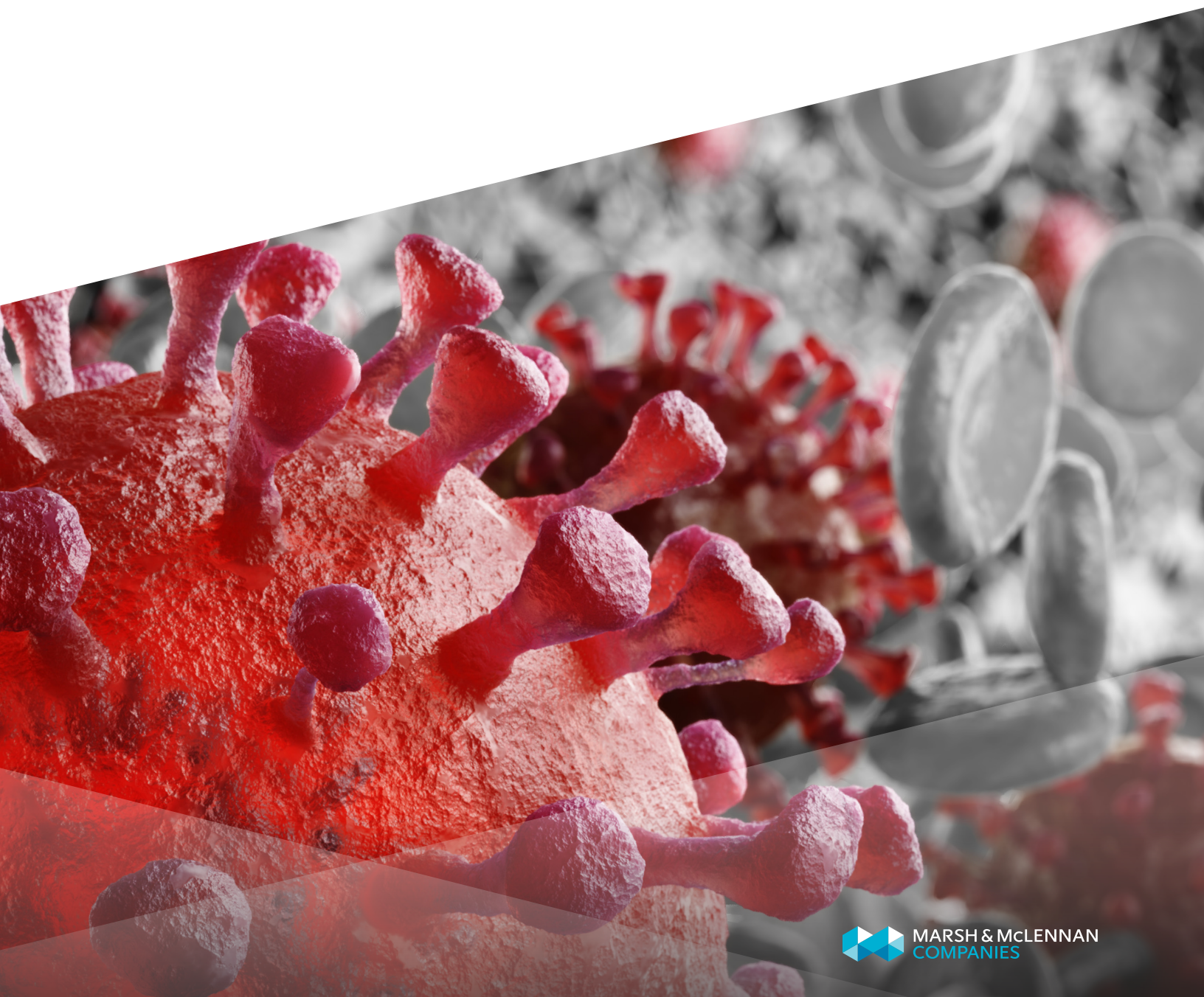


COVID-19: Evolving Insurance and Risk Management Implications



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Introduction

The outbreak of the novel coronavirus, COVID-19, that began in China in late 2019 was declared a global pandemic by the World Health Organization (WHO) on March 11, 2020. Now, a few weeks later, the pandemic continues to spread and disrupt lives, businesses, and economies worldwide. The scientific understanding of the virus, medical response, and actions taken by governments and other organizations are evolving by the day, even by the hour.

