

PANDEMIC RESPONSE REVENUE REPLACEMENT MECHANISMS

Issue	Business Continuity Protection Program (BCPP)	PRIA -- Rep. Maloney H.R. 7011	Chubb – Part I, Business Expense Insurance Program (BIP) for smaller businesses; Part II, Pandemic Re, for 500+ employees organizations	Business Continuity Coalition	Zurich Draft Concept
Product Design	Business revenue reimbursement program; not an insurance product	Incorporated as part of private business interruption insurance (BI)	<p>Part I (BIP): Added to existing business owners or workers compensation insurance policy</p> <p>Part II (Pandemic Re): Government reinsured business interruption coverage on modified standard industry forms</p>	<p>Creates Federal Pandemic Insurance Corporation (FPIC) that reinsures:</p> <ol style="list-style-type: none"> (1) Business Expense Insurance Program (BIP) (2) Other covered lines including non-damage business interruption, “cast insurance”, commercial general liability, directors & officers liability, and workers compensation insurance <p>Designed as an “amendment in the form of a substitute for H.R. 7011” (PRIA)</p>	<p>Based on the Federal Crop Insurance Program.</p> <p>Insurance program that creates three federally backed insurance pools, with an option for insurers to offer a 100% federally guaranteed product carried on insurer paper.</p> <p>Insurers determine which risks to place on a policy-by-policy basis in which pool based on their risk appetite. Insurers can place all risks in 100% federal guaranteed pool. Each commercial risk would be individually placed.</p> <p>Ceding commissions set by reinsurance pool equally across all carriers, with the 100% ceded pool paying the lowest ceding commission and the 90% ceded pool paying the highest.</p>
Business Eligibility for Participation	Any firm incorporated in the US or US territory w/bona fide operations in the US. For-profit	Any business policyholder that accepts the offer of BI coverage from a participating insurer	Part I (BIP):	Any commercial or non-profit policyholder that accepts the	Any firm incorporated in the US or US territory w/bona fide operations in the US. For-profit

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	and non-profit entities, no size limitation.		Businesses with fewer than 500 employees and a valid Federal Tax ID. Part II (Pandemic Re): Businesses with more than 500 employees and a valid Federal Tax ID.	offer of BI insurance coverage from a participating insurer.	and non-profit entities, no size limitation.
Insurer Participation	Federal program sold on a voluntary basis by agents and brokers. Insurers and other third-party entities would provide administration services.	(1) Licensed insurance companies; (2) Federally approved specialty carriers; (3) Residual market operators; (4) State WC funds Participating insurers must offer viral BI coverage on the same terms and conditions as underlying coverage in covered lines.	Part I (BIP): All P&C insurers issuing business insurance coverage for the covered lines and mandatory offer (earlier documents and graphics specify that the mandatory offer would be tied to workers compensation and BOP policies). Part II (Pandemic Re): Federally reinsured program sold on a voluntary basis.	All PRIA-eligible insurers in good standing would be [authorized] [required] to offer the BIP policy and allowed to reinsure such policies to FPIC under SRA terms into one of three portfolios, with servicing fees (and profit participation) designed to incentivize private insurers to retain some of the BIP risks.	Mandatory offer by insurers providing property insurance. Insurers cede policies to the federal government in one of three pools: 100%, 95% or 90%.
Program Trigger	(1) State governor requests Presidential declaration of “viral emergency” due to state-mandated closure; (2) Presidential viral emergency declaration; and (3) Closure applies to the type of business (using identified NAICS codes).	(1) Specific outbreak of infectious disease or pandemic for which a Covered Public Health Emergency is declared by HHS Secretary under the PHSA (2) \$250 million in insured losses across participating insurers.	Part I (BIP): (1) CDC declaration of pandemic; (2) Public Health Declaration by HHS or Emergency Declaration by POTUS; and (3) State orders are in force that close and/or curtail normal business activity (4) Excludes COVID-19	(1) States can request a federal public health emergency declaration because of viral infection (2) Presidential emergency declaration triggers payments (3) Closure applies to the bus. types/NAIC codes identified in the declaration.	Tiered parametric trigger based on state ordered business closures and a federal emergency disaster declaration. Federal emergency disaster declaration must be declared for the individual state.

