Pandemic Risk Landscape

Mapping Financial Exposures, Stakeholders and Insurance Proposals
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

- 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

<table>
<thead>
<tr>
<th>Exposures to Financial Loss</th>
<th>Financial Losses Incurred by:</th>
<th>Traditional Risk Transfer Tools</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>People</td>
<td>State &amp; Local Governments</td>
</tr>
<tr>
<td>Loss of Income or Revenue</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Continuing Operating Expense</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increased Operating Expense</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increased Program Expense</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Testing and Quarantine Expense</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Loss of Outside Dependent Care</td>
<td></td>
<td></td>
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<tr>
<td>Disease Medical Treatment Expense</td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liability for Transmission</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Workers Compensation</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Decontamination of Property</td>
<td>✓</td>
<td>✓</td>
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<tr>
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</tr>
</tbody>
</table>

- **Income**
- **Expense**
- **Liability**
- **Assets**

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COVID-19 Programs for Non-Federal Financial Exposures

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

Total Cost

$2.2 trillion
Cost of Federal Programs

COVID-19 programs for 2020

Cost Components

People
- Extraordinary Unemployment Benefits
- Household Relief*
- Infected Workers
  *Does not reflect cost of foreclosure, eviction and mortgage payment forbearance

Governments
- State & Local Government Stabilization
- Small Business Stabilization
- Medium & Large Business Stabilization
- Healthcare & Airline Sector Stabilization

Businesses

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

Financial Exposures Targeted by Federal COVID-19 Response

People
- 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

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

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

Exposures not targeted by federal programs or not relevant to COVID-19

Federal COVID-19 Program Costs
- Household Relief*
- Extraordinary Unemployment Benefits
- Healthcare & Airline Sector Stabilization
- Small Business Stabilization
- Medium & Large Business Stabilization

* Exposures not targeted by federal programs or not relevant to COVID-19

Centers for Better Insurance
Policyholders
Employees
Shareholders
Society
Pandemic Risk Landscape

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

Comparison to Cost of Largest Insured Catastrophe Events

**Total Cost**

$2.2 trillion Federal Programs Cost

COVID-19 programs for 2020

**Claim Payouts**

- Hurricane Katrina
- Hurricane Maria
- Hurricane Irma
- Hurricane Andrew
- Hurricane Sandy
- September 11, 2001
- Northridge Earthquake
- Camp Fire, CA (2018)

Maximum industry exposure under Pandemic Risk Insurance Act

Maximum industry exposure under Chubb proposal
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.*
## 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)

<table>
<thead>
<tr>
<th>Legislation</th>
<th>Expenditures</th>
<th>Lost Revenue</th>
<th>Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020</td>
<td>$8 billion</td>
<td>$8 billion</td>
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<tr>
<td>Families First Coronavirus Response Act</td>
<td>$97 billion</td>
<td>$94 billion</td>
<td>$192 billion</td>
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<tr>
<td>Coronavirus Aid, Relief, and Economic Security (CARES) Act</td>
<td>$1314 billion</td>
<td>$408 billion</td>
<td>$1721 billion</td>
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<tr>
<td>Paycheck Protection Program and Health Care Enhancement Act</td>
<td>$483 billion</td>
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<table>
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<tr>
<th></th>
<th>Unemployed Workers</th>
<th>Infected Workers</th>
<th>Small Businesses</th>
<th>Other Businesses</th>
<th>State &amp; Local Governments</th>
<th>Sector Specific</th>
<th>Households</th>
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