

Pandemic Risk Landscape

Mapping Financial Exposures, Stakeholders and Insurance Proposals

Centers for Better Insurance (CBI) is an independent organization focused on supporting the insurance industry to optimize the value it delivers to all stakeholders (including policyholders, employees and society at large). CBI does so by making available unbiased analysis and insights about key regulatory issues facing the industry for use by insurance professionals, regulators and policymakers.

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Pandemic Risk Landscape

Executive Summary

Risk of a Future Pandemic

Policymakers and the insurance industry are directing available private capital to back business income and continuing expense exposures to the exclusion of other exposures and stakeholders.

1 Exposures to Financial Loss



A pandemic creates exposures to financial loss from:

- Decrease in or discontinuation of income
- Continuation or increase of expense
- Impairment of or damage to assets
- Incurring of liabilities to others

2 COVID-19 Financial Loss

Congress is spending \$2.2 trillion dollars to provide relief from financial losses in 2020 resulting from COVID-19 to:

- People
- State and Local Governments
- Businesses

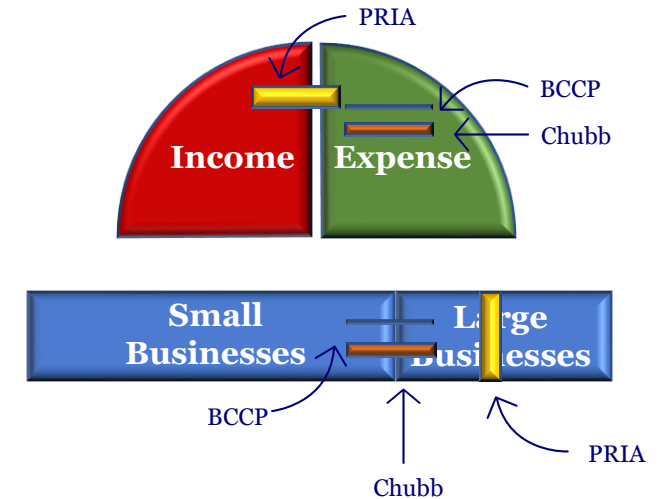
Proportion of Program Costs by Recipient



3 Targeting the Role of Insurance

Policymakers and industry propose committing the full amount of insurance industry's potentially available capital resources to just one corner of this landscape.

- Pandemic Risk Insurance Act
- Chubb's Pandemic Business Interruption Program
- Business Continuity and Protection Program