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			Part II (Pandemic Re): (1) CDC declaration of pandemic; (2) Public Health Declaration by HHS or Emergency Declaration by POTUS; and (3) State orders are in force that close and/or curtail normal business activity (4) Excludes COVID-19.	Businesses must individually certify anticipated revenue losses of at least 25% for the quarter to receive compensation.	
Administration	Treasury	Treasury	Treasury	Treasury	Federal
Mandatory Issue	Yes – from Federal Government.	Participation is voluntary for insurers, but participating insurers must offer BI covered for covered lines on the same terms and conditions as underlying non-viral coverage.	Part I (BIP): Yes – by any insurer issuing business insurance coverage (again, earlier documents and graphics specify that the mandatory offer would be tied to workers compensation and BOP policies). Part II (Pandemic Re): No – Participation is voluntary.	Participation is voluntary for insurers (?) but participating insurers must offer BIP for TRIA/PRIA covered lines.	Participation is mandatory for fixed property insurers, but they may offer a 100% federally backed product.
Guaranteed Renewal	Yes – with updated tax information.	Participating insurers must re-offer pandemic coverage annually if they are offering underlying coverage in covered lines.	? – Annual renewal is contemplated, but unclear whether guaranteed.	Same as PRIA?	N/A
Time Frame	Available six (6) months after date of enactment; certificate is valid for one (1) year. Purchase	Covers public health emergencies commencing after Treasury regulations are	Part I (BIP): 14-day waiting period after qualifying event.	14-day waiting period after qualifying event	Business deductible based on an unspecified waiting period (“x days”).

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	must occur 90 days prior to any formal declaration of viral emergency.	promulgated. Covers all claims during the period the emergency is in effect.	Part II (Pandemic Re): 30-day waiting period (or longer) after qualifying event.		
Private sector retention (Basic and Excess)	<p>No private sector retention for primary protection program.</p> <p>Title II Designed for larger businesses which may be concerned about caps and limits in the primary program.</p> <ul style="list-style-type: none"> Participation voluntary for both insurers and purchasing businesses. Businesses would need to participate in the BCPP to participate in the excess coverage program. Broad cross section of insurers eligible to participate including those admitted in any state and non-admitted insurers that are eligible surplus lines insurers. Treasury could apply the program to captives and other self-insurance arrangements. Excess coverage program protected by a 90% Federal 	<p>Potential \$47.5 billion exposure annually;</p> <ul style="list-style-type: none"> Insurers 100% responsible for events of \$250 million or less (i.e. losses below Program Trigger) Insurers also responsible for their insurer deductible = 5% of prior year’s DEP in covered lines (potential \$10b aggregate) Insurers also responsible for 5% co-share of losses above insurer deductible, up to \$750b aggregate loss cap (potential \$37.5b aggregate) 7-year sunset. 	<p>Part I (BIP): \$15 Billion in year 1.</p> <ul style="list-style-type: none"> Increases by \$0.75 Billion annually until year 20. \$30 Billion over the program Insurer pays 6% of first dollar claims up to insurer’s market share of industry limit, growing to 12% by year 20. <p>Part II (Pandemic Re): \$15 Billion in year 1.</p> <ul style="list-style-type: none"> Increases by \$1.5 Billion annually until year 10. \$30 Billion over the Program Insurer pays 5% of first dollar claims until industry limit (\$15b) is reached, growing to 10% by year 10. 	<p>Participating insurers could offer BIP coverage with:</p> <ul style="list-style-type: none"> 100% federal reinsurance 95% federal reinsurance 90% federal reinsurance <p>If second major event in the same calendar year, co-share re-set lower.</p>	<p>Creates three reinsurance pools in a private/public partnership:</p> <ul style="list-style-type: none"> 100% federally insured 95% government co-share, 5% insurer co-share 90% government co-share, 10% insurer co-share <p>No minimum reinsurance placement requirements by pool/treaty. No reinsurance caps or aggregates.</p>

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	backstop with insurers assuming 10% of annual risk for each policy. <ul style="list-style-type: none"> Program subject to reauthorization with sunset in 2030. 				
What is being offered?	<ul style="list-style-type: none"> BCPP – Title I - Up to 80% revenue replacement for a maximum of three (3) months with the limit chosen by policyholder. Other option to be developed by director. Title II – Excess coverage for larger businesses and must purchase basic BCPP. Title II - Contemplates Treasury Department design of event cancellation revenue replacement protection to fit within primary and excess programs. 	Business Interruption insurance that includes event cancellation insurance or other non-property interruption insurance on the same terms and conditions as underlying BI for covered lines.	Part I (BIP): Up to three (3) months of payroll, based on a multiple of monthly payroll expenses. Part II (Pandemic Re): Up to three (3) months of expenses, with \$50 million maximum per policyholder.	<ul style="list-style-type: none"> For SMEs: Parametric insurance coverage for up to 80% of 3-months’ operating expenses (following 14 day waiting period). For larger businesses: coverage decreasing to 50% replacement for policyholders with larger operating budgets (i.e., policyholder retentions).	Up to 80% of business expenses over three months capped at \$20 million per month for employers with 500 or more employees.
Eligible Expenses	Covers: <ul style="list-style-type: none"> Ordinary payroll and employee benefits; Payments to vendors & 3PK’s; Rent, mortgage, other loan obligations; 	Requires coverage for: <ul style="list-style-type: none"> Any loss resulting from a covered public health emergency that is covered by primary or excess BI insurance. 	Part I (BIP) covers: <ul style="list-style-type: none"> Ordinary payroll and operating costs Part II (Pandemic Re) covers: <ul style="list-style-type: none"> Any expenses 	Covers between 50-80% of operating expenses depending on the size of the entity’s operating budget. Operating expenses include: <ul style="list-style-type: none"> Payroll Rent Utilities 	Support covers business financial obligations: <ul style="list-style-type: none"> Payroll Employee Benefits Interest Payments Rent Accounts Payable Taxes

