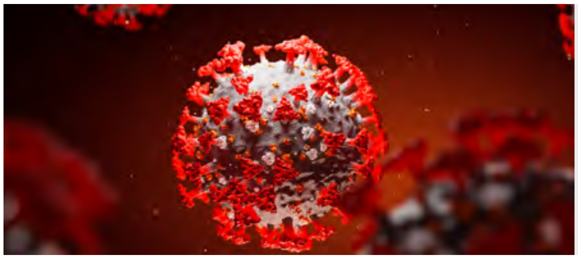
# The True Cost of Rewriting Business Income (Interruption) Policies



COVID-19 has brought the U.S. economy to a standstill.

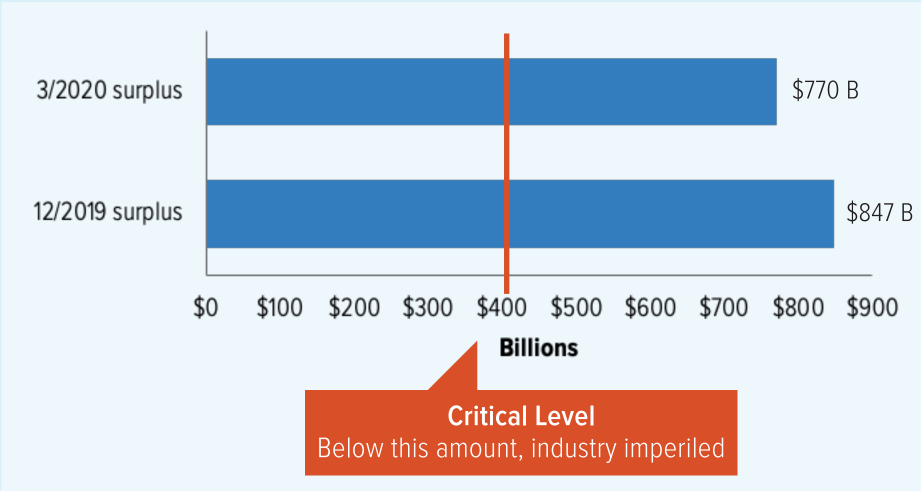
Are U.S. insurers so well-capitalized they can pay claims on insurance policies for which they collected no premiums due to virus and bacteria exclusions?

The short answer is no.

## Industry's 2020 Surplus

U.S. auto, home, and business insurers saw its policyholders' surplus—the cumulative value of their assets, minus its liabilities—drop to $770 billion from $847 billion in 2020's first quarter.

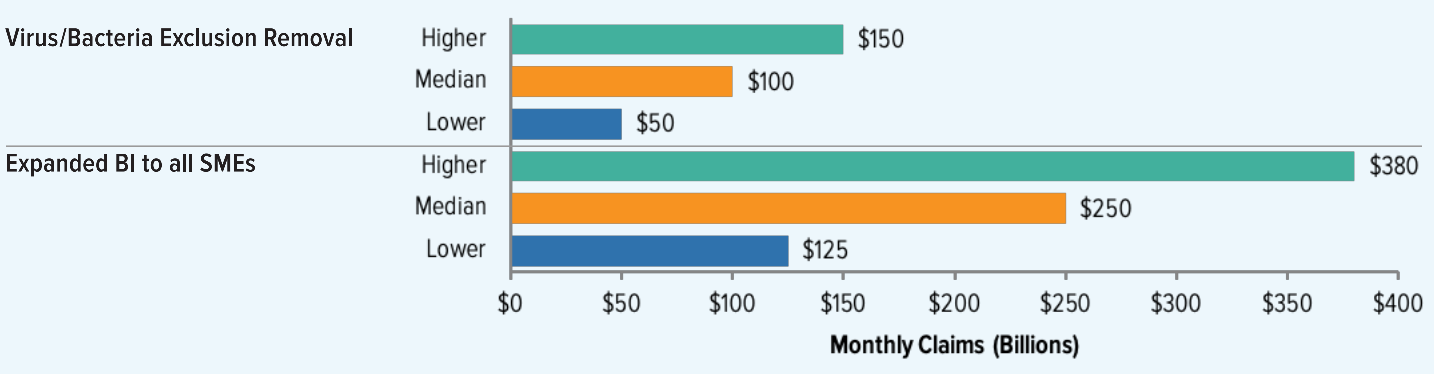
The surplus is set aside to pay claims resulting from covered events that cause direct physical damage to property, such as fires, tornadoes and hurricanes. When industry surplus drops below $400 billion, dozens, perhaps hundreds, of insurers will be imperiled.




## Projected Surplus Depletion

Mandating business income payouts to businesses that incurred no direct physical property damage—or to businesses nationwide, no matter what insurance policies they have—would cost the insurance industry hundreds of billions of dollars a month.

### Retroactive business income (BI) scenario for small- and medium-sized enterprises (SMEs)





INSURANCE INFORMATION INSTITUTE
Informed. Empowered.
www.iii.org