



Press Release

The Dangers of Forcing Business Interruption Insurance Payouts

ANDREW EVANS | APRIL 15, 2020

A number of businesses are seeking business interruption insurance payouts due to the pandemic, despite the fact that their policies explicitly do not cover this situation. President Trump recently expressed support for businesses in their claims against insurers, and several states are going even further by considering legislation that would override pandemic exclusions in business insurance contracts. AAF's Director of Financial Services Policy Thomas Wade examines the structure and history of business interruption insurance and notes several problems that payouts right now would cause. Not only are insurance companies not able to cover widespread losses, government intervention into private insurance contracts would undermine both basic contract law and the economy as a whole, Wade argues.

An excerpt:

At a fundamental level, the insurance industry is not designed to address such widespread problems as the coronavirus. Insurance works by pooling risk. The fact that policies against fire damage are so universal, combined with the fact that incidences of fire damage are relatively rare, allows the insurance industry to provide fire insurance payouts to those who need it at the cost of a low premium to the entire population that pays for it. Here, neither of those factors are true. Pandemic insurance is not widespread, but more crucially the impacts of the coronavirus are not localized. It would not be possible to build an insurance industry that might have to pay claims to the entire country at a single point in time.

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