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	<ul style="list-style-type: none"> Equipment rental and maintenance; Taxes and insurance; Other categories promulgated by rule. 			<ul style="list-style-type: none"> Taxes 	
Conditions	<ul style="list-style-type: none"> Businesses certify they will only use funds for allowed purposes (e.g., retaining employees and paying necessary operating expenses) Program may audit post-payments 	Terms and conditions of offer of viral BI coverage must match underlying BI coverage	<ul style="list-style-type: none"> Part I (BIP): Standard terms and conditions of the underlying policy unless modified Part II (Pandemic Re): Standard terms and conditions of the underlying policy 	<ul style="list-style-type: none"> Applicants certify they will only use funds for allowed purposes (e.g., retain employees and pay operating expenses). Program may audit post-payments. 	Business self certifies losses to the government (e.g., via tax filings).
Partial Operations	<ul style="list-style-type: none"> Presidential declarations indicate which businesses can remain open or partially open (for partial payments) based on gubernatorial request. Director to determine a formula based on partially open. 	Participating insurers may purchase commercial reinsurance to protect their retentions.		<ul style="list-style-type: none"> Presidential declarations indicate which businesses can remain open or partially open – and 14-day waiting period included along with 25% revenue loss certification. 	
Application Process	(1) Form developed by director, requiring up to two years of tax returns to determine expected assistance benefit; businesses with physical locations in multiple states would specify allocation of risk at purchase	Treasury to develop a process by which insurers elect to participate for each calendar year.		<ol style="list-style-type: none"> Form developed by director, Businesses with physical locations in multiple states would specify allocation of risk at purchase NAICS six-digit classification code 	Business works with existing property broker/agent to voluntarily select coverage level.

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	(2) NAICS six-digit classification code (3) Attestation by owner.			Requires attestation by business owner.	
Payment Process	Parametric trigger starts formulaic payments. No claim adjudication necessary. Payments on day 1, day 30, and day 60 following Presidential declaration.	Person suffering covered loss files claim with insurer, who processes and submits to Treasury with written certifications of payments already made for insured losses. Treasury to issue additional rules and procedures for claims and payments.	Part I (BIP): Parametric trigger starts formulaic payments. No claim adjudication necessary. Insurers drawdown a line of credit for Government’s share of payments from US Treasury. Part II (Pandemic Re): Company suffering covered loss files claim with insurer, who processes and submits to Pandemic Re following adjustment process.	Parametric trigger starts formulaic payments. 14-day waiting period + 25% loss certification.	Parametric trigger starts formulaic payments subject to applicable deductible waiting periods. No claim adjudication necessary. Insurers drawdown a line of credit for government’s share of payments from US Treasury.
Oversight	<ul style="list-style-type: none"> Annual audit and accounting of funds; Audit and claw back capability for benefits not applied to allowable categories; Expenses must be documented; Knowing fraud results in expulsion, penalties, fines, and potential jail time. 	Participating insurers must submit to Treasury: lines exposed, premiums earned, geographical location, pricing, take up rate, reinsurance, and other matters deemed appropriate. Extensive reporting to Congress by Treasury.	Part I (BIP): Policyholder certification and federal tax return filing process subject to IRS audit. Part II (Pandemic Re): Insurer claims adjudication process.	Audit and claw back capability for benefits not applied to allowable categories.	Federal government establishes a framework for monitoring fraud, waste, and abuse of the federal program. Any private products regulated at the federal level using a single set of rules governed at the federal level (preempting regulatory and liability state laws). Not subject to state premium tax laws.