Pandemic Risk Landscape

Basic Pandemic Exposures

Stakeholders and their Basic Financial Exposures from the Pandemic Risk

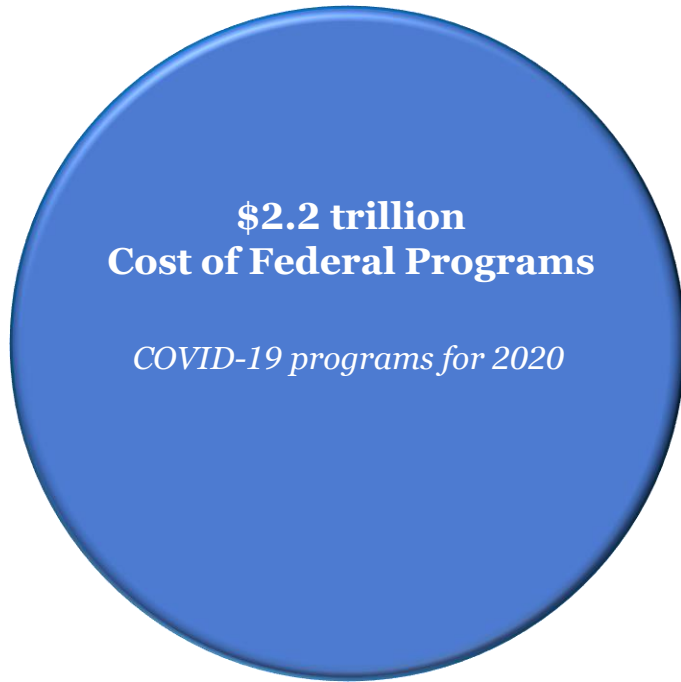
| Exposures to Financial Loss | | Financial Losses Incurred by: | | | Traditional Risk Transfer Tools |
|--|---|-------------------------------|---------------------------|------------|---|
| | | People | State & Local Governments | Businesses | |
| Loss of Income or Revenue | <ul style="list-style-type: none"> Loss of or decreased employment Loss of business or tax revenue | ✓ | ✓ | ✓ | <ul style="list-style-type: none"> Business income coverage Cancellation coverage Unemployment insurance |
| Continuing Operating Expense | <ul style="list-style-type: none"> Payroll obligations Rent, mortgage interest and utilities | ✓ | ✓ | ✓ | <ul style="list-style-type: none"> Business income coverage Credit insurance |
| Increased Operating Expense | <ul style="list-style-type: none"> Reconfiguration of operations and supply lines Extra sanitation, testing and safety precautions | | ✓ | ✓ | <ul style="list-style-type: none"> Extra expense coverage |
| Increased Program Expense | <ul style="list-style-type: none"> Increased demand for services or benefits Failure or default of project / program participant | | ✓ | ✓ | <ul style="list-style-type: none"> Surety (performance failure) |
| Testing and Quarantine Expense | <ul style="list-style-type: none"> Expense of diagnostic testing and vaccine Lost wages and quarantine arrangements | ✓ | | | |
| Loss of Outside Dependent Care | <ul style="list-style-type: none"> Lost wages and arrangements for care of children, elderly and disabled relatives | ✓ | | | |
| Disease Medical Treatment Expense | <ul style="list-style-type: none"> Medical expenses for treatment of infection Resulting disability or death | ✓ | | | <ul style="list-style-type: none"> Health insurance Life and disability insurance |
| Liability for Transmission | <ul style="list-style-type: none"> Liability to third parties for exposure to disease Disease-related professional and products liability | | ✓ | ✓ | <ul style="list-style-type: none"> Liability insurance |
| Workers Compensation | <ul style="list-style-type: none"> Medical expense and wage compensation Disability and death benefits | | ✓ | ✓ | <ul style="list-style-type: none"> Workers compensation insurance |
| Decontamination of Property | <ul style="list-style-type: none"> Testing, cleaning or disposal of contaminated property | ✓ | ✓ | ✓ | <ul style="list-style-type: none"> Property insurance Liability insurance |

Pandemic Risk Landscape

COVID-19 Programs for Non-Federal Financial Exposures

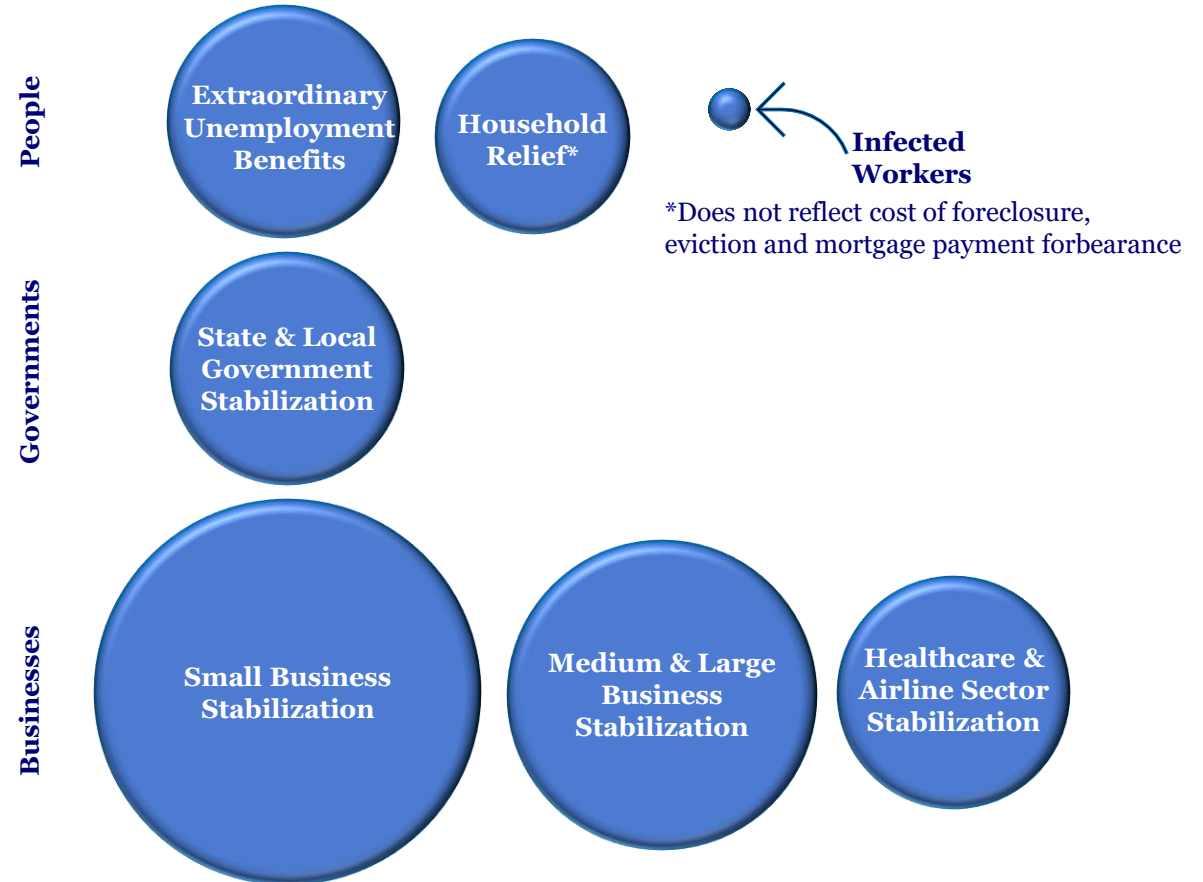
Cost of Federal Programs Targeting Financial Losses from COVID-19 in 2020

