



COVID 19: Transportation Client Webcast

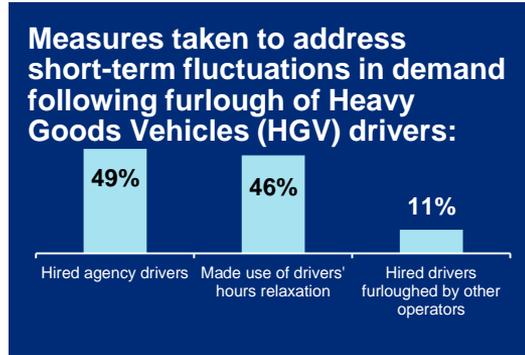
May 28, 2020





Jonathan Miller
Senior Vice President, Marsh

COVID-19: The UK Transportation Industry



HGV drivers
14,896 staff

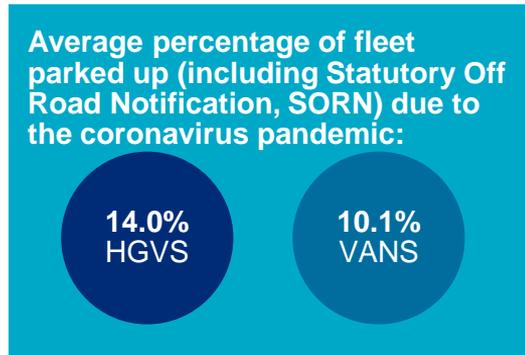
14.2%	furloughed
0.2%	made redundant
3.6%	self-isolating
37.5%	require PPE

Van drivers
8,229 staff

5.1%	furloughed
0.0%	made redundant
4.9%	self-isolating
35.0%	require PPE

All other road transport staff
(*support staff, managers, administrators, etc.*)
38,348 staff

5.6%	furloughed
0.0%	made redundant
0.9%	self-isolating
29.7%	require PPE



Actions businesses are taking with staff:

Have already implemented		Will implement in coming weeks
77.9%	Scaled back or suspended operations	2.0%
76.2%	Furloughed staff	1.5%
68.0%	Cut back on training	5.5%
38.0%	Taken work back in-house	0.0%

Source: FTA Logistics Impact Survey (18 May 2020)



Q&A

Audience members can submit questions for the panel by typing them into the window at the bottom of your computer screen.

If a question is not answered during today's programme, someone from Marsh will respond as soon as possible.

COVID-19 Transportation – Client Webcast

Today's Panel



John Hoey

Motor Placement Broker,
Marsh UK & Ireland



Robert Lewis

Senior Vice President, Risk
Management Claims, Client
Advisory Services



Alistair Schuberth

Risk Partner, Client Advisory
Services



Ian Thompson

Transportation Industry
Practice Leader,
Marsh UK & Ireland



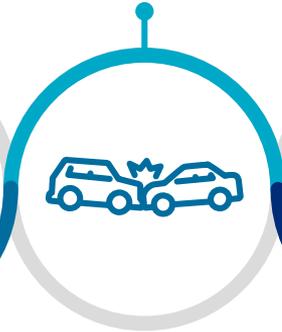
John Hoey
Motor Placement Broker

Lockdown and Current Commercial Motor Insurance

Short-term reduction in vehicles on the roads and a consequent lowering of claims frequency.



Fleets still running significant portion of their vehicles are seeing greatly reduced accident frequency.



Some concern over driving behaviours in lockdown... little traffic on the road may lead to increased average cost per claim (due to higher speed incidents on the emptier road).



Large number of risks have reduced by 60%-70%.

Insurers will argue that there is sufficient uncertainty as to how long the UK will remain in "lockdown".