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Mandatory Purchase	None (although some lenders may want to see protection).	None. Businesses may purchase with other coverage in covered lines.	Part I (BIP): Not mandatory, but “strong opt-out” requirement. Businesses who do not want the coverage must decline it and acknowledge they will be ineligible for federal program benefits. Part II (Pandemic Re): None.	Not mandatory, but policyholders that decline BIP coverage must acknowledge they will not be covered for pandemic BI losses and that they may not be eligible for Federal pandemic disaster assistance.	None
Pricing	Rate determined by Treasury, uniform % of revenue to be replaced plus administrative costs; director to develop minimums and payment plan options; aggregated data on prices and payments to be publicly available.	Rate determined by insurers subject to state regulatory rate and form approval as applicable.	Part I (BIP): “Risk appropriate” premium for insurer’s share – no premium for Government’s share. Part II (Pandemic Re): “Risk appropriate” premium for insurer’s and Government’s reinsurance share, collected by insurers. Insurers retain proportional share and cede balance to Pandemic Re for government share.	Rating handbook for participating insurers to be developed by FPIC in consultation with actuarial societies and NAIC.	Rates set by the federal government. Premium subsidized federally and based on indexed approach by industry and region. 2% rate-on-line (ROL) for <500 employee, 3% for 500 or more. 0.5% preferred risk discount for qualifying risk mitigation programs.
Restrictions	Owner’s attestation includes future compliance with CDC, OSHA, and other specified guidelines; funds must be used to retain employees and keep business viable.	None	Part I (BIP): Policyholders must continue payroll – no layoffs. Part II (Pandemic Re): None.	Requires certification by the business that it will only use funds for operating expenses and employee retention.	None

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Product Distribution	Licensed insurance agents and brokers	Licensed insurance agents and brokers and participating insurers	Licensed insurance agents and brokers and participating insurers	Licensed insurance agents and brokers and participating insurers	Licensed insurance agents and brokers
Aggregate limit	None	\$750 Billion annually	Part I (BIP): \$750 Billion annually Part II (Pandemic Re): \$400 Billion annually	None?	None
Funding	In years without losses, funds can purchase Treasury securities; if exposure exceeds assets, the program may borrow from Treasury to pay recorded losses.	Appropriated funds as may be necessary for insured losses and administrative costs.	Part I (BIP): Treasury establishes a line of credit facility with participating insurers as beneficiaries for government share of losses. Part II (Pandemic Re): Establishes a line of credit facility with participating insurers as beneficiaries for government share of losses.	Line of credit established by the Federal Reserve Bank of New York for participating insurers and pools to access for FPIC payouts.	Federal government financially supports.
Mitigation and Risk Management	<ul style="list-style-type: none"> • Business attests to compliance with CDC, OSHA, pandemic requirements • Leverages insurance industry capabilities with access to IBHS “Open for Business EZ” tools. 	None	None stated	None?	<p>Preferred risk discount offered for qualifying risk mitigation programs. Expectation of 30% of businesses would qualify for the 0.5% discount.</p> <p>Risk mitigation consultation and services (e.g., resilience planning) conducted by carrier.</p>
Claims Adjudication	None- <ul style="list-style-type: none"> • Parametric trigger • Formulaic payment 	Traditional insurance claims adjustment process	Part I (BIP): None- <ul style="list-style-type: none"> • Parametric trigger • Formulaic payment 	BIP- <ul style="list-style-type: none"> • 14-day waiting period 	None- <ul style="list-style-type: none"> • Parametric trigger • Formulaic payment

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			Part II (Pandemic Re): Traditional insurance claims adjustment process	<ul style="list-style-type: none"> Projected 25% revenue loss per quarter Parametric trigger Formulaic payment 	Business self certifies losses to the government (e.g., via tax filings).
Cap	<ul style="list-style-type: none"> 3 months expenses based on co-pay Limited by protection % (up to a maximum of 80 percent) chosen by purchaser. 	<ul style="list-style-type: none"> \$750b cap on industry/government combined payments If Treasury estimates insured losses may exceed the cap, it establishes an interim pro rata loss percentage reducing compensation to policyholders who have not yet been paid by insurers Treasury can call a brief hiatus in insurer loss payments of up to two weeks to determine a subsequent pro rata loss percentage rate that insurers would then apply Depending on when a policyholder files a claim and how quickly the insurer provides payment, if the cap is exceeded, the policyholder may receive full, partial, or no compensation. 		<ul style="list-style-type: none"> 3 months expenses based on co-pay BIP limited by protection % (up to a maximum of 80 percent) for SMEs chosen by purchaser BIP further limited for larger businesses up to a maximum of 50 percent 	\$20 million per month for employers with more than 500 employees. 80% of eligible expenses for all policyholders for three months.