the same exact time**. Insurance would cease to exist if unpredictable losses depleted their reserves and they were unable to pay for traditionally covered losses such as fire. If there was a product in the marketplace that could contemplate the current pandemic, the cost would be so high that businesses would not pursue it anyway.

The interruption claim cycle for everyone:

- o Restaurant (or any small business) – No revenue – Files and expects income coverage
- o Landlord – No revenue from the Restaurant – Files and expects income coverage
- o Professional Attorney, CPA, Agent – No revenues from clients – Another claim
- o Insurance Companies – No revenue from policyholders – Files a claim with reinsurers

Around we go until the well runs dry and everyone ends up in the same boat.

According to the American Property Casualty Insurance Association, business interruption losses would cost up to \$383 Billion per Month.

Public Policy Argument : There's discussion about retroactively making insurers cover claims for pandemics. I am not a lawyer, but changing a contract after its implementation does not seem to be in the interest of the public. For arguments sake, let's say the insurers did cover claims for this pandemic. The insurers would be out of business quickly, and then what do we do with claims that are ongoing? Or claims that they are covering such as fires, car accidents, workers comp accidents, lawsuits that are ongoing, the recent tornadoes that ripped through Nashville? They couldn't pay and the whole system collapses. Then what happens to the stockholders of those insurers? Their employees? Is it in their public interest to change a contract after it has been implemented?

My Best,