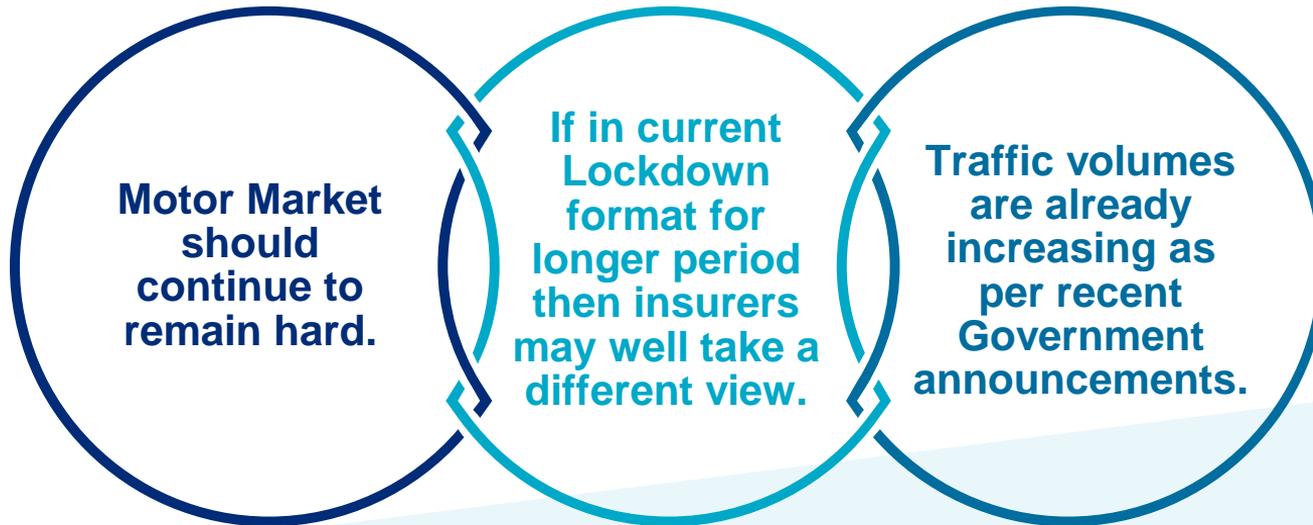
Lockdown claims data is breathing space for the fleet insurer market but not indicative of future exposure... so little to no impact upon rates per vehicle.

SOURCE: Marsh UK & Ireland

Medium to Long Term

Market may still be the same in respect of:

- Discount Rate.
- Own Damage inflation. In fact, this could increase due to increase of costs in manufacturing/exchange rates.



Other Considerations



Increased traffic volumes
may cause claims spikes



E.g. rusty driving skills,
increased fraud, which
will be of concern to our
Insurer colleagues



Any prolonged lockdown
will see fleet insurers
have to adopt more fluid
rating models to allow for
lower use without
necessarily having
vehicle SORN

