



2019 Novel Coronavirus



As the Coronavirus spreads rapidly across China and to other countries and continents, USI would like to offer practical suggestions for protecting your health and the health of those around you, and for safeguarding your business interests from virus-related impact and loss.

The Cononavirus: At a Glance

- The Coronavirus (2019-nCoV) is a respiratory illness first detected in Wuhan City, Hubei Province, China, in December of 2019. Chinese health officials have reported thousands of infections that are reportedly spreading to many parts of the country.
- The virus is transmitted from person-to-person and primarily originated with travel from Wuhan. The U.S. confirmed the first person-to-person spread of the virus within the country on January 30, 2020.
- There is a growing number of international locations with confirmed outbreaks including, as of this writing, Australia, Cambodia, Canada, France, Germany, Hong Kong, Japan, Malaysia, Singapore, South Korea, Thailand, and Vietnam. As the disease spreads around the world, it may become a global pandemic.

- The World Health Organization (WHO) declared the Coronavirus a “public health emergency” on January 30, 2020.
- A small number of cases have been reported in the U.S. as of this date.
- There are currently no vaccines available.

Background

The Coronavirus is a respiratory betacoronavirus, similar to SARs and MERs, that China has linked to a large seafood and live animal market. Symptoms of the virus include fever, cough, and shortness of breath. The virus, which can start with flu-like symptoms and develop into pneumonia, does not respond to antibiotic treatment. It does not appear that the virus is as deadly as the SARs or MERs virus, but this may change as the outbreak continues to develop. A vaccine for the Coronavirus is in development and is expected to be available within three months.

This outbreak is a rapidly evolving situation being monitored around the world and poses a serious public health threat. However, the immediate health risk to the general public in the U.S. is considered low at this time.

Travel Restrictions and Advisories

The Peoples Republic of China has imposed travel restrictions on over 40 million people in and around Wuhan, China. Chinese officials have also closed all transport (buses, subways, trains, and airways) within and out of Wuhan and fifteen other cities. Hong Kong is limiting travel to mainland China and is expected to close this border soon.

The Centers for Disease Control and Prevention (CDC) recommends that travelers avoid all nonessential travel to China. A growing number of airlines have already canceled flights to China as a result of the WHO's declaration, with nearly 10,000 flights already cancelled.

Travelers who have recently visited China should expect enhanced screening measures upon arrival at airports and other transportation hubs. For example, the U.S. has taken an unprecedented stance by imposing a mandatory 14-day quarantine restriction on Americans returning from China.

Mongolia and Russia have also enforced strict border restrictions and have closed their borders with China. Russia specifically issued a decree ordering the temporary closure of their border with China, which extends for 2,600 miles.

Prevention and Control Measures

There is currently no vaccination available to successfully control outbreaks of the virus. Raising awareness of risk factors and taking protective measures (like those undertaken to prevent flu) are effective ways to reduce person-to-person transmission of the virus. The CDC recommends the following preventive measures to help reduce the spread of the virus:

- Wash your hands often with soap and water for at least 20 seconds. Use hand sanitizer that contains at least 60% alcohol if soap and water are not available.
- Avoid touching your eyes, nose, and mouth with unwashed hands.
- Avoid close contact with people who are sick.
- Stay home when you are sick.
- Cover your cough or sneeze with a tissue and discard it in the trash.
- Clean and disinfect objects and surfaces that are frequently touched.

Economic Impacts and Preparedness

As borders close and travel and flights are severely restricted, the risks to the Chinese economy and corresponding effects for other governments and businesses grow. The Chinese economy has already ground to a halt with most nonessential businesses closed and millions of people staying at home. Beijing and Shanghai have also informed all nonessential businesses to remain closed temporarily to slow the spread of the virus.

The ripple effect of the Chinese economy being closed will begin to affect many countries including the U.S., resulting in severe supply chain impact to businesses that are dependent on products and supplies from China. It is therefore essential that businesses take steps now to protect employees and safeguard critical operations.

