## Summary of Zurich’s pandemic risk concept

<table>
<thead>
<tr>
<th>Component</th>
<th>Description</th>
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</table>
| **Value Proposition / structure**                                                                 | • **Customers**: take-all-comers approach based on eligibility (eligibility independent of business size)  
• **Coverage**: help protect businesses by allowing them to meet critical financial obligations (e.g., payroll, employee benefits, interest payment, rent, accounts payable, taxes)  
• **Deductibles**: based on waiting days (e.g., business responsible first X days)  
• **Trigger**: multiple / tiered, including federal emergency disaster declaration, federal disaster declaration by state, and business shut down declared (state level)  
• **Risk mitigation**: provide service to incentivize customers to improve risk profile  
• **Claims**: simple and quick claims process dependent on triggers being met; parametric in nature, but customer still required to self-certify losses |
| **Pricing / enrollment**        | • Premium subsidized federally and based upon policyholder selected deductible (e.g., X days)  
• Rates determined at federal level and based on indexed approach (e.g., industry, region)  
• Initial enrollment ASAP upon legislation being enacted (mid-term coverage can be offered); following renewals would be part of property program and have same date property policy incepts |
| **Distribution**               | • Customers purchase through existing brokers and agents (by leveraging existing state producer licensing laws)  
• Carriers providing fixed property required to offer customers coverage |
| **Reinsurance**                | • Three federal reinsurance pools (100% ceded, 95% ceded and 90% ceded)  
• Carriers make policy by policy placement decisions  
• No minimum placement requirements by pool / treaty (e.g. can place all business in 100% ceded pool)  
• No reinsurance caps or aggregates |
| **Program administration**     | • Single set of rules governed at the federal levels (preemption of state insurance laws)  
• Any private products regulated at federal level  
• Administration and Operations (A&O) subsidized by program |
Carrier’s risk retention level determined by self-selected mix of policyholders across pools

**Elements of pool allocation**

- Carrier has sole discretion to allocate a given policyholder to any of the available pools based on risk characteristics and carrier risk appetite.
- Risk retention determined by self-selected mix of policyholders across pools (carrier can utilize all pools).
- Carrier has sole discretion to change risk retention over time (e.g., pandemic risk is more fully understood, risk appetite changes).

**Carrier allocation perspective – Example Scenario**

<table>
<thead>
<tr>
<th>Carrier’s existing fixed property policy holders</th>
<th>Carriers place individual policies into pools</th>
<th>Potential decision criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image1" alt="Policyholders Illustration" /></td>
<td><img src="image2" alt="Pool Illustration" /></td>
<td>• High exposure industries / geographies (e.g., urban retail)</td>
</tr>
<tr>
<td></td>
<td><img src="image3" alt="Pool Illustration" /></td>
<td>• Policyholders with no pandemic risk mitigation procedures</td>
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<tr>
<td></td>
<td><img src="image4" alt="Pool Illustration" /></td>
<td>• Moderate pandemic exposures</td>
</tr>
<tr>
<td></td>
<td><img src="image5" alt="Pool Illustration" /></td>
<td>• Less developed pandemic risk mitigation procedures</td>
</tr>
<tr>
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<td><img src="image6" alt="Pool Illustration" /></td>
<td>• Lowest exposure industries / geographies (e.g., remote professional services)</td>
</tr>
<tr>
<td></td>
<td><img src="image7" alt="Pool Illustration" /></td>
<td>• Policyholders with well developed pandemic risk mitigation procedures</td>
</tr>
</tbody>
</table>

Estimated that 99% of limits would ceded to federal government. 
Over 90% of carrier retained limits would be borne by carriers with > $1B policyholder surplus. 
Based on modeling assumptions of carrier pool allocations and insured take-up rates.