



# COVID-19 Pandemic

## Business Resiliency, Insurance, and Claims Advice for UK Policyholders

As the novel coronavirus (COVID-19) pandemic continues to spread — with more than 300,000 confirmed cases globally as of mid-March — organisations worldwide are preparing for possible effects on their operations. This includes the potential for business interruption due to the presence of the virus on their premises, employee absenteeism, or supply chain disruptions.

### Risk Mitigation

Organisations should take the time now to review their resilience and crisis response strategies and plans so that they are well prepared for the potential impacts of COVID-19. Businesses should pay particular attention to:

<b>People:</b> Put staff first.	Staff may fall ill, become anxious about the risks, or fail to show up to work due to safety concerns, caring for sick family members, and travel restrictions. Supporting your staff throughout this period and planning for any absences, particularly in critical roles, will be important.
<b>Travel:</b> Take advice.	Official travel advice may change as COVID-19 spreads, meaning travel policies may need to be adjusted quickly. In addition to your own staff travelling, you should consider the potential risks related to any visitors arriving from infected areas.
<b>Operations:</b> Prepare for disruption.	Operational disruptions could lead to significant backlogs and increased costs of working. For some businesses, the event will cause a drop in customer demand, while others will need to be prepared to handle an increase.
<b>Supply Chain:</b> Manage vulnerabilities.	Supply chains may be disrupted with delays and be presented with cost increases for inputs or services, either through suppliers directly experiencing operational problems, as a result of travel restrictions, or scarcity of in-demand goods.
<b>Reputation:</b> Ensure that responses are timely and thoughtful.	An organisation's behaviours during a crisis can significantly damage the trust of staff, customers, and other stakeholders. Listed companies will be under additional scrutiny to ensure open and transparent communication with investors, in line with their reporting obligations.

## Insurance Considerations

Many organisations are asking the question of how insurance coverage might respond to virus-linked losses. Potential areas of policy response include:

- **Travel insurance** for journeys affected by the outbreak.
- **Liability for employees and third parties** who are exposed to the virus at work, on your premises, or from coming into contact with your employees.
- **Business interruption losses**, such as those arising from the closure of your premises. Importantly, many of the indirect scenarios affecting organisations, such as global supply chain disruption, or pre-emptive actions to self-isolate, are unlikely to trigger insurance policy coverage. We consider the relevant factors in more detail below.
- The possibility for **cyber network disruption claims** associated with failures caused by the increased strain put upon information technology (IT) infrastructure as employees work remotely from home.
- **Cyber-crime** has already seen an increase in activity, as opportunistic criminals distribute phishing attacks or malware within fake news alerts or product offerings related to COVID-19.<sup>1</sup>
- **Management liability**, for example, in how the senior management team prepares for, and responds to, an outbreak.

Experience from epidemics such as the SARS outbreak in 2002-2003 suggests that most insurance claims will be directed towards travel and business interruption insurance policies, so these areas are considered in greater detail below.

## Travel Insurance

- **Medical expenses** – We expect, in most instances, for business travel policies to respond to claims for medical treatment, should an employee contract COVID-19 while travelling on a covered journey.
- **Evacuation expenses** – Some policies may provide cover for evacuation or repatriation expenses for employees already in an affected region. However, due to efforts to control the outbreak, there may be severe logistical problems resulting from travel restrictions, closed borders, and a lack of suitable transportation. Even if an insurer is willing to provide repatriation, in practice, evacuation may not be possible and the insured person may have to remain abroad.
- **Travel disruption/cancellation** – The greatest volume of claims will likely arise here. Insurers are already dealing with a large number of claims for clients with trips booked to China. The approach taken is that insurers will look closely at the date of the booking to check that tickets were not purchased recklessly, in conflict with official guidance such as that issued by the Foreign and Commonwealth Office (FCO). For example, the FCO advised against all but essential travel to mainland China (not including Hong Kong and Macao) on 28 January 2020, so some insurers are only dealing with claims for cancellation if the travel was booked prior to that date. A similar approach is likely to be followed as other locations are added to the FCO list; as of early March 2020, Northern Italy, and the cities of Daegu, Cheongdo and Gyeongsan in South Korea, were added.

As the situation develops and employers implement new travel protocols, insurers will be looking closely at the reasons for the cancellation/disruption. Although, individuals may feel nervous about travelling, this, in itself, is unlikely to generate a valid insurance claim for cancellation. Disinclination to travel is a common policy exclusion.

<sup>1</sup>World Health Organisation, available on: <https://www.who.int/about/communications/cyber-security>.



## Business Interruption Insurance

Many organisations are warning of significant impacts from COVID-19, including manufacturing delays resulting from global supply chain disruptions, disruptions caused by pre-emptive office closures or employees choosing to self-isolate, and reduced footfall in the travel, leisure, and retail sectors as consumer behaviours change.

