

Minutes
Public Act 101-0640
Business Interruption Task Force Meeting
September 1, 2020
1:00-2:00pm
Locations:
CALL-IN ONLY
Call-in Information
Phone Number: 1-312-535-8110
Access Code: 1338346367#

I. Opening Comments

Erica Weyhenmeyer welcomed members and guests to the Business Interruption Task Force Meeting.

Erica Weyhenmeyer went over guidelines while moving forward on this technological platform. She also stated the objective as outlined by the statute, which is to “Study the impacts of the COVID-19 pandemic on businesses and the need for changes to business interruption insurance policies based on those impacts, including recommendations for legislation.” Erica Weyhenmeyer made clear that the task force does not intend to issue a public comment prior to the final report. The intent of this is to foster open dialogue as the group prepares recommendations. The final report will be the only public comment made by the task force. This task force is designed to consider possible systemic issues with business interruption policies. This task force will not be commenting on any pending legal action or complaints filed with the Department.

II. Introductions and Roll Call of Members/Guests

Erica Weyhenmeyer asked members and guests to introduce themselves.

Members in attendance (alphabetically):

1. Saat Alety, Allstate
2. Chuck Feinen, State Farm
3. Norine K. Hammond, Representative
4. Napoleon Harris, III, Senator
5. Thaddeus Jones, Representative
6. Kevin Martin, Illinois Insurance Association
7. Andrew Perkins, National Association of Mutual Insurance Companies
8. Lauren Peters, Department of Insurance
9. Sue Rezin, Senator
10. Steve Schneider, American Property Casualty Insurance Association

Companies with an announced attendee (alphabetically):

1. AIG
2. Allstate
3. Century Insurance
4. Chubb
5. CNA Insurance

6. Country Financial
7. Illinois Insurance Association
7. National Federation of Independent Business
8. Shaddock & Associates
9. Travelers
10. Zurich North America

III. Objectives

As stated in the opening comments, the objective of the Task Force, consistent with PA 101-0640, is to “Study the impacts of the COVID-19 pandemic on businesses and the need for changes to business interruption insurance policies based on those impacts, including recommendations for legislation.”

IV. Summary Presentation on Business Interruption Insurance by Kevin Martin

- Kevin Martin presented a summary of the issues with Business Interruption Insurance coverage as it relates to the current pandemic and the associated complex issues involved.
- Subsequent to his discussion, Steve Schneider also took a few minutes to talk about additional items including the existence of virus exclusions and that premium for business interruption losses due to viruses were not charged due to those exclusions.
- Steve Schneider made the offer to the Task Force to have Dr. Bob Hartwig attend the next meeting to give a presentation to the group on business interruption issues. He also referenced the federal proposals that are being considered. He also mentioned the Department of Insurance bulletin 2020-15.

V. Discussion of Issues

- Representative Hammond asked some questions about the exclusions that were mentioned. Steve Schneider gave additional information regarding the virus exclusions. Representative Hammond also asked about the potential impact on insurance company solvency. Steve Schneider responded that the magnitude of monthly business interruption losses nationally shows why virus-related losses are not insurable.
- Kevin Martin referenced how the virus exclusion came to exist as a lesson learned from the SERS outbreak in 2003.
- Representative Jones asked a question about the denial of coverage. Steve Schneider responded that pandemic related business interruption losses are uninsurable. Representative Jones wanted to know if the state should wait for the federal government to put a solution in place. Steve Schneider suggested that states encourage the federal government to act. Representative Jones mentioned that the state could put together a fund. Steve Schneider responded that the fund would need to be big and he didn't know if that was workable. Representative Jones asked how the exclusion works. Kevin Martin responded that claims are denied based on the policy exclusion. Representative Jones wanted to know if the EO enforced coverage since it was a disaster. Steve Schneider stated that there was no coverage and that no premium for that coverage was charged. Representative Jones asked again about the EO. Steve Schneider replied that it would be challenged in court if the state were to mandate payment of claims. Representative Jones asked how this situation compared to SARS. Steve Schneider stated that he was not sure. Kevin Martin said that SARS opened the eyes of the industry. Representative Jones asked if there was a number of claims that could be paid. Steve

Schneider said the losses would be \$300 billion to \$400 billion a month for employers with 100 employees or less. Representative Jones was interested in the Illinois numbers, as opposed to federal number and asked about breakdowns of the loss numbers. Steve Schneider replied that he had seen breakdowns of 100 employees or less and 500 employees or less.

- Senator Harris asked how many Illinois insurance companies provide coverage for the virus. He asked whether a business interruption fund could be created, funded by premium. Steve Schneider commented that the premium would be huge, maybe unworkable. Senator Harris commented that it would be prospective only and with pro-rated payments. So, if there were more claims than dollars in the fund, pro-rated amounts would be paid. Steve Schneider mentioned that might be problematic to execute. Senator Harris also asked, prior to 2003, before the exclusion, what did they do with that premium.
- Kevin Martin mentioned that the Task Force might want to discuss what has been recommended at the federal level. Steve Schneider stated that he thinks only a federal plan would work. The best plan he thought paid at the 80% level and was run through FEMA. Representative Jones asked what happens though if we wait for the federal government solution and then they don't act. He asked what procedures they are going to take in the next six months.
- The Connecticut plan was also mentioned.

VI. Structure of Meetings

- The next meeting will be held on Monday, September 14, 2020 from 10:00AM-11:00AM.
- The Department made a recommendation that meetings be scheduled every two weeks, after the September 14th meeting. Kevin Martin made the motion that meetings be scheduled every two weeks, after the September 14th meeting. Chuck Feinen seconded the motion.
- Representative Jones mentioned that the meetings after the September 14th meeting may need to be extended to 90 minutes to allow adequate time.
- Erica Weyhenmeyer asked if we wanted to keep the current agenda items. It was suggested that we get Illinois specific business interruption loss breakdowns and information about federal proposals.
- Steve Schneider brought up again the offer for Dr. Bob Hartwig to talk at the next meeting. Senator Rezin made a motion for Dr. Bob Hartwig to speak 10-15 minutes at the next meeting. Representative Hammond seconded the motion. Steve Schneider said he would send Dr. Hartwig's white paper to be distributed to the group in advance of the next meeting.

VII. Submission/Timing of Final Report

Leader Hammond suggested targeting a December 1st draft completion date, or December 15th at the latest.

Leader Hammond made a motion to target December 1st as the completion date of the draft report. Chuck Feinen seconded the motion.

VIII. Comments

The meeting was opened for public comments. There were no comments.

IX. Adjourn

The Meeting adjourned at 2:03 PM