PANDEMIC RESPONSE REVENUE REPLACEMENT MECHANISMS

Issue	Business Continuity Protection Program (BCPP-Plus)	Policyholder Community Proposal (BCC)	PRIA -- Rep. Maloney	Chubb – Part I, Business Expense Insurance Program (BIP) for smaller businesses; Part II, Pandemic Re, for 500+ employees organizations	Zurich Draft Concept
Product Design	Business revenue reimbursement program; not an insurance product	Creates Federal Pandemic Insurance Corporation (FPIC) that reinsures: (1) Business Expense Insurance Program – an insurance product (BIP) (2) Other covered lines including event cancellation Designed as an "amendment in the form of a substitute for H.R. 7011"	Incorporated as part of private business interruption insurance (BI)	Part I (BIP): Added to existing business owners or workers compensation insurance policy Part II (Pandemic Re): Government reinsured business interruption coverage on modified standard industry forms	Based on the Federal Crop Insurance Program. Insurance program which creates three federally backed insurance pools, with an option for insurers to offer a 100% federally guaranteed product carried on insurer paper. Insurers determine which risks to place on a policy-by-policy basis in which pool based on their risk appetite. Insurers can place all risks in 100% federal guaranteed pool. Each commercial risk would be individually placed. Ceding commissions set by reinsurance pool equally across all carriers, with the 100% ceded pool paying the lowest ceding commission and the 90% ceded pool paying the highest.
Business Eligibility for Participation	Any firm incorporated in the US or US territory w/bona fide operations in the US. For-profit	Any commercial or non-profit policyholder that accepts the	Any business policyholder that accepts the offer of BI coverage from a participating insurer	*Part I (BIP):*	Any firm incorporated in the US or US territory w/bona fide operations in the US. For-profit

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	and non-profit entities, no size limitation.	offer of BI insurance coverage from a participating insurer or BEI Pool		*Businesses with fewer than 500 employees and a valid Federal Tax ID.* *Part II (Pandemic Re): Businesses with more than 500 employees and a valid Federal Tax ID*	and non-profit entities, no size limitation.
Insurer Participation	Federal program sold on a voluntary basis by agents and brokers. Insurers and other third-party entities would provide administration services.	No policy of commercial multi-peril or similar property insurance may be issued or delivered or, renewed by any PRIA-eligible insurer unless named insured is offered coverage substantially equivalent to BIP Parametric Insurance Policy. Insurer could also satisfy this requirement by arranging affiliate to insure or by supporting BEI Pool and making available to insured.	(1) Licensed insurance companies; (2) Federally approved specialty carriers; (3) Residual market operators; (4) State WC funds Participating insurers must offer viral BI coverage on the same terms and conditions as underlying coverage in covered lines	Part I (BIP): All P&C insurers issuing business insurance coverage for the covered lines and mandatory offer (earlier documents and graphics specify that the mandatory offer would be tied to workers compensation and BOP policies) Part II (Pandemic Re): Federally reinsured program sold on a voluntary basis.	Mandatory offer by insurers providing property insurance Insurers cede policies to the federal government in one of three pools: 100%, 95% or 90%.
Program Trigger	(1) State governor requests Presidential declaration of "viral emergency" due to state-mandated closure; (2) Presidential viral emergency declaration; and (3) Closure applies to the type of business (using identified NAICS codes)	(1) States can request a federal public health emergency declaration because of viral infection (2) Presidential emergency declaration; and (3) Closure applies to the business (using identified NAIC codes)	(1) Specific outbreak of infectious disease or pandemic for which a Covered Public Health Emergency is declared by HHS Secretary under the PHSA	Part I (BIP): (1) CDC declaration of pandemic; (2) Public Health Declaration by HHS or Emergency Declaration by POTUS; and (3) State orders are in force that close and/or curtail normal business activity	Tiered parametric trigger based on state ordered business closures and a federal emergency disaster declaration. Federal emergency disaster declaration must be declared for the individual state.

