Summary of Zurich's pandemic risk concept

Component	Description
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

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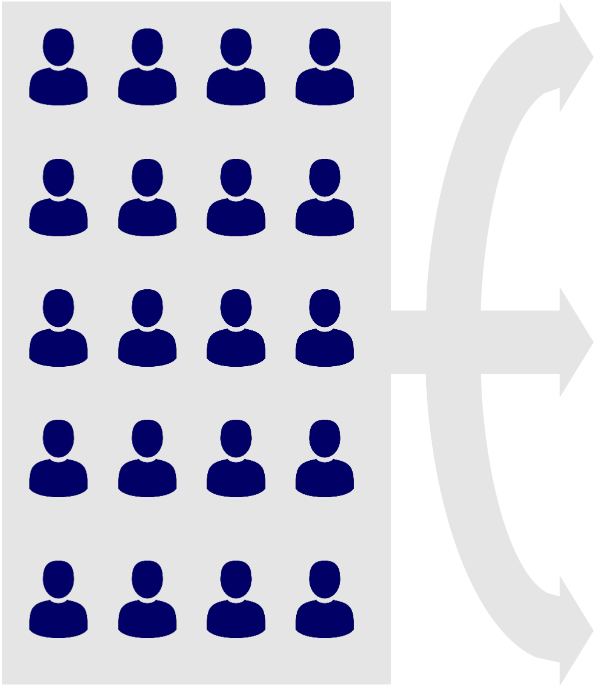
Illustrative

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

Carrier's existing fixed property policy holders



Carriers place individual policies into pools

Pool 1
100% ceded

Pool 2
95% ceded

Pool 3
90% ceded

Potential decision criteria

Pool 1:
- High exposure industries / geographies (e.g., urban retail)
- Policyholders with no pandemic risk mitigation procedures

Pool 2:
- Moderate pandemic exposures
- Less developed pandemic risk mitigation procedures

Pool 3:
- Lowest exposure industries / geographies (e.g., remote professional services)
- Policyholders with well developed pandemic risk mitigation procedures

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