Total Cost



Total does not reflect additional operating costs of federal agencies or food programs.

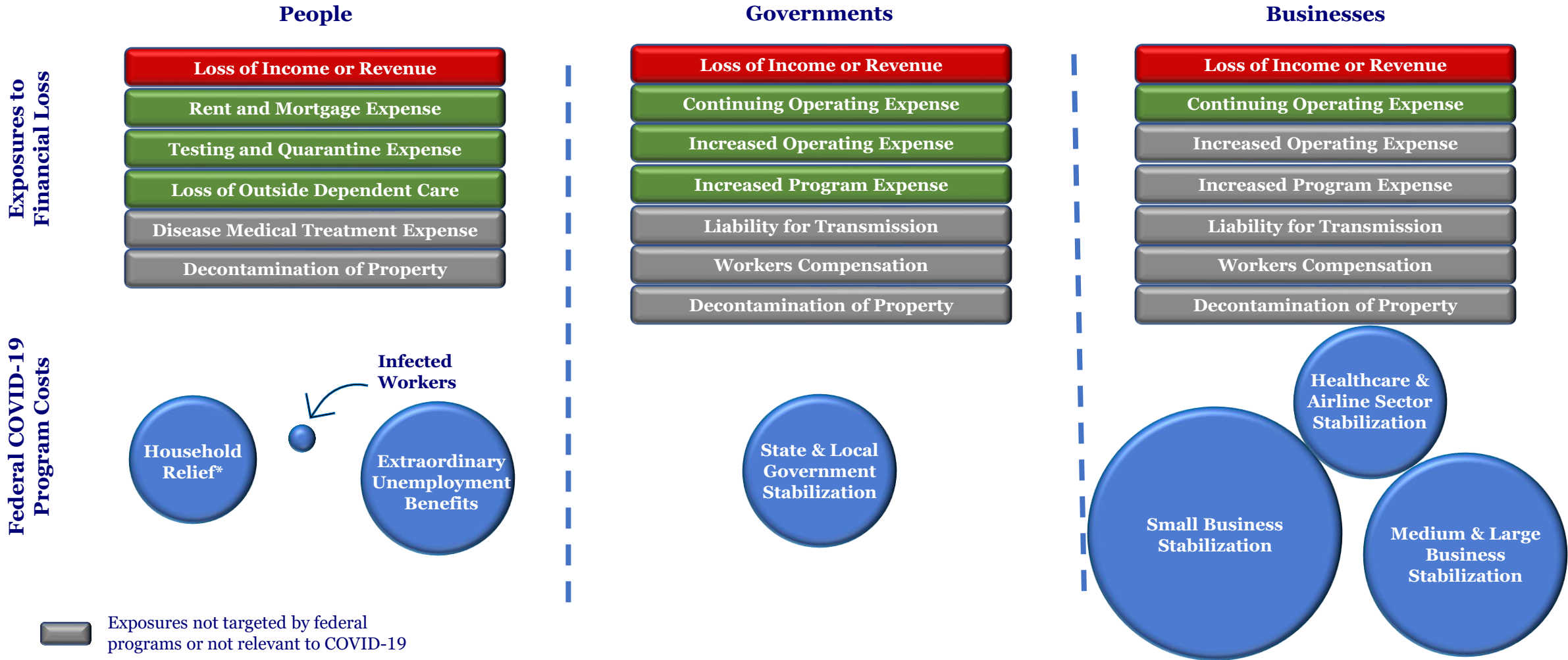
Cost Components



Pandemic Risk Landscape

Financial Exposures Targeted by Federal COVID-19 Response

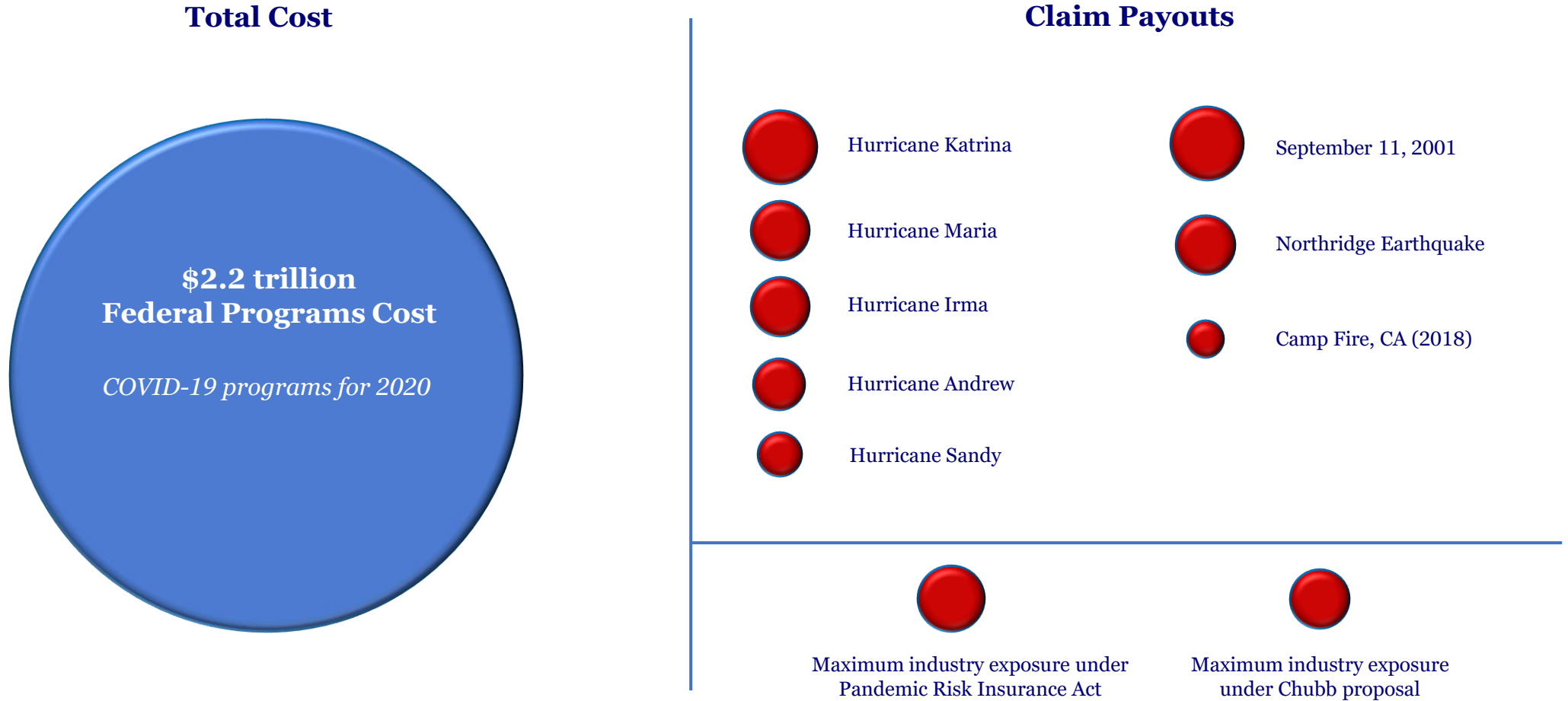
Financial Exposures Targeted by Federal COVID-19 Programs



Pandemic Risk Landscape

Comparison of Federal COVID-19 Programs to Scale of Insurance Industry

Comparison to Cost of Largest Insured Catastrophe Events



Pandemic Risk Landscape

Current Pandemic Insurance Proposals

The current proposals would commit the entire insurance industry's pandemic risk-bearing capacity into one corner of the overall pandemic risk landscape without a strategy for the remaining stakeholders and financial exposures.