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			(2) $250 million in insured losses across participating insurers	(4) Excludes COVID-19 Part II (Pandemic Re): (1) CDC declaration of pandemic; (2) Public Health Declaration by HHS or Emergency Declaration by POTUS; and (3) State orders are in force that close and/or curtail normal business activity (4) Excludes COVID-19	
Administration	Treasury	Treasury	Treasury	Treasury	Federal
Mandatory Issue	Yes – from Federal Government	Participation is mandatory for fixed property insurers, but they may satisfy requirement by supporting BEI Pool (non-recourse) through purchase of surplus notes. BEI Pool governed by subscribing insurers subject to disapproval by Treasury (also on board); Pool provided 80% quota share plus stop-loss R/I by FPIC.	Participation is voluntary for insurers, but participating insurers must offer BI covered for covered lines on the same terms and conditions as underlying non-viral coverage	Part I (BIP): Yes – by any insurer issuing business insurance coverage (again, earlier documents and graphics specify that the mandatory offer would be tied to workers compensation and BOP policies) Part II (Pandemic Re): No – Participation is voluntary.	Participation is mandatory for fixed property insurers, but they may offer a 100% federally backed product.
Guaranteed Renewal	Yes – with updated tax information.	Same as PRIA	Participating insurers must re-offer pandemic coverage annually if they are offering underlying coverage in covered lines	? – Annual renewal is contemplated, but unclear whether guaranteed.	N/A

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Time Frame	Available six (6) months after date of enactment; certificate is valid for one (1) year. Purchase must occur 90 days prior to any formal declaration of viral emergency.	14-day waiting period after qualifying event	Covers public health emergencies commencing after Treasury regulations are promulgated. Covers all claims during the period when Covered Public Health Emergency is in effect.	Part I (BIP): 14-day waiting period after qualifying event Part II (Pandemic Re): 30-day waiting period (or longer) after qualifying event	Business deductible based on an unspecified waiting period ("x days").
Private sector retention (Basic and Excess)	No private sector retention for primary protection program. Title II Designed for larger businesses which may be concerned about caps and limits in the primary program. • Participation voluntary for both insurers and purchasing businesses. Businesses would need to participate in the BCPP to participate in the excess coverage program. • Broad cross section of insurers eligible to participate including those admitted in any state and non-admitted insurers that are eligible surplus lines insurers. Treasury could apply the program to	Participating insurers could offer BIP coverage with: • 95% federal reinsurance • 90% federal reinsurance If second major event in the same calendar year, co-share re-set lower. Alternatively, if insurer subscribes to BEI Pool surplus notes, insurer may offer its insureds Pool coverage in lieu of writing directly. Title II For excess BI and other covered lines (ECI, cast insurance, WC, GL and PI), PRIA-eligible insurers will be offered FPIC reinsurance of 90% plus certain stop-loss to encourage market	Potential $47.5 billion exposure annually; • Insurers 100% responsible for events of $250 million or less (i.e. losses below Program Trigger) • Insurers also responsible for their insurer deductible = 5% of prior year's DEP in covered lines (potential $10b aggregate) • Insurers also responsible for 5% co-share of losses above insurer deductible, up to $750b aggregate loss cap (potential $37.5b aggregate) • 7-year sunset	Part I (BIP): $15 Billion in year 1. • Increases by $0.75 Billion annually until year 20. • $30 Billion over the program • Insurer pays 6% of first–dollar claims up to insurer's market share of industry limit, growing to 12% by year 20. Part II (Pandemic Re): $15 Billion in year 1. • Increases by $1.5 Billion annually until year 10. • $30 Billion over the Program • Insurer pays 5% of first–dollar claims until industry limit ($15b) is reached, growing to 10% by year 10	Creates three reinsurance pools in a private/public partnership: • 100% federally insured • 95% government co-share, 5% insurer co-share • 90% government co-share, 10% insurer co-share No minimum reinsurance placement requirements by pool/treaty. No reinsurance caps or aggregates.

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	captives and other self-insurance arrangements. • Excess coverage program protected by a 90% Federal backstop with insurers assuming 10% of annual risk for each policy. • Program subject to reauthorization with sunset in 2030.				
What is being offered?	• BCPP – Title I - Up to 80% revenue replacement for a maximum of three (3) months with the limit chosen by policyholder. Other option to be developed by director. • Title II – Excess coverage for larger businesses and must purchase basic BCPP • Title II - Contemplates Treasury Department design of event cancellation revenue replacement protection to fit within primary and excess programs.	• For SMEs: Parametric insurance coverage for up to 80% of 3-months' operating expenses (following 14 day waiting period) • For larger businesses: coverage decreasing to 50% replacement for policyholders with larger operating budgets (i.e., policyholder retentions).	Business Interruption ins., that includes event cancellation insurance or other non-property contingent business interruption insurance on same terms and conditions as underlying BI for covered lines	Part I (BIP): Up to three (3) months of payroll, based on a multiple of monthly payroll expenses Part II (Pandemic Re): Up to three (3) months of expenses, with $50 million maximum per policyholder	Up to 80% of business expenses over three months capped at $20 million per month for employers with 500 or more employees.
Eligible Expenses	Ordinary payroll and employee benefits; Payments to vendors & 3PK's;	Between 50-80% of operating expenses depending on the size of the entity. Operating expenses include:	Any loss resulting from a covered public health emergency that is covered by primary or excess BI insurance	Part I (BIP): Ordinary payroll and operating costs	Support covers business financial obligations: • Payroll • Employee Benefits