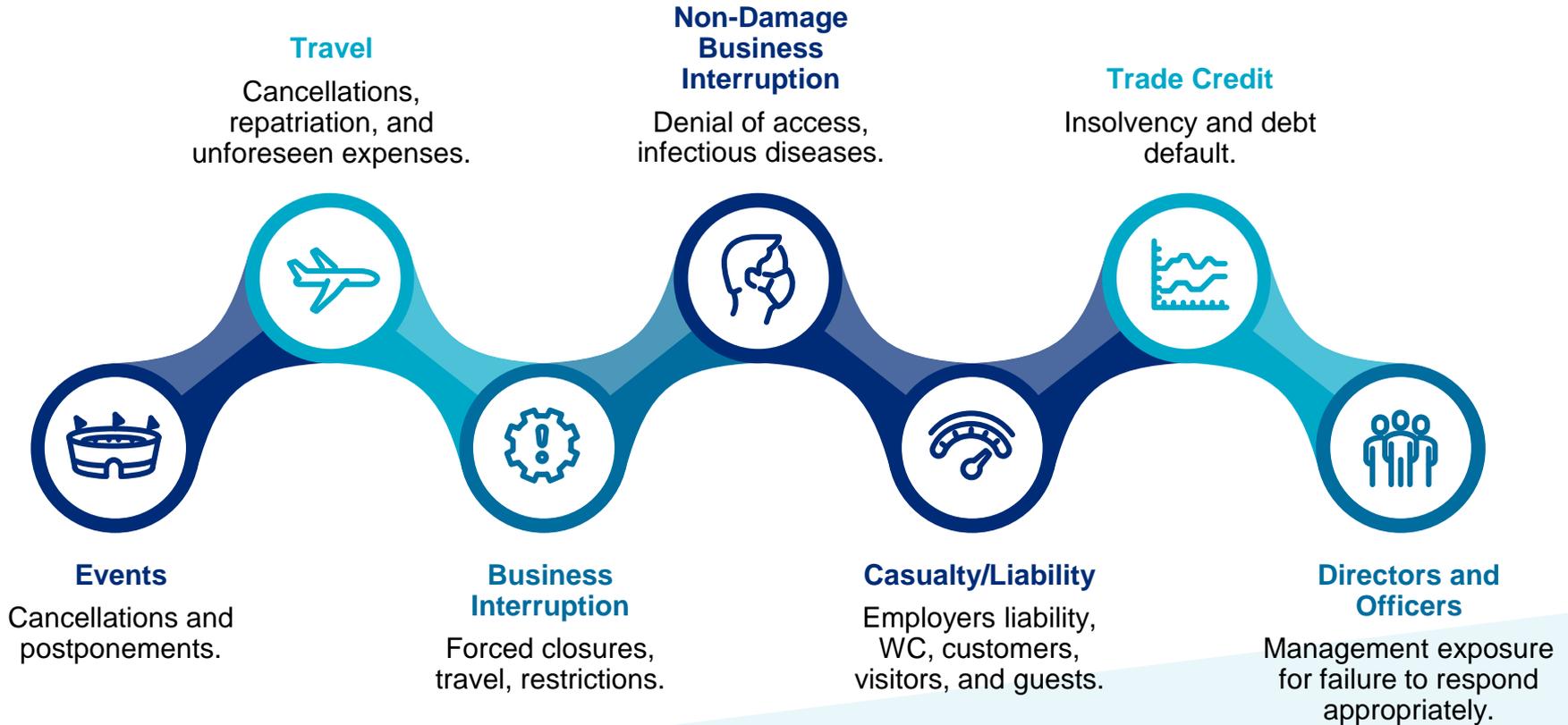
Also:

Scooters/E-Bikes. Trials at the moment, followed quickly by legislation, perhaps leading to statutory insurance.

