



Legislation Text

File #: Res 1376-2020, **Version:** *

Res. No. 1376

Resolution calling on the United States Congress to pass, and the President to sign, H.R. 7011, to establish a Pandemic Risk Reinsurance Program.

By Council Member Powers

Whereas, The outbreak and spread of COVID-19 in the United States has caused governors across the Country to implement mandatory stay-at-home-orders; and

Whereas, In New York, Governor Cuomo signed the New York State (NYS) on PAUSE executive order on March 20th, which mandated the closure of all non-essential businesses statewide; and

Whereas, Essential businesses that were permitted to remain open were required to comply with strict social distancing rules; and

Whereas, As New Yorkers sheltered in place to stop the spread of the virus, businesses in New York City (NYC) experienced massive declines in revenue; and

Whereas, While businesses were forced to remain closed due to the Governor's order, they were often still obligated to pay their fixed monthly costs; and

Whereas, According to Governor Cuomo, over 100,000 small businesses have closed permanently across NYS due to their inability to continue to pay these fixed costs throughout the pandemic, including rent and employee payrolls; and

Whereas, A Hospitality Alliance survey of NYC restaurants, bars, clubs and event venues, found that 87% of respondents could not pay their May rent or were able to pay only a portion; and

Whereas, Many business owners in NYC pay for business interruption insurance to ensure they will be compensated for lost revenue when their business is forced to close unexpectedly; and

Whereas, When a business owner’s business interruption claim is approved, the insurer often covers all profits the business is estimated to have made during non-interrupted times and the operating expenses the business must pay while it is closed; and

Whereas, Many insurance companies have specifically excluded pandemics from their business interruption coverage; and

Whereas, Business owners from NYC and other cities across the country have sued their insurers after having their claims rejected as they believe a global pandemic should qualify as a business interruption; and

Whereas, While many small businesses need financial relief, insurance agencies do not have the financial capital to honor the insurance claims of all insured small businesses; and

Whereas, According to David Sampson, CEO of the American Property Casualty Insurance Association (APCIA), the closure losses from COVID-19 for small businesses with fewer than 100 employees are between \$255 billion to \$431 billion per month; and

Whereas, This amount is around 50 to 100 times the monthly relevant commercial property insurance premiums the industry collects; and

Whereas, As this could potentially bankrupt an insurance agency, David Sampson remarked “only the federal government can be the bridge for a crisis of this proportion”; and

Whereas, Commissioner Jonnel Doris of the Department of Small Business Services similarly argued “the scale of this crisis simply requires the resources of the federal government”; and

Whereas, The Pandemic Risk Insurance Act of 2020, H.R. 7011, sponsored by U.S. Representative Carolyn Maloney, would establish a federal program of shared public and private compensation for business interruption losses resulting from a pandemic; and

Whereas, The Act would mandate insurers make available insurance coverage for public health emergencies under business interruption policies; and

Whereas, When a covered public health emergency occurs, participating insurers would be responsible

for covering the first \$250 million of business interruption losses; and

Whereas, After the \$250 million threshold is reached, the U.S. Department of the Treasury would be responsible for covering 95% of losses of a participating insurer that exceeds the applicable insurer deductible for up to \$750 billion during a calendar year; and

Whereas, The remaining 5% of losses would be spread among the insurers; and

Whereas, If passed, the Act would take effect on January 1, 2021; and

Whereas, The Act would therefore protect small businesses in NYC from a possible second wave of COVID-19 and other future pandemics; and

Whereas, The Act is modeled after the Terrorism Risk Insurance Act (TRIA), which was instituted after the September 11 attacks to increase insurers willingness and ability to cover terrorism risk; and

Whereas, Similar to the TRIA, the federal government under the Pandemic Risk Insurance Act would serve as a backstop to maintain marketplace stability for both small businesses and insurers; and

Whereas, To prevent small businesses in NYC from experiencing further financial ruin, the federal government must create a program to provide small businesses with relief in the event of another public health emergency; now, therefore, be it

Resolved, That the Council of the City of New York calls on the United States Congress to pass, and the President to sign, H.R. 7011, to establish a Pandemic Risk Reinsurance Program.

LS #14,853
6/25/20
NM