Given the far-reaching business impacts of measures already taken to control the spread of the virus, many companies are looking to their insurance policies for potential responses to the ongoing financial loss. The pandemic will raise many issues for insureds and insurers, and organizations should work closely with their advisors and counsel to work through them.

COVID-19: Evolving Insurance and Risk Management Implications provides an overview of some key coverage, claims, and risk management areas that are currently top of mind for businesses and insurers. However, it is important to understand that the language in individual policies, including endorsements, will determine coverage.

As the pandemic continues, colleagues from Marsh and other Marsh & McLennan businesses are here to help businesses manage the effects they have already felt and plan for future ones. We are helping businesses understand how insurance coverage may respond, manage claims processes, and address effects on people and operations.

If you have any questions regarding your organization's experience with COVID-19, please reach out to your Marsh representative. And for more information and insights, visit our [Pandemic Hub on marsh.com](https://www.marsh.com/pandemic-hub).



Many companies are looking to their insurance policies for potential responses to the ongoing financial loss.

Insurance Coverage and Claims Considerations

The guidance provided in this report is current as of March 25, 2020. As conditions may change, it is important for policyholders to stay in contact with their insurance and claims advisors.

As the pandemic evolves, Marsh will continue to support our clients, including helping them to anticipate potential insurer reactions and positions, and advocating on their behalf in interactions with insurers. However, policyholders should refer to the specific language of their insurance policies. Insurers will form their views on coverage for a claim based on specific policy language and the specific facts and circumstances of a loss.

Property and Business Interruption

The COVID-19 pandemic has prompted many cities and states to shut down or restrict public activities, including ordering or suggesting the closure of schools, malls, entertainment venues, restaurants, and other businesses. While demand has increased for some businesses that remain open, others have felt the effects of a pronounced reduction in economic activity across the country.

Traditional property policies generally are triggered by insured physical loss or damage. Many include coverage for business interruption loss, other time element coverages, and extensions such as interruption by civil authority, ingress/egress, attraction or leader property, and contingent business interruption/extra expense.

If COVID-19 manifests at an insured's premises, insurers may contend that there has been no physical loss or damage. Similarly, insurers may argue that possible contamination, proximity to other contaminated premises, or fear on the part of the public is not physical loss or damage. If physical loss or damage is established, insurers may seek to invoke "contamination" or other exclusions in the policy.

Policyholders may look to the interruption by civil authority extension in their property policies for potential coverage — for example, arising from shutdowns and closures such as those mandated by governors in several states. There is no single version of a civil authority extension that has been incorporated across all policies, and a careful review of specific policy language will be required. Insurers may argue that shutdown orders

in and of themselves do not satisfy any policy requirements that physical loss or damage of the type insured by the policy must have occurred.

Organizations with potential losses should collect appropriate documentation, present claims to insurers in a prompt and timely manner, and follow the terms and conditions of their policies. Policyholders should carefully review policy language, including insured and excluded perils, definitions of potentially relevant terms such as "pollutants" and "contamination," and all relevant policy extensions. Policyholders should also revisit their property insurance policies as the pandemic evolves and the effects on their business may change.

Workers' Compensation and Employers Liability

As the pandemic continues, employers could face COVID-19-related workers' compensation claims filed by employees. Although workers' compensation statutes and case law can vary by state, compensability generally requires that an illness or disease be "occupational." This essentially means that the illness:

- Arises out of and occurs in the course and scope of employment, which will normally be determined by whether an employee was benefitting the employer when exposed.
- Is proven to be the result of a workplace exposure.
- Is "peculiar" to the employee's work, meaning that the disease is found exclusively among or presents greater risk for certain employees.

As COVID-19 continues to spread, it could become increasingly difficult to determine whether an employee has contracted the illness in the workplace. Health care workers, first responders, airline and transportation workers, and hospitality workers are among those with a higher likelihood of exposure. But health care workers, for example, may be infected by patients, coworkers, family members, neighbors, and strangers, and in turn may infect each of these groups.

