

Pandemic Risk and Potential Solutions

Overview	<ol style="list-style-type: none"> 1. Pandemic risk is a peril difficult to mitigate via traditional insurance and reinsurance strategies 2. Policymakers, the insurance industry, business community and other stakeholders are discussing potential solutions for pandemic risks for businesses
Timeframe	<p>May 2020 – Rep. Carolyn Maloney (D-NY) introduced the Pandemic Risk Insurance Act of 2020</p> <p>Remainder of 2020 – Debate in the U.S. House; potential bill introduction in the U.S. Senate</p>

Nature of the Problem	Potential Types of Solutions	The Pandemic Risk Insurance Act, H.R. 7011
<p>Pandemics could hit lines of insurance at once and impact the globe</p> <p>Pandemics could recur quickly in the absence of a vaccine and/or robust health & social mitigation strategies to contain the outbreak</p> <p>Businesses can recoup losses associated with pandemics (if covered) only to be impacted again at a future date</p> <p>Terrorism, on the other hand, might only impact a single target or a few targets simultaneously</p> <p>Pandemic insurance losses could quickly impact insurer solvency</p> <p>Insurance sector claims ability could be impacted during a pandemic</p>	<p>Public-Private Partnership</p> <ul style="list-style-type: none"> • E.g., TRIA-like: government and insurance sector share in risks; federal government acts as a reinsurer; government recoups pay-out via an assessment <p>Federal Government Program</p> <ul style="list-style-type: none"> • E.g., National Flood Insurance Program: federal government insures risk up to specific limits • Private market flood insurance is available for additional coverage • Some insurance companies act as an agent for the NFIP, and are compensated 	<p>Public-private partnership styled after the Terrorism Risk Insurance Act</p> <p>U.S. Treasury Department administers the Program</p> <p>Unlike TRIA, insurer participation would be voluntary</p> <p>Participating insurers must provide business interruption insurance policies — including event cancellation — that include pandemics</p> <p>Program establishes a \$750B cap for federal government compensation</p> <p>Businesses would pay premiums based on rates from participating insurers (subject to state law)</p> <p>Assumption is that coverage would be affordable and widely available for businesses under a PRIA-type program</p> <p>The Program terminates on December 31, 2027</p>