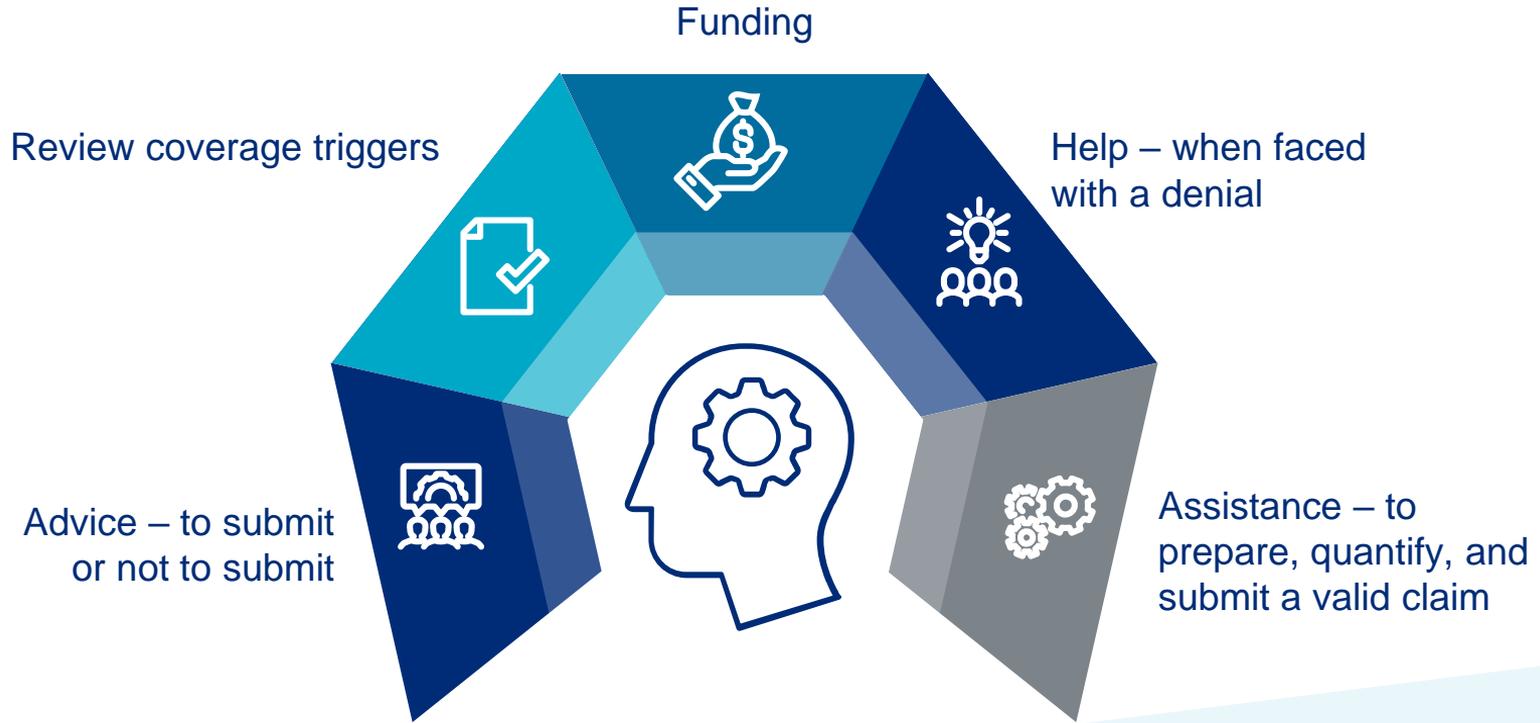


Robert Lewis
**Senior Vice President, Risk Management Claims,
Client Advisory Services**

Claims



Client's Expectations



The Challenges Typical to Property/First Party Policies



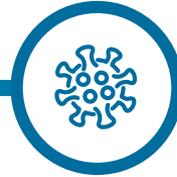
Property Damage

This is the main trigger to most policies, without which there is usually no access to business interruption coverage. Whether the presence of the virus at the premises can be considered “physical damage” is likely to be dependent upon jurisdiction.



Government Action

In many countries, businesses are closed and events have been cancelled upon the order of the government.



Notifiable Disease

There are many variants to the coverages provided under policies but generally most provide a coverage for named infectious diseases and also many for unnamed “notifiable” diseases provided they occur in the vicinity of the premises (which is usually defined in the policy).



Prevention of Access

In all risks property/business interruption policies, a physical damage trigger is usually required, but there are many non-damage wordings in existence.

The Challenges



Occurrence at the Premises

Many wordings stipulate that the damage, or for infectious disease cover, the outbreak must “occur” at the premises. Whether the widespread pandemic can be argued to be everywhere i.e. at the premises and/or in the vicinity will be a point of debate.



Single/Stacking limits

In the event of coverage, consideration needs to be given to whether certain sub-limits can stack. This is relevant not only for sub-limits but also for clients with multiple locations and even geographies.



Vicinity

Denial of access cover may refer to either damage, disease, or government action occurring in the “vicinity” which hinders or prevents access to the premises. There will be much debate on what constitutes vicinity, given the disease, and now the Government action on lockdown applies to an entire country.



Wide Area Damage/ But for test

We expect insurers may argue that even if the (covered) loss event had not occurred, then revenues would have been affected by the global economic impact of the pandemic. This is known as the “Wide Area Damage” argument and was seen in Orient Express Hotels Ltd vs. Assicurazioni Generali Spa (UK 2010).

COVID-19 Insurance Considerations

Claims



Business interruption (BI) cover is currently the primary claims focus for businesses facing a reduction in income and increase in costs as they try to cope with containment measures and in anticipation of severe supply chain disruption/mass absence of employees and customers.

Most policies require notification of a BI claim as soon as practical/possible so many claims are being notified on a precautionary basis despite uncertainty on policy trigger or extent of loss.

For many businesses the absence of a damage trigger has resulted in claim notifications under contingent BI extensions including infectious diseases, non-damage denial of access, suppliers and customers, and loss of attraction.

Most insurers are yet to take a definitive position on coverage. If coverage is accepted we anticipate significant challenges over quantification/measurement of loss particularly in relation to the extent that financial losses are attributable to the policy trigger rather than the wider COVID-19 impact.

What are Marsh Currently Doing?