Whether a specific case is compensable will be determined by the facts established during an investigation of the claim, as well as the jurisdiction's governing law. Additionally, since there is no single "test" that can prove whether an illness or disease is compensable, it may ultimately come down to a decision by a court or state workers' compensation board.

If an employee contracts COVID-19 through work or through travel related to work and claims that the infection is a result of the employer's negligence, the employee may sue their employer. If a spouse or immediate family member of that employee is infected, that family member could also make a claim that may be recoverable under employer's liability coverage provisions.

If an employee alleges a work-related exposure to COVID-19, an employer should:

- Report the potential claim to third-party administrators and/or insurers.
- Have legal and claims experts carry out a timely initial investigation.
- Determine if the employee has been tested for COVID-19.

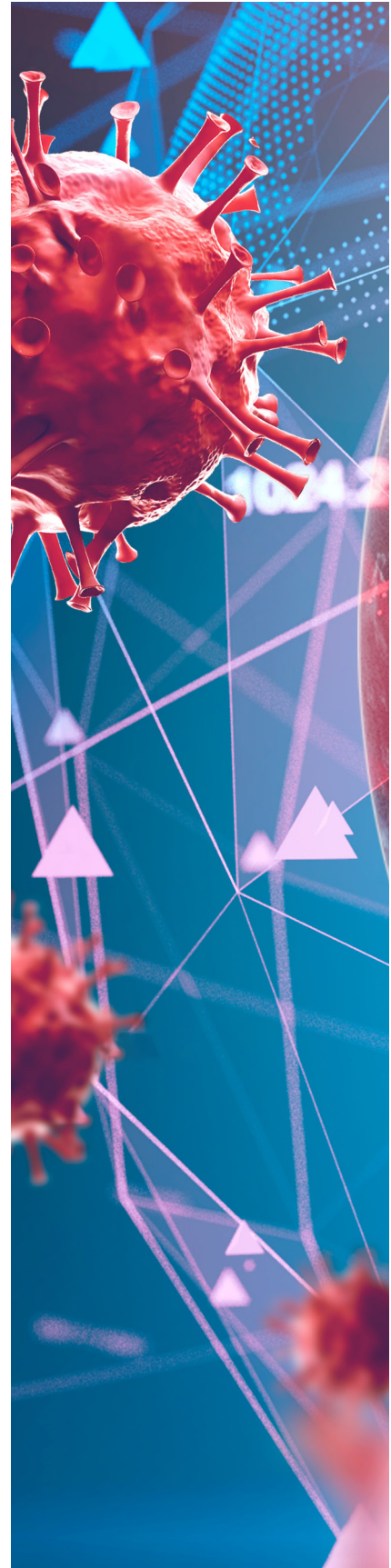
Beyond claims directly tied to COVID-19, employers should be prepared for a potential increase in claims frequency for telecommuting injuries during the pandemic, driven largely by non-ergonomic workstations and other potential safety hazards in employees' homes. The hiring of new employees to meet growing demand in some industries could also result in an uptick in claims, as could the furloughing or termination of employees, who could seek to supplement their income by applying for workers' compensation benefits.

More broadly, employers should be prepared for potentially longer claims processes and higher overall claims costs as the pandemic continues. Workers' compensation hearings and mediations are being postponed, and many recovering employees have no transitional duty job to which they can return. Claimants may also now have limited access to doctors, nurse case managers, and vital medical services, including diagnostic tests and physical and occupational therapy. At the same time, many surgeries are being postponed. Claim resources, including independent medical exams and field investigative services, are also limited.

General Liability and Umbrella and Excess

A claim brought by a third party for bodily injury or property damage resulting from an alleged unintentional or negligent failure to protect from the virus should fall within the basic coverage grant of a general liability policy, as well as umbrella and excess coverage. Depending on the circumstances, however, insurers may seek to assert a variety of potential coverage defenses, including:

- **Pollution exclusions:** Insurers may contend that bacteria and viruses constitute "pollutants" under the pollution exclusion. Certain policies define "pollutants" to include viruses; others specifically provide that viruses do not constitute "pollutants"; and some are silent on the issue.
- **Fungi/bacteria exclusions:** Although COVID-19 is not itself bacteria, illness may occur due to secondary infections brought on by the virus.
- **Intentional act exclusion:** Depending on the circumstances, carriers may contend that coverage is excluded because the policyholder acted "intentionally." For example, if a policyholder has recently held a large event, an insurer may contend that the decision



to proceed in the face of a known risk is an intentional act rather than mere negligence, and therefore excluded. Although courts typically reject such defenses — restricting their applicability to situations where the insured actually intended the specific injury alleged — the merit of such a defense will depend on the facts and applicable law.

