

April 15, 2020

State Legislative Leaders

RE: Need for Business Interruption Insurance Legislation

Dear Legislative Leaders,

Governors along with legislative leaders and state agencies across the country are spearheading the charge against the COVID-19 pandemic relief for small business owners. As you are undoubtedly aware, the majority of states have closed non-essential businesses, including thousands of franchise establishments from coast to coast. To ensure these franchisees can recover and eventually reopen from the unprecedented economic burden created by COVID 19, the International Franchise Association (IFA) urges states to ensure existing business interruption or continuity insurance cover losses related to COVID-19 pandemic. Many insurers are denying COVID-19 related claims by arguing there has not been a 'physical loss or damage' to the business. It is hard to argue businesses across the country have not been damaged by COVID-19.

IFA is the world's oldest and largest organization representing franchising worldwide. IFA protects and promotes franchising and the more than 733,000 franchise establishments that support nearly 7.6 million direct jobs, \$674 billion of economic output for the U.S. economy, and 3 percent of the Gross Domestic Product (GDP). IFA members include franchise companies in over 300 different business format categories.

The franchise business model includes both franchisors and franchisees, who operate as small, often family-owned businesses in every state. The ongoing pandemic has created new and unforeseen financial burdens for these small businesses that must be managed in the midst of an increasingly untenable business climate. Franchisees in business lines that have been deemed 'non-essential' and forced to close have experienced an abrupt reduction or total evaporation of revenue. It seems obvious that this type of scenario is exactly what a business interruption policy should cover.

Prior to the pandemic, franchisees operated as healthy businesses providing products to the benefit of Americans in every state. The dire economic downturn created by the pandemic will significantly inhibit franchisees' ability to make regular payments to property owners, suppliers and countless others. Without the support of an insurance safety net they have paid for over the years, franchisees face the possibility of eviction, risking their employees' jobs, reducing work for their suppliers, and further compounding economic issues.

Congress has enacted a measure providing much needed capital and support to franchisees. However, the measure's positive impact on the economy will require time that many franchisees simply cannot afford. Given the unprecedented disruption of the economy, states must implement immediate measures to ensure relief for franchisees, prevent the loss of countless jobs, and protect against vacancies and

defaults in communities across the country. Ensuring business interruption insurance that was in place and active ahead of this pandemic covers recent losses is an obvious and common sense solution.

While ensuring these insurance policies cover COVID-19 is not a silver bullet solution, it will help local franchisees' ability to recover from mandated store closures that have eliminated revenue streams, limited operating hours, and shuttered otherwise healthy businesses. IFA urges all legislatures to address the issue. Many states have already introduced legislation addressing this and we applaud those actions and encourage others who have not to follow.

In times of crisis, states must implement strong measures to protect their residents and local business owners. Ensuring insurance companies live up to their ends of the bargain, combined with important actions by the Federal Reserve and Treasury Department to provide liquidity and credit to businesses of all types and sizes, are critical to ensuring a robust economic recovery.

IFA stands ready to provide additional information and answer questions at your request. We look forward to working with state governments to benefit their residents moving forward.

Best Regards,



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