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	Rent, mortgage, other loan obligations; Equipment rental and maintenance; Taxes and insurance; Other categories promulgated by rule.	Payroll; Rent; Utilities; Insurance; Taxes; Other fixed operating costs.		Part II (Pandemic Re): Any expenses	• Interest Payment • Rent • Accounts Payable • Taxes
Conditions	• Businesses certify they will only use funds for allowed purposes (e.g., retaining employees and paying necessary operating expenses) • Program may audit post-payments	• Applicants certify they will only use funds for allowed purposes (e.g., retain employees and pay operating expenses) • Program may audit post-payments	Terms and conditions of offer of viral BI coverage must match underlying BI coverage	Part I (BIP): Standard terms and conditions of the underlying policy unless modified Part II (Pandemic Re): Standard terms and conditions of the underlying policy	Business self certifies losses to the government (e.g., via tax filings).
Partial Operations	• Presidential declarations indicate which businesses can remain open or partially open (for partial payments) based on gubernatorial request • Director to determine a formula based on partially open	• Presidential declarations indicate which businesses can remain open or partially open – and • 14-day waiting period included along with 25% revenue loss certification	Participating insurers may purchase commercial reinsurance to protect their retentions		
Application Process	(1) Form developed by director, requiring up to two years of tax returns to determine expected assistance benefit; businesses with physical locations in multiple states	(1) Form developed by director, (2) Businesses with physical locations in multiple states would specify allocation of risk at purchase (3) NAICS six-digit classification code	Treasury to develop a process by which insurers elect to participate for each calendar year.		Business works with existing property broker/agent to voluntarily select coverage level.

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	would specify allocation of risk at purchase (2) NAICS six-digit classification code (3) Attestation by owner	(4) Attestation by owner			
Payment Process	Parametric trigger starts formulaic payments. No claim adjudication necessary. Payments on day 1, day 30, and day 60 following Presidential declaration.	Parametric trigger starts formulaic payments. 14-day waiting period + 25% loss certification.	Person suffering covered loss files claim with insurer, who processes and submits to Treasury with written certifications of payments already made for insured losses. Treasury to issue additional rules and procedures for claims and payments.	Part I (BIP): Parametric trigger starts formulaic payments. No claim adjudication necessary. Insurers drawdown a line of credit for Government's share of payments from US Treasury. Part II (Pandemic Re): Company suffering covered loss files claim with insurer, who processes and submits to Pandemic Re following adjustment process.	Parametric trigger starts formulaic payments subject to applicable deductible waiting periods. No claim adjudication necessary. Insurers drawdown a line of credit for government's share of payments from US Treasury.
Oversight	Annual audit and accounting of funds; Audit and clawback capability for benefits not applied to allowable categories; Expenses must be documented; Knowing fraud results in expulsion, penalties, fines, and potential jail time.	Audit and claw-back capability for benefits not applied to allowable categories	Participating insurers must submit to Treasury: lines exposed, premiums earned, geographical location, pricing, take up rate, reinsurance, and other matters deemed appropriate. Extensive reporting to Congress by Treasury.	Part I (BIP): Policyholder certification and federal tax return filing process subject to IRS audit Part II (Pandemic Re): Insurer claims adjudication process	Federal government establishes a framework for monitoring fraud, waste, and abuse of the federal program. Any private products regulated at the federal level using a single set of rules governed at the federal level (preempting regulatory and liability state laws). Not subject to state premium tax laws.