Many organizations already have a business contingency plan in place to address natural disasters such as earthquakes, fire, flood, and hurricanes. Reviewing and/or modifying these plans for a pandemic situation is essential now. These plans can and should be expanded to address the exposures and effects from a pandemic virus to include:

- Identifying services that are critical to the ongoing operations of the organization.
- Identifying the critical supply chain services required by the organization, i.e. external suppliers, IT systems, staff and skill sets.
- Determining if there are enough back-ups in place for the critical functions to ensure that they will continue to operate in the event of substantial employee absenteeism and/or curtailed services of providers and vendors.
- Estimating the potential impact that a widespread closure could have on your organization such as:
 - An increase or decrease in demand for your products or services.
 - Large-scale employee absenteeism.
 - Limited supply of a good or service.

The Human Resource View

The challenges to a business as the result of a pandemic or severe supply chain disruption should focus on employees' wellbeing, preventing panic if someone becomes ill, minimizing absences due to staff members remaining at home, and continuing business operations.

Here are some additional steps that employers can take now:

- Implement appropriate health and safety policies.
- Provide the necessary tools to enable employees to work from home.
- Disinfect common areas and personal workspace.
- Provide employees with personal protection equipment.
- Forecast absenteeism and look at alternative staffing models.
- Coordinate continuity plans with external suppliers and vendors.

Insurance Considerations

The consequences for insurance lay primarily with Property, Business Interruption, Extra Expenses, and Special Events/Event Cancellation policies. However, a business may also experience claims in their Medical Insurance, Workers' Compensation, and Travel Accident policies.

Each insurance policy and the variability of wording makes it critical to examine coverage closely to determine if and how coverage will trigger in the event of a pandemic. Many of the potential losses will be charting unfamiliar territory in the insurance industry with very little legal precedence to follow.

For example, standard property policies frequently exclude coverage for epidemics. In addition, property insurance with "all risk" coverage typically requires direct physical loss or damage from an insured peril to trigger. Most losses caused by a pandemic will not occur as direct physical damage to the property, but rather will emanate from actions of civil authorities, contingent or supply chain exposures. For these types of loss, it will be critical to understand the factors impacting an insured and the applicable endorsements (i.e. Civil Authority, Ingress/Egress, CTE Supply Chain, etc.) to determine how coverage will trigger within the policy. Any applicable property damage or business income coverage for a loss of this type will be tightly outlined in the policy and subject to a separate sublimit, time limit, waiting period, and deductible.

In addition to losses tied to traditional property policies,

insureds may suffer losses for property covered via Cargo or Stock Throughput (STP) policies. Areas of potential recovery include property damage (including decontamination costs), loss of income, extra expenses and crisis response, all of which will also be subject to specific restrictions outlined in the policy.

How USI Can Help

While the risk to the U.S. remains low, now is the best time for your organization to take action to protect your employees and business interests from any negative impacts of the Coronavirus. Your USI claims and risk control teams can review any applicable insurance policies and business contingency plans and help you plan for any impact that a potential pandemic may have on your organization.

Steps include:

- Reviewing and taking steps now to modify or incorporate any changes to existing contingency plans.
- Determining the business impacts on your organization's activities and services.
- Developing a communication strategy to educate your employees about the pandemic and your response plan.
- Establishing policies to follow during the pandemic crisis.

Additionally, if a business sustains a loss driven by the Coronavirus or similar pandemic event, it will require the attention of an experienced claims person to help present your claim and advocate on your behalf with the insurance carrier. Your claims person can help properly outline and document the loss drivers and demonstrate and support the causal relationship between those triggers and the loss.

To learn more about how USI can assist your company in addressing the potential risks associated with Coronavirus, please contact your USI representative or visit us at www.usi.com.

The USI ONE Advantage[®]

To analyze our client's business issues and challenges, our property & casualty team leverages USI ONE[®], a fundamentally different approach to risk management. USI ONE integrates proprietary business analytics with a network of local and national technical experts in a team based consultative planning process to evaluate the client's risk profile and identify targeted solutions. Clients then receive tailored recommendations for improving their total cost of risk. To learn more about USI ONE and the USI ONE Advantage, contact your local USI team today.