

Talking Points

Special Bulletin

It Would Take P/C Insurers 150 Years to Pay COVID-19 Business Interruption Losses

Unfathomability – The new word for this insurance situation.

COVID-19 has exposed a massive protection gap in the area of business continuity risk. Less than 1% of the estimated US\$4.5 trillion global pandemic-induced GDP loss for 2020 (according to The World Bank) will be covered by business interruption insurance, which is generally intended for and triggered only by physical damage.

The world's property/casualty insurers would have to collect business interruption insurance premiums for 150 years in order to absorb the estimated US\$4.5 trillion global output loss inflicted by COVID-19 and its handling in 2020.

Geneva Association's managing director Jad Ariss said, from an insurance perspective, you cannot model this type of government response nor is it predictable, which is one of the reasons why pandemic risk is not included in most business interruption policies. Even those who anticipated the scenario of a global pandemic did not fathom the nature and scale of government decisions taken around the world to slow infections: wide-ranging shutdown measures that brought economies to a standstill.



Is there criteria for uninsurability?

- Losses are neither random nor independent
- The maximum possible loss is not manageable from the point of view of the insurer's solvency.
- Scope of global diversification is differences between a pandemic and other catastrophic risk.

Are there insurable parts of a Pandemic Risk? Read the Article highlighted below:

For the full article, [click here.](#)