People

Governments

Businesses

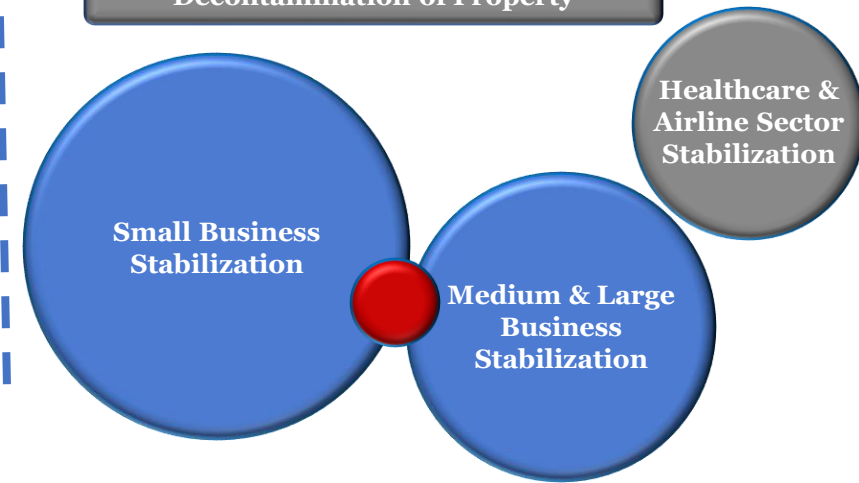
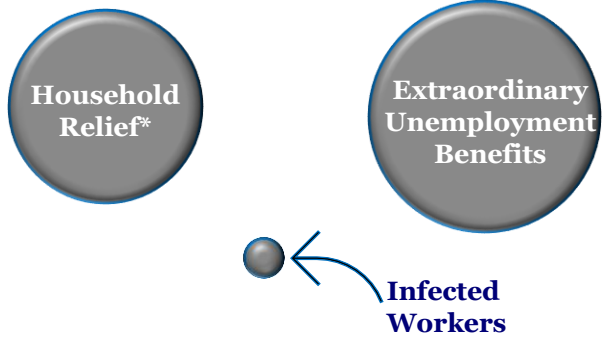
Financial Exposures

Federal COVID-19 Program Costs

- Loss of Income or Revenue
- Rent and Mortgage Expense
- Testing and Quarantine Expense
- Loss of Outside Dependent Care
- Disease Medical Treatment Expense
- Decontamination of Property

- Loss of Income or Revenue
- Continuing Operating Expense
- Increased Operating Expense
- Increased Program Expense
- Liability for Transmission
- Workers Compensation
- Decontamination of Property

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COVID-19 Relief Programs

Overview of Enacted COVID-19 Federal Programs

Source: Congressional Budget Office

Cost for Programs Providing Financial Relief (excluding Federal agencies and food programs)

| Legislation | Expenditures | Lost Revenue | Total Cost | Unemployed Workers | Infected Workers | Small Businesses | Other Businesses | State & Local Governments | Sector Specific | Households |
|---|----------------|---------------|----------------|--------------------|------------------|------------------|------------------|---------------------------|-----------------|----------------|
| HR 6074 Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020 | \$8 billion | | \$8 billion | | | | | | | |
| HR 6201 Families First Coronavirus Response Act | \$97 billion | \$94 billion | \$192 billion | \$5 billion | \$10 billion | | | | | |
| HR 748 Coronavirus Aid, Relief, and Economic Security (CARES) Act | \$1314 billion | \$408 billion | \$1721 billion | \$268 billion | | \$362 billion | \$454 billion | \$260 billion | \$178 billion | \$197 billion* |
| HR 266 Paycheck Protection Program and Health Care Enhancement Act | \$483 billion | | \$483 billion | | | \$383 billion | | | \$100 billion | |
| HR 7010 Paycheck Protection Program Flexibility Act of 2020 | | | | | | | | | | |

*Does not reflect cost of foreclosure, eviction and mortgage payment forbearance