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Mandatory Purchase	None (although some lenders may want to see protection)	Not mandatory, but policyholders that decline BIP coverage must acknowledge they will not be covered for pandemic BI losses and that they may not be eligible for Federal pandemic disaster assistance	None. Businesses may purchase with other coverage in covered lines	Part I (BIP): Not mandatory, but "strong opt-out" requirement. Businesses who do not want the coverage must decline it and acknowledge they will be ineligible for federal program benefits. Part II (Pandemic Re): None.	None
Pricing	Rate determined by Treasury, **uniform** % of revenue to be replaced plus administrative costs; director to develop minimums and payment plan options; aggregated data on prices and payments to be publicly available.	Rating handbook for participating insurers to be developed by FPIC in consultation with actuarial societies and NAIC Pricing based upon intergenerational spread of pandemic cost and to encourage participation; payroll feature to be subsidized by Federal resources Discount for risk mitigation	Rate determined by insurers subject to state regulatory rate and form approval as applicable.	Part I (BIP): "Risk appropriate" premium for insurer's share – no premium for Government's share. Part II (Pandemic Re): "Risk appropriate" premium for insurer's and Government's reinsurance share, collected by insurers. Insurers retain proportional share and cede balance to Pandemic Re for government share.	Rates set by the federal government. Premium subsidized federally and based on indexed approach by industry and region. 2% rate-on-line (ROL) for <500 employee, 3% for 500 or more. 0.5% preferred risk discount for qualifying risk mitigation programs.
Restrictions	Owner's attestation includes future compliance with CDC, OSHA, and other specified guidelines; funds must be used to retain employees and keep business viable.	Requires certification by the business that it will only use funds for operating expenses and employee retention.	None	Part I (BIP): Policyholders must continue payroll – no layoffs. Part II (Pandemic Re): None.	None

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Product Distribution	Licensed insurance agents and brokers	Licensed insurance agents and brokers and participating insurers	Licensed insurance agents and brokers and participating insurers	Licensed insurance agents and brokers and participating insurers	Licensed insurance agents and brokers
Aggregate limit	None	None?	$750 Billion annually	Part I (BIP): $750 Billion annually Part II (Pandemic Re): $400 Billion annually	None
Funding	In years without losses, funds can purchase Treasury securities; if exposure exceeds assets, the program may borrow from Treasury to pay recorded losses.	Line of credit established by the Federal Reserve Bank of New York for participating insurers and pools to access for FPIC payouts.	Appropriated funds as may be necessary for insured losses and administrative costs	Part I (BIP): Treasury establishes a line of credit facility with participating insurers as beneficiaries for government share of losses. Part II (Pandemic Re): Establishes a line of credit facility with participating insurers as beneficiaries for government share of losses.	Federal government financially supports.
Mitigation and Risk Management	• Business attests to compliance with CDC, OSHA, pandemic requirements • Leverages insurance industry capabilities with access to IBHS “Open for Business EZ” tools	None?	None	None stated	Preferred risk discount offered for qualifying risk mitigation programs. Expectation of 30% of businesses would qualify for the 0.5% discount. Risk mitigation consultation and services (e.g., resilience planning) conducted by carrier.
Claims Adjudication	None- • Parametric trigger • Formulaic payment	BIP- • 14-day waiting period	Traditional insurance claims adjustment process	Part I (BIP): None- • Parametric trigger	None- • Parametric trigger • Formulaic payment

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		• Parametric trigger • Formulaic payment		• Formulaic payment Part II (Pandemic Re): Traditional insurance claims adjustment process	Business self certifies losses to the government (e.g., via tax filings).
Cap	• 3 months expenses based on co-pay • Limited by protection % (up to a maximum of 80 percent) chosen by purchaser	• 3 months expenses based on co-pay • BIP limited by protection % (up to a maximum of 80 percent) for SMEs chosen by purchaser • BIP further limited for larger businesses up to a maximum of 50 percent	• $750b cap on industry/government combined payments • If Treasury estimates that insured losses may exceed the cap, Treasury establishes an interim pro rata loss percentage reducing compensation to policyholders who have not yet been paid by insurers; • Treasury can call a brief hiatus in insurer loss payments of up to two weeks to determine a subsequent pro rata loss percentage rate that insurers would then apply • Depending on when a policyholder files a claim and how quickly the insurer provides payment, if the cap is exceeded, the policyholder may receive full compensation partial, or none.		$20 million per month for employers with more than 500 employees. 80% of eligible expenses for all policyholders for three months.