



MIKE CAUSEY
INSURANCE COMMISSIONER

Dear Business Owner,

Please know that I feel for your situation. This is a difficult and trying time for businesses and consumers who are economically suffering during this health emergency and we are all working together to find solutions that will help as many people as possible. I am working with legislators and insurance companies to provide economic relief to the extent that we can legally do so.

Currently, we are working to streamline requirements so that companies can offer discounts for automobile policyholders. We have asked health insurers to waive payments for COVID-19 testing and services, among other things. However, your issue with commercial property insurance, specifically business interruption insurance, presents a more difficult problem.

Standard business interruption policies are not designed to provide coverage for viruses, diseases, or pandemic-related losses because of the magnitude of the potential losses. Insurability requires that loss events are due to chance and that potential losses are not too heavily concentrated or catastrophic. This is not possible if everyone in the risk pool is subject to the same loss at the same time. Consider the difference, for example, between losses suffered from a hurricane and the losses resulting from COVID-19. The hurricane losses affect certain areas on the coast where the event occurred but the losses from this pandemic cover the entire nation. Therefore, mandating coverage for this size and type of loss while canceling existing exclusions in the policies would end the very existence of the business interruption insurance market as we know it. Recent estimates show that business continuity losses from COVID-19 just for small businesses of 100 employees or fewer could amount to between \$220 billion to \$383 billion per month. Meanwhile, the total reserve funds for all of the U.S. home, auto, and business insurers combined to pay all future losses is only \$800 billion. **This type of loss could cripple the insurance industry causing many companies to fail, which would put the protection of homes, automobiles, and businesses at risk.**

We can't legally force insurers to cover a risk which they didn't intend to cover and which, in some instances, was specifically excluded in the policy. However, we are looking at ways to protect businesses in the future. We are more than happy to work with legislators on both the state and federal level as well as the insurance industry to navigate this unprecedented peril.

If you have any additional questions or concerns, please do not hesitate to contact our office.

Sincerely,

Mike Causey
Insurance Commissioner

NORTH CAROLINA DEPARTMENT OF INSURANCE

ALBEMARLE BUILDING • 325 N. SALISBURY STREET • SUITE 1100 • RALEIGH, NC 27603 • 919.807.6000