- **Communicable disease exclusions:** Removing these exclusions going forward — if possible — should be a priority for policyholders and their advisors. Availability of policies without communicable disease exclusionary language likely depends on the nature of the risk.

The potential applicability and scope of each exclusion will likely depend on court precedent and the factual circumstances of the claim.

Environmental

While still considered a discretionary purchase by many, the number of companies purchasing pollution legal liability (PLL) insurance policies has increased considerably over the past decade.

PLL policies can vary significantly by insurer. Coverage grants often depend on the nature of the buying circumstance — for example, to manage environmental risk related to transactions, redevelopment projects, or ongoing operations. As a result, carrier forms are typically selected based upon the perceived “fit” for the desired outcome and can be highly manuscripted.

PLL policies may extend limited cover for COVID-19 losses, depending on their specific terms and conditions. Coverage under a PLL policy is triggered by a “pollution condition” tied to a defined covered location. Although some insurers may argue that it is not their intent to cover communicable diseases, a number

of carriers include viruses and bacteria in their standard forms or via endorsement. Where viruses are included, coverage may be limited. For example, policy or endorsement language may:

- Be limited to a “disinfection event” or “decontamination costs.”
- Include a sublimit.
- Exclude or limit defense expenses.
- Tie coverage to a “facility-borne illness.”
- Require the reporting to local, state, or federal governments.
- Exclude coverage resulting from communicable disease or human-to-human transmission or bodily fluids.
- Include an “other insurance” provision, whereby coverage is excess of other valid and collectible insurance or — when primary — subject to contribution by equal limits and shares.

Given the high variability in terms and conditions of pollution liability policies, affirmative coverage will depend on both the specific policy language and the facts of the claim. Insureds should also note that the broad nature of insuring agreements may be interpreted differently by insurers and courts.

Several pollution insurers are beginning to issue endorsements specifically restricting the extent of coverage available. Further, time element coverages, emergency response costs, and crisis management coverage extensions present in some policies may contain restrictions, including short time limits for reporting claims. Accordingly, it is critical to file any claim or potential claim as soon as possible after an insured has first become aware of a loss and within applicable time limitations. If a policy provides emergency response coverage, it is also critical to advise the insurer and seek its consent before incurring any expense outside the emergency response period specified in the policy.



Event Cancellation

The COVID-19 pandemic has resulted in the cancellation or postponement of events of all sizes. Many more events planned for the next several weeks and months could be in jeopardy as governments restrict travel and mass gatherings in an effort to slow the spread of the coronavirus.

Cancellations can put organizers under intense pressure to quickly resolve financial obligations to exhibitors, sponsors, and the public. A major claim and its impact on cash flow could have serious consequences for an organizer's future. And the choice to proceed with a large-scale event under current conditions could result in low attendance and staffing challenges.

Some organizations have chosen to preemptively cancel or postpone events during this period of immense uncertainty, but such decisions — and specific policy language — could limit potential recovery under event cancellation insurance policies.

Event cancellation insurance coverage could respond if an event must shut down because of a confirmed COVID-19 case on a venue's premises or a ban on mass gatherings by local or state government. Prior to the start of the COVID-19 outbreak, policyholders could generally add back — via endorsement — coverage for communicable diseases that has often been excluded from standard event cancellation policies. Other forms of event cancellation coverage — for example, those related to trade shows, conventions/expositions, and other specific types of events — have typically not addressed communicable diseases.

Event cancellation coverage will likely not respond if an event is preemptively cancelled due to fear of the pandemic's spread. Policies also often require that an event organizer make a good faith effort to reschedule an event before cancelling it.

Businesses should carefully consider the potential financial, operational, and reputational consequences of cancelling or postponing events, modifying plans, or proceeding as planned. Organizers can also benefit from support from event insurance claims specialists, who can help to prepare, manage, and negotiate potential claims.

