

**EIOPA staff paper on measures to improve the insurability of business interruption risk in light of pandemics**

The French Institut des Actuares welcomes the EIOPA staff paper on measures to improve the insurability of business interruption risk in light of pandemics of February 12<sup>th</sup> 2021. The Institut des Actuares considers this a very important topic and is delighted to have the opportunity to comment.

This document does not address mutualization over time, which is an additional element that should certainly have been studied. In particular, the correlation between a "pandemic" or other event and liquidity problems, as well as the regulatory constraints that make multi-year provisions difficult and costly to put in place in insurance today.

#26 : the part of society to be considered for modelling should be according to the following dimensions :

- o The size of the businesses
- o The businesses categorized as industry or services
- o The origin of the business' customers : local / regional / international
- o The business is it required for living or not

The exposure of the businesses is mostly defined by these aspects.

#35 : The insurance products rely on the diversification between the subscribed risks. The diversification is induced by the accumulation of risks that diversify either geographically, through time or through large numbers. Regarding business interruption risks, the only diversification that can be generated is the diversification through time. The requirements for it to work are that the cover are:

- o the subscription is mandatory to avoid anti-selection behaviour. It can be perceived as a tax but, it is more a collective scheme.
- o the underwriting and reserving policy are designed the be sustainable "through the cycle"

#37 : The externality of the trigger of a parametric insurance to a decision is key. Without rationalization of public action, the approach is unlikely to be effective at the time of setting up the operation and if it is set up, I might be subject to claims by subscribers.

#74 : The Public-Private co-insurance should be structured with a clear and transparent definition of the roles and responsibility. Assuming that private sector is not able to provide enough capital to cover this kind of events, it shall be responsible of the pricing of this risk. The public actors being able to cover the capital issue they should select private companies to be the partner of the insurance scheme for limited number of years, through auction processes like Vickrey auction.