

# **Pandemic Risk Insurance Act**

## **Section-by-Section**

### **Section 1: Short Title**

Pandemic Risk Insurance Act of 2020.

### **Section 2: Purpose**

This section outlines the purpose of the bill, which is to establish a Federal program that provides for a transparent system of shared public and private compensation for business interruption losses resulting from a pandemic or outbreak of communicable disease, in order to:

- Protect consumers by addressing market disruptions and ensure the continued widespread availability and affordability of business interruption coverage for losses resulting from a pandemic or outbreak of a communicative disease; and
- Allow for a transitional period for the private markets to stabilize, resume pricing of such insurance, and build capacity to absorb any future losses while preserving State insurance regulation and consumer protections.

### **Section 3: Definitions**

This section defines key terms in the bill, including:

- Covered Public Health Emergency
- Business Interruption Insurance
- Direct Earned Premium
- Event
- Event Cancellation Insurance
- Insured Loss
- Insurer
- Insurer Deductible
- Participating Insurer
- Property and Casualty Insurance
- Secretary

### **Section 4: Pandemic Risk Reinsurance Program**

This section establishes Pandemic Risk Reinsurance Program (PRRP) within the Department of the Treasury. It outlines the PRRP's structure, parameters, and provisions as follows:

- Authorizes the Treasury Secretary to administer the PRRP.
- Establishes that participation in the program is voluntary for insurers, who may sign up on an annual basis.
- For participating insurers, mandates that they provide business interruption insurance policies — including event cancellation — that include pandemics.
- Provides that the PRRP will only be triggered when aggregate insured losses for a covered public health emergency exceed \$250 million.

- Once the PRRP has been triggered, establishes that the Federal share of compensation is equal to 95% of insured losses that exceed the insurer deductible.
- Sets each participating insurer's deductible at 5% of the value of the insurer's direct earned premiums during the preceding calendar year.
- Establishes a \$750 billion program cap for Federal compensation, and if losses exceed the cap, authorizes the Treasury Secretary to determine the pro-rata share of compensation beyond the cap.
- Clarifies that the Act does not prohibit insurers from purchasing reinsurance coverage in the private markets.

### **Section 5: General Authority and Administration of Claims**

This section establishes that the Treasury Secretary has authority to investigate and audit claims, prescribe regulations and procedures, issue interim final rules or procedures (including discretionary recoupment of Federal compensation under the PRRP).

This section also establishes that the Treasury Secretary will also require participating insurers to submit information relating to insurance coverage for business interruption resulting from covered public health emergencies. It also requires the Secretary to submit reports on an annual basis to Congress on the PRRP.

### **Section 6: Preemption and Nullification of Pre-Existing Exclusions**

This section clarifies that for participating insurers, exclusions in effect on the date of enactment of this Act that specifically exclude losses covered under the PRRP are void, and any state approval of those exclusions is preempted — unless the exclusion can meet certain criteria, such as written approval from the policyholder.

### **Section 7: Preservation Provisions**

This section establishes that nothing in this Act shall affect the jurisdiction or regulatory authority of the insurance commissioner (or any agency or office performing like functions) of any State over any insurer or other person except as specifically provided in this Act.

### **Section 8: Study and Analyses**

This section requires the Treasury Secretary to conduct a study on the effectiveness of the PRRP and the likely capacity of the property and casualty insurance industry to offer insurance for risk of public health emergencies after the termination of the PRRP, and the availability and affordability of such insurance for various policyholders.

This section also requires GAO to conduct a study on the availability and affordability of business interruption insurance in specific markets.

Finally, this section requires the Treasury Secretary to conduct a study on small insurers participating in the program and identify any competitive challenges small insurers face in the business interruption insurance market.

**Section 9: Termination of the Program**

The PRRP shall terminate on December 31, 2027.