Directors and Officers Liability

Public, private, and nonprofit companies — and their directors and officers — face potential exposure arising out of the COVID-19 pandemic that could trigger claims under directors and officers liability (D&O) policies. These exposures could manifest via traditional securities class-action litigation, derivative litigation,

and regulatory investigations. Risk professionals should review their policy language and consult with their insurance advisors about potential coverage considerations.

As of this writing, at least two securities class-action filings have been made alleging misstatements related to the pandemic and its effect on businesses. If there is a corresponding stock drop, COVID-19 securities class-action claims may follow and allege deficient disclosures, misstatements, or failure to act.

Allegations of breaches of fiduciary duty are also likely to drive derivative litigation, which can be especially troublesome for directors and officers. Derivative action settlements and judgments are typically nonindemnifiable, meaning that the personal assets of directors and officers can be exposed if there is not sufficient and broad Side-A insurance coverage. Bankruptcy risk and supply chain risk are also concerns as the pandemic continues and the effect on the global economy worsens, potentially leading to both traditional class-action suits and derivative claims.

While various state and federal regulators — including the Securities and Exchange Commission — are relaxing their rules in order to provide some relief to businesses during the pandemic, investor protection is still the ultimate focus of regulators. Businesses should expect them to continue to take what they perceive as necessary steps to uphold such protections.

D&O policies typically include certain limitations on coverage for illnesses and bodily injury, but they may be narrowly tailored. Depending on specific policy language, they may not affect coverage for epidemic- and pandemic-related shareholder claims. Some D&O insurers, however, are beginning to add specific COVID-19 exclusions; where possible, insureds should seek to reject such exclusions or ensure they are narrowly tailored. Private and nonprofit D&O policies, which tend to provide broader coverage than public company D&O policies, could also respond to other types of claims, including those filed by customers, employees, and vendors.

During renewal discussions that may occur as the pandemic persists, risk professionals should be prepared to discuss with D&O underwriters how the pandemic could affect their business, along with any contingency planning underway and other steps they may be taking to mitigate risk. Companies renewing their D&O policies during the crisis — especially those that are purchasing additional limits or changing insurers — should also be cautious of any required warranty statements, which could result in exclusions for known matters.



Even a well-intentioned response to the pandemic could lead to liability claims.

Employment Practices Liability and Wage and Hour

Employers should be prepared for an uptick in employment practices liability (EPL) and wage and hour claims as the pandemic continues. Discrimination claims premised on specific groups of employees being targeted because of their race or national origin are of particular concern, as are disability discrimination claims by employees who exhibit symptoms of COVID-19.

Even a well-intentioned response to the pandemic — including new policies intended to protect the health and safety of employees and others — could lead to liability claims. While employers can and should implement and enforce specific corporate and human resources policies as the pandemic continues, they should take a measured approach. Employers should be mindful about taking any action that could result in discrimination claims by individuals in protected classes and carefully consider any decision to isolate or quarantine employees who are disabled or perceived to be disabled because they are exhibiting symptoms, lest they run afoul of discrimination, medical privacy, and wage and hour laws.

Employers should also be aware of changes in employment law that have been made in response to COVID-19 and additional changes that may be forthcoming. The Families First Coronavirus Response Act was signed into law on March 18, establishing federal emergency sick leave as well as emergency paid family sick leave for companies with fewer than 500 employees. The bill creates a refundable tax credit for companies providing sick leave and family sick leave. Myriad laws are also being introduced — seemingly daily — at the state and local level to aid individuals affected by the pandemic.

With employees being asked to self-quarantine, work staggered shifts, or telecommute, employers must be on guard for claims alleging violations of the federal Fair Labor Standards Act and similar state laws. New work environments and arrangements will likely create challenges in accurately tracking hours worked, shift start and stop times, overtime, and other items. And while there are no federal requirements that nonexempt (hourly) employees be paid for time not working — for example, while under an employer-mandated quarantine — employers must be cognizant of the myriad state and local laws that bear on these issues. Some employers have developed non-punitive sick leave and attendance policies specific to the outbreak, in order to encourage sick or potentially infected employees to stay away from the workplace.