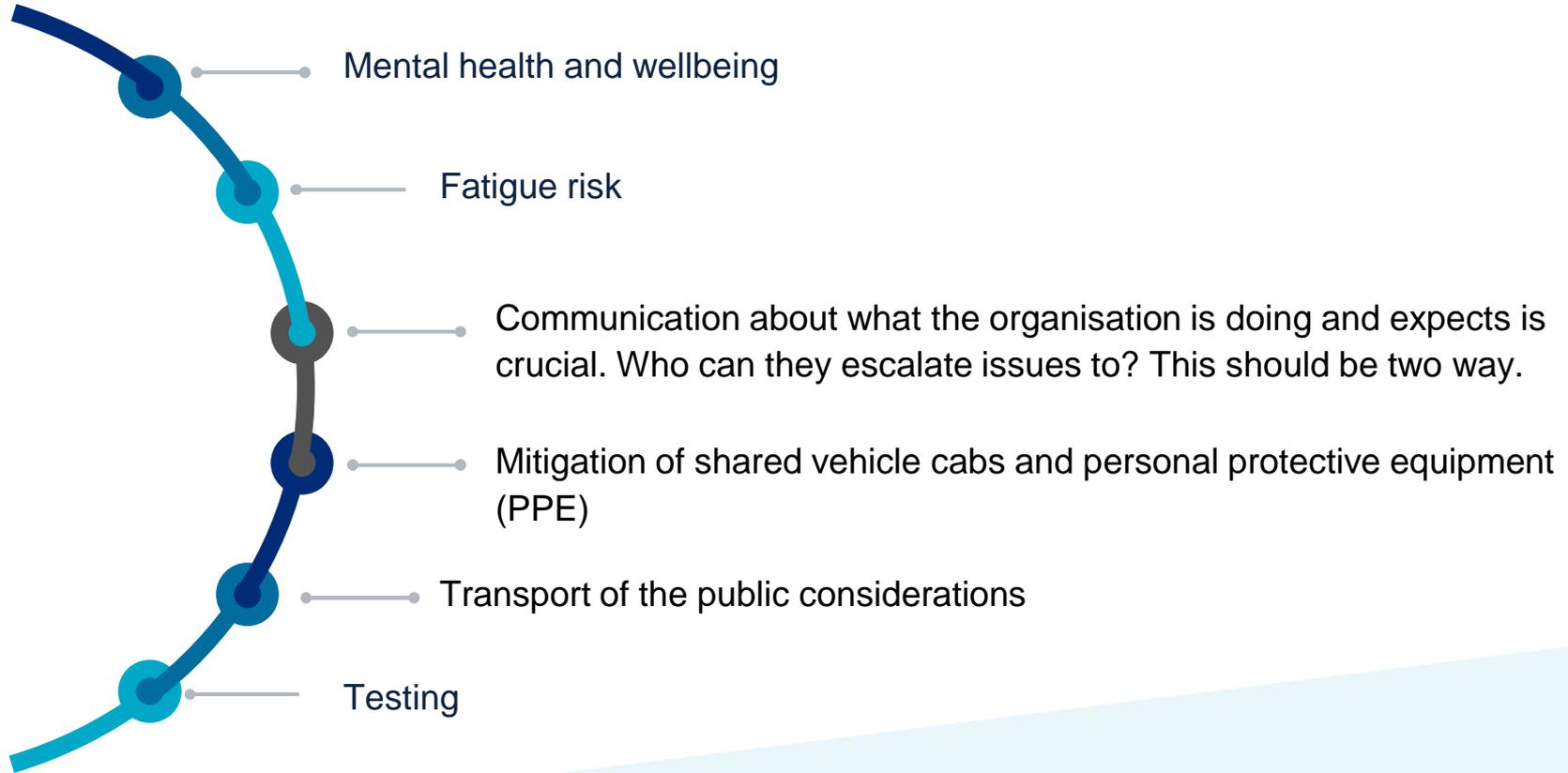
Alistair Schuberth
Risk Partner, Client Advisory Services

Basic Principles

- COVID-19 has not changed the law around health and safety, though some areas have been relaxed, e.g. drivers hours.

- The focus should still be to consider risks based on:
 - The driver.
 - The vehicle.
 - The journey and the environment.