The reality is that many of these costs will be uninsured. Business interruption policies traditionally focus on physical events such as a fire at a premise. Although contingent business interruption (CBI) extensions for a range of non-damage scenarios are available, such covers typically have much lower limits, shorter indemnity periods, and are not guaranteed to respond to novel causes of loss such as COVID-19.

Addressing first the trigger of **damage**.

The main insuring clause under a business interruption policy requires physical damage to covered property at an insured location. If an employee or visitor to your site contracts COVID-19, this does not, of itself, amount to “damage”. Nonetheless, there may be “grey” areas such as premises that are required to undergo a deep clean following exposure, products/stock that might need to be disposed of if they are deemed contaminated, or organisations that might have unusual susceptibility, such as medical laboratories or clean rooms. Each case will need evaluating on its own merits, according to the policy wording, but based on historic experience, we consider it unlikely that a significant number of insured losses will arise under the guise of “damage”.

Of more relevance are the contingent business interruption extensions for “infectious diseases” and “closure by a competent authority”. Where policies have these extensions, the first is designed to respond to the discovery of an infectious disease on (or near to) a premises that results in its closure, while the second responds to the inability to access a premises because its closure has been ordered by a competent authority such as the government or police.



Unfortunately, because there is so much variation between different insurers and policy wordings, it is difficult to be definitive about how such extensions will respond to COVID-19. Key considerations include:

- Is COVID-19 actually present on or near the insured premises? (If not, the policy is unlikely to respond).
- Has the organisation been formally instructed to close the premises by a competent official body?
- How does the policy define infectious diseases? Some policies list diseases by name, in which case COVID-19 is unlikely to be included as a novel disease. Often insurers refer to notifiable diseases, and this will require careful analysis to identify which regulatory body/country the policy refers to, as well as the date the disease became notifiable. Scotland made COVID-19 a notifiable disease as at 22 February 2020, Northern Ireland on 29 February 2020, England on 5 March 2020, and Wales on 6 March 2020.

As ever, our best advice to clients is to act as a prudent uninsured – taking the steps necessary to protect your organisation and its people – then engaging with your insurance adviser and insurers to review areas of recoverability under the policy.

### Preparing for an Insurance Claim: Start Getting Ready

Discussions with your claims advisors and insurers should include, but not be limited to:

- Any requirements to provide details of infected persons or swabs to confirm the presence of the virus on your premises. Be mindful of potential breaches to health information privacy regulations.
- The documentation that needs to be gathered for your insurance claim, including documentation from suppliers that are unable to deliver on their contracts and/or proof of government-mandated closures.

Other actions should include:

- Keeping a detailed log of visitors, which could become useful if the virus is identified on the premises.
- Identifying declining business activity by analysing variances between forecast and actual revenues.
- Pinpointing additional costs incurred from mitigation activities and their effect on profit margins.

## Measure the Impact

With an understanding of your policy wording and your insurers' requirements, start to document the financial impacts of the outbreak that fit within those parameters. Unusual costs — for example, cleaning and disinfecting the premises, overtime pay to make up for production losses, and media or communications campaigns to inform the public or employees — should be captured separately.

It is good practice to capture all potential costs associated with the virus and its business impacts, such as cancelled orders, supply chain breakage, and lost profits. Even if these may not ultimately be covered under current insurance programmes, they can inform future risk mitigation and management strategies.

The current outbreak could also lead to changes or advances in insurance coverage and risk management best practices. Watch for these developments as you manage today's coronavirus risk and prepare for potential outbreaks in the future.

## Contact Us

For more detailed guidance about the risk management actions you can take to prepare for, and respond to, COVID-19, please visit our website: [marshcommercial.co.uk/coronavirus](https://marshcommercial.co.uk/coronavirus) or contact your usual Marsh Commercial representative.

## Additional Information

For the latest travel advice from the UK government, please refer to the FCO's dedicated page: <https://www.gov.uk/guidance/travel-advice-novel-coronavirus>

## ABOUT MARSH

Marsh is the world's leading insurance broker and risk adviser. With over 35,000 colleagues operating in more than 130 countries, Marsh serves commercial and individual clients with data driven risk solutions and advisory services. Marsh is a wholly owned subsidiary of Marsh & McLennan Companies (NYSE: MMC), the leading global professional services firm in the areas of risk, strategy and people. With annual revenue over US\$15 billion and 75,000 colleagues worldwide, MMC helps clients navigate an increasingly dynamic and complex environment through four market-leading firms: Marsh, Guy Carpenter, Mercer, and Oliver Wyman. Follow Marsh on Twitter @ MarshGlobal; LinkedIn; Facebook; and YouTube, or subscribe to BRINK.



Chartered

This is a marketing communication.

The information contained herein is based on sources we believe reliable and should be understood to be general risk management and insurance information only. The information is not intended to be taken as advice with respect to any individual situation and cannot be relied upon as such. Marsh Ltd is authorised and regulated by the Financial Conduct Authority for General Insurance Distribution and Credit Broking (Firm Reference No. 307511). Ref ID MC200321939.

Copyright © 2020 Marsh Ltd All rights reserved. 281650.