Employers should also watch for a potential rise in claims alleging violations of privacy, libel, or slander from individuals whose health status is communicated by employers against their wishes.

EPL insurance can respond to claims alleging discrimination, retaliation, and other employment-related wrongful acts related to the ongoing pandemic. Third-party liability coverage is also an option under most EPL policies; this provides coverage for discrimination and harassment claims asserted by customers, vendors, and other non-employees.

EPL policies, however, typically do not provide coverage for wage and hour claims; where they do, coverage is typically sublimited and/or for defense costs only. Standalone wage and hour liability insurance generally can respond to such claims.



It is important to understand that the language in individual policies, including endorsements, will determine coverage.

Cyber, Technology E&O, and Media Liability

An increase in remote working could mean relaxed privacy policies and procedures and present more opportunities for cyber adversaries, making organizations more susceptible to cyber-attacks. Cyber-attackers have already taken advantage of people seeking information on the pandemic via phishing and “social engineering” events.

Demand on web communication tools has increased as a result of remote working, and system availability may be reduced. System outages or degradation may interrupt operations, causing loss of revenue and additional expense.

A typical cyber policy provides various loss prevention and mitigation services that policyholders can access both before and after an event. Some unique circumstances of the pandemic, however, may limit or challenge the responsiveness of cyber insurance and related policies.



Most cyber insurance policies include a broad array of coverages that may be relevant given the current environment. These include network security liability, privacy liability, security response and forensic costs, data recovery and restoration, ransom event costs, reputational harm, network business interruption and associated expense, system failure, contingent business interruption, and privacy regulatory defense. Cyber policies, however, may contain infrastructure exclusions, voluntary shutdown coverage limitations, and limitations in computer system, network, and system failure definitions that could affect how coverage applies.

Technology errors and omissions (E&O) policies, meanwhile, include coverage for wrongful acts in the delivery of technology services, or failure of technology products to work or perform intended functions that are potentially relevant to current conditions. Coverage may not apply, however, in certain circumstances because of a policy’s definition of technology products, services, or wrongful acts and a variety of possible exclusions, including for deceptive business practices, bodily injury and property damage, and governmental actions.

Media liability policies provide coverage for a range of acts related to the creation or display of media material. However, losses and damages incurred may not be covered under some media policies, which often contain exclusions for deceptive business practices, bodily injury and property damage, governmental actions, and media coverage for non-media entities.

Professional Liability/Errors and Omissions

Businesses could face professional liability claims originating from the pandemic. These include claims related to alleged failure to perform as a result of shelter-in-place and shutdown orders, professional advice related to navigating the current crisis, and failure to execute or have in place appropriate contingency plans.

Trade Credit

The combination of declining revenues and cash flows and the potential impact of force majeure clauses being called in underlying sales contracts since the outbreak began has prompted at least one trade credit insurer to review and in some cases cancel limits for buyers in affected areas — most notably, China’s Hubei province. Most insurers, however, are taking a pragmatic approach to the evolving crisis, although the ultimate impact of the pandemic on trade credit markets may be significant.

Trade credit policies typically offer “comprehensive credit coverage,” meaning that insureds are covered for the nonpayment of eligible accounts receivables that are not expressly excluded. Policies typically require insureds to exercise due care and diligence and stipulate that they cannot continue to make insured shipments that may result in known foreseeable losses. Provided there are no violations of such clauses, insureds should be able to make valid claims for losses related to the insolvency or protracted default of customers because of COVID-19.

Structured Credit

Similar to trade credit insurance, structured credit — or nonpayment — insurance does not consider the underlying cause of nonpayment or default on a scheduled payment. If COVID-19-related measures cause a borrower to be unable to make scheduled payments, coverage would likely respond. The situation is currently very fluid, with a high degree of variability in responses among insurers. In the short- to medium-term, we anticipate that the broader insurance market appetite to write the risk will be restored, although with adjustments by sector and territory as the impact of the crisis is understood and government responses in different territories are tested. Some underwriters are more cautious in indicating new risk exposures and in their support of loans to potentially affected industries, such as airlines, energy, hospitality, and manufacturing. Recent financial market volatility is likely to exacerbate this trend, and we expect the dramatic and rapid fall in the price of oil and tighter access to credit to have a detrimental effect on credit quality across the rating spectrum.