Risk Considerations – The Driver



Risk Considerations – The Vehicle

Vehicles that have been parked up will need careful, documented, pre use inspection. Do your drivers know what to look for?

Is familiarisation with any vehicle-specific equipment or safety systems process required?



Proactive approach to maintenance and statutory inspections as pressure on these services is anticipated.

Vehicle wipe downs after shift, particularly if shared.

Risk Considerations – The Journey

Do delivery/collection point practices need amending and have documents been updated to reflect this.

Ensure accident procedures are adapted, exchange of details is still a legal requirement.



Road conditions remain to be seen but vigilance is advised.

Beware of criminal activity.

Web Links

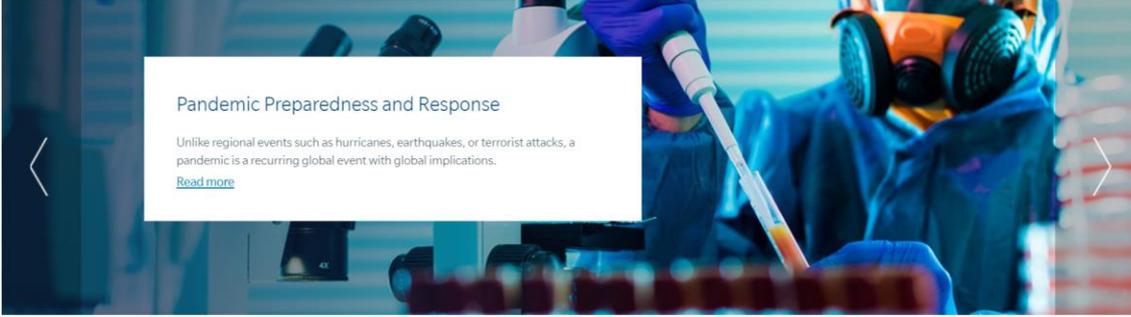
- Mental Health - <https://www.gov.uk/government/publications/covid-19-guidance-for-the-public-on-mental-health-and-wellbeing/guidance-for-the-public-on-the-mental-health-and-wellbeing-aspects-of-coronavirus-covid-19>.
- Testing - (<https://www.linkedin.com/feed/update/urn:li:activity:6664084327447568384/>)
- Drivers hours - <https://www.gov.uk/government/publications/temporary-relaxation-of-the-enforcement-of-the-drivers-hours-rules-all-sectors-carriage-of-goods-by-road/temporary-relaxation-of-the-enforcement-of-the-eu-and-gb-drivers-hours-rules-all-sectors-carriage-of-goods-by-road>.
- https://www.hse.gov.uk/news/coronavirus.htm?utm_source=hse.gov.uk&utm_medium=referral&utm_campaign=coronavirus&utm_content=home-page-banner
- MOT - <https://www.gov.uk/guidance/coronavirus-covid-19-mots-for-cars-vans-and-motorcycles-due-from-30-march-2020#how-the-6-month-extension-works>

Q&A

To submit a question, click on the **Q&A** icon on your screen. Type your question in the open area and click “SUBMIT.”

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Managing COVID-19 Risks



Pandemic Preparedness and Response

Unlike regional events such as hurricanes, earthquakes, or terrorist attacks, a pandemic is a recurring global event with global implications.

[Read more](#)

IN THE NEWS - EXTERNAL MEDIA FEATURING MARSH EXPERTS

- [New York Times - Coronavirus Will Cost Businesses Billions. Insurance May Not Help.](#)
- [Wall Street Journal - U.S. Businesses Gear Up for Legal Disputes With Insurers Over Coronavirus Claims](#)
- [CNBC - How companies can best prepare for coronavirus outbreaks to hit the workforce](#)
- [Business Insurance - Liability policies may respond to coronavirus](#)

AND - How Businesses Should Prepare For Next Coronavirus

GOVERNMENT AND NGO RESOURCES

- [WHO](#)
- [CDC](#)
- [Pan-American Health Organization](#)
- [UK National Health Service](#)

For the latest from Marsh and other Marsh & McLennan businesses, visit <https://www.marsh.com/uk/campaigns/coronavirus-stay-informed.html>

Thank you!



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