

Timothy Adams
President and CEO

April 17, 2020

Dr. Victoria Saporta
Chairperson
Mr. Jonathan Dixon
Secretary General
International Association of Insurance Supervisors
Centralbahnplatz 2
CH-4051 Basel
Switzerland



Dear Dr. Saporta and Mr. Dixon:

I hope that this letter finds you well in these challenging times. We appreciate more than ever your leadership of the International Association of Insurance Supervisors (IAIS) during the COVID-19 crisis, and we welcome the important steps that the IAIS is taking to help guide insurers and their supervisors through these unprecedented times. Our members are committed to supporting policyholders, customers and the broader society, during and after the crisis, and we welcome the opportunity to explore with you and IAIS members the most appropriate channels for delivering that support.

Insurers are deeply concerned about the people, communities and businesses around the world severely impacted by the COVID-19 outbreak and are proactively taking measures to continue to support consumers and policyholders. Companies have taken a number of voluntary and proactive initiatives to help relieve the economic and social burdens of the crisis, including by extending coverage to health care workers and others most directly impacted by the outbreak and by financially supporting scientific research. Insurers continue to provide essential products and services to consumers and businesses and continue to meet their obligations to policyholders. Insurers are also communicating proactively with their insurance authorities and supervisors regarding their efforts to manage their financial resources prudently in view of the challenges of the current environment.

Notwithstanding these welcome responses to the current crisis, there are developments in certain jurisdictions that could seriously compromise the ability of insurers to continue their critical role in providing essential products and services to individuals and businesses and to continue their long-standing role as major investors in the real economy. Legislative proposals would require the payment of business interruption or other insurance claims notwithstanding the fact that the contracts in question often do not cover pandemics such as COVID-19, and some contracts contain specific pandemic exclusions. That is, these legislative proposals effectively provide for retroactive contractual changes resulting in coverage of liabilities that were not contemplated (or even purposefully excluded) at the time those policies were issued and, therefore, were neither underwritten, nor priced into existing contracts, nor reflected in reserves.

It is important for policyholders to know that the insurance undertakings with which they hold coverage for important contingencies are strong, solvent and ready and able to support their policyholders and to cover claims. Requiring insurers to take on liabilities that they did not underwrite, price or reserve for creates grave negative unintended consequences for the industry and its policyholders. Insurance can only be underwritten and priced with a sufficient degree of legal and contractual certainty.

The likely impacts of such legislative measures could include the decreased availability of insurance, the withdrawal of insurers from certain markets, and overall increases in the price of available coverage that could make commonly held coverage unaffordable for large numbers of individuals and businesses. As the European Insurance and Occupational Pensions Authority (EIOPA) has noted, imposing retroactive coverage of claims not envisaged within contracts could create material solvency risks and ultimately threaten policyholder protection and market stability, further aggravating the financial and economic impacts of the current health crisis. Decreasing the availability of insurance and increasing the price of coverage would have a disproportionate effect on individuals and smaller business enterprises that cannot afford to self-insure or pay higher premium rates.

To protect the health of insurance markets worldwide, we urge the IAIS to issue a public statement opposing these legislative proposals and pointing out the negative consequences to both insurers and their policyholders of adopting measures that would abrogate existing insurance contracts. Our request to the IAIS has the support of our global insurance members and the endorsement of our IIF Insurance Regulatory Committee, which has discussed this issue in depth.

We also encourage the IAIS and its members to explore with national and supranational authorities whether public funding arrangements could address the need for coverage beyond the scope of most insurance contracts. Public/private partnerships may also be a viable alternative to address these needs, as we have seen, for example, with regard to the provision of flood insurance in various jurisdictions. The IIF and its insurance members stand ready to discuss and participate in solutions that would contribute to relief to policyholders and the broader community.

My colleagues and I are available to discuss the issues raised in this letter with you and other members of the IAIS. Again, we appreciate your leadership of the IAIS, especially during this challenging time, and we wish you and your families continued good health.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Timothy D. Keenan". The signature is fluid and cursive, with a long horizontal stroke at the end.