

Opening Statement

This hearing of the Senate Subcommittee on Securities, Insurance, and Investment will come to order. Thank you all for joining us.

This hearing is in a hybrid format. Our members are in in-person, but we will have witnesses testifying both in-person and by video. For those joining remotely, a few reminders:

- Once you start speaking, there will be a slight delay before you are displayed on the screen.
- To minimize background noise, please click the mute button until it is your turn to speak or ask questions.
- You should all have one box on your screens labeled ‘clock’ that will show how much time is remaining.
- If there is a technology issue, we will move to the next witness until it is resolved.

Thanks to the Biden Administration and the American Rescue Plan, the country is well on its way to defeating COVID-19 and restoring the promise of our economy.

We put shots in arms, money in pockets, and provided billions of dollars in relief to hard-hit businesses. However, we still have a lot of work to do. The pandemic has exacted a heavy toll, and we owe it to the more than 600,000 mothers, fathers, sons and daughters lost to COVID-19 to examine how we can better prepare ourselves for similar challenges in the future.

I know that imagining another public health crisis of this magnitude is an unpleasant exercise. However, in today's interconnected world, the question of the next pandemic is not "if," but "when."

This pandemic unleashed havoc throughout our economy. Across the country, businesses suffered massive losses as a result of stay-at-home orders and other containment measures necessary to slow the spread of COVID-19. During the height of the pandemic, 74 percent of all small businesses reported falling revenues from the previous week,¹ and small business ownership dropped by 22 percent.²

In a state like New Jersey that was particularly hard hit at the onset of this crisis, 92 percent of small businesses experienced revenue losses and 41 percent temporarily closed.³ These losses were particularly concentrated in minority communities and in certain industries, such as restaurants and leisure and hospitality.

Most small businesses were not able to obtain relief through their insurance policies.

The National Association of Insurance Commissioners found that of the eight million businesses with commercial insurance policies that included business interruption coverage, 83 percent also included a clause excluding claims from viral contamination, disease, or pandemic. Unsurprisingly, 82 percent of claims have been closed without payment.⁴

¹ U.S. Census Bureau, *Small Business Pulse Survey*, June 24, 2021, at <https://portal.census.gov/pulse/data/>.

² https://www.newyorkfed.org/medialibrary/media/smallbusiness/DoubleJeopardy_COVID19andBlackOwnedBusinesses.

³ <https://www.philadelphiafed.org/-/media/frbp/assets/community-development/articles/sbcs-nj-insights.pdf>

⁴ National Association of Insurance Commissioners Letter to Congress on Insuring Against a Pandemic: Challenges and Solutions for Policyholders and Insurers, November 18, 2020, at <https://content.naic.org/sites/default/files/inline->

Businesses instead relied on federal programs. In New Jersey alone, 84 percent of small business owners applied to the Paycheck Protection Program (PPP) and 58 percent applied for Economic Injury Disaster Loans (EIDL).

These statistics suggest our national insurance system was ill-prepared to cover the losses incurred by businesses in this crisis. Therefore, it is the duty of Congress to analyze how we can better insulate businesses and their workers from such losses in the future.

My hope is that this hearing will be the first of many discussions on the lessons we can learn from the pandemic and how we can build a stronger, better-prepared and more resilient economy.

A robust debate on this topic has already begun in the business and insurance communities. Today will feature testimony on potential frameworks to manage and mitigate financial losses that may arise from future pandemics. One of the topics we will need to address is the basic question of insurability, either by public or private entities, of pandemic-related businesses losses. We must determine the extent to which businesses, private insurance providers, and the federal government are able to share the risk of losses due to a pandemic.

We will also examine a number of pandemic risk insurance proposals and frameworks put forward by business coalitions and the insurance industry in the wake of this crisis. Each presents different ideas on how much risk is borne by the private sector versus the federal government, and the approach to paying claims.

I look forward to hearing from today's witnesses about the merits and challenges of the various plans. Your insights will help Congress grapple with the challenge of better preparing our economy for future pandemics and taking steps to ensure our businesses are not as vulnerable to economic shocks as they were to COVID-19.

Thank you to all the witnesses for appearing, and I look forward to your testimony. With that I recognize Ranking Member Scott and then Chair Brown for their remarks.

[Scott Opening]

Thank you, Senator Scott and Chair Brown. I will now introduce today's witnesses.