Given that structured credit insurance is based on a borrower’s credit risk, some insurers are asking potential insureds to address the likely effect of COVID-19 on borrowers before deciding whether to underwrite their risks, with backward-looking financial statements less useful than usual in helping to create forward-looking outlooks. It should be noted, however, that the structured credit insurance market responded well during the global financial crisis, and, at present, remains open for business.

Political Risk

Political risk coverage protects insureds against adverse actions by host governments, with the exception of actions taken in the public interest to protect health, environment, safety, or the economy. Adverse actions typically must also cause a catastrophic loss — rather than simply a reduction in revenue — in order to trigger coverage. Government actions to date and the nature of these requirements means that political risk policies are unlikely to have been triggered as of this writing.

The chances of direct, discriminatory action by governments, however, cannot be ruled out as the pandemic continues. Coverage could apply, for example, if:

- A government targets a specific business or sector with confiscatory measures.
- Citizens deem a government action insufficient or inappropriate, leading to civil strife or political violence that damages insured facilities.
- Economic declines lead to hard currency shortages, resulting in an inability to convert local currency or transfer hard currency.

Surety

Companies have, in recent years, turned to the surety markets for issuance of performance security as viable substitutes for various forms of collateral, including bank guarantees and letters of credit. Surety underwriters have been willing to issue surety bonds for conventional bid and performance guarantees, and bonds to guarantee payments in connection with trade, environmental protection, decommissioning liability, insurance deductibles, workers’ compensation, litigation, or social and welfare benefits. Surety markets have expanded in product offerings and gained wider acceptance across many international markets.

Similar to the banking industry, sureties have credit documentation and indemnity agreements that require companies to meet certain financial strength tests. In a distressed financial environment, many companies may be at risk of breaching financial covenants and being forced to meet collateral calls.

Surety underwriters are likely to reduce their support for companies that are unable to sustain themselves through this period of business interruption, particularly if the return to normal economic activity is delayed. Businesses with exposure to supply chains can also expect extra scrutiny by surety markets.

In construction, contractors and their sureties may seek protection under force majeure provisions, and potentially be granted an adjustment in contract time and compensation. Construction risk professionals should review contractual provisions, document project delays, and protect their rights for excused nonperformance. Stress to cash flow and balance sheets will come from the slowdown and postponement of new projects and the funding of works.

In addition to the construction industry, surety underwriters may curtail risk appetite for travel, hospitality, retail, energy, and other industries facing greater impact from the economic slowdown. As surety underwriters assess their portfolios, insureds will be asked to provide details of damages and disruptions that are a consequence of the pandemic.

Claims Management Best Practices

Risk professionals should review their claims management protocols and verify that the roles and responsibilities of key stakeholders can still be carried out given potential COVID-19 illnesses and remote working. Outreach should extend to insurers' claims representatives, brokers, and any other insurance advisors who can assist with a claim.

Organizations not already facing a worst-case scenario — for example, headquarters and other key locations being inaccessible because of a contamination event, government orders, or other factors — should ensure that insurance policies, contact lists, financial and property records, and other key documents are accessible in hard copy and electronic formats at alternative locations. If that was not possible before remote working mandates came into force, risk professionals should take time to locate, review, and back up any relevant digital files.

If facing COVID-19 losses, regardless of the current coverage outlook, organizations should gather and record data for potential claim filings. Organizations should capture potential loss information, additional expense, and other costs, including those related to medical treatment of employees, personal protective gear for staff, and cleanup of contaminated surfaces. Risk professionals should also be sure to document — with supporting analysis — the reason for the closure of any properties, including documentation of governmental authority actions, such as pronouncements, declarations, release dates, and release numbers from government websites.

Key information disseminated via web links should be preserved by retaining paper or “print to PDF” copies, as the source paths for underlying web links may be unavailable in the future. Businesses should also record photographic and/or video evidence of environmental contamination and other paper documents.

Other Coverage Considerations

Cargo Insurance

Cargo insurance policies generally exclude loss or damage due to delay. As such, they typically would not respond to many pandemic-related claims, including for delayed delivery, loss of market, consequential loss/business interruption, or other costs incurred as a result of cargo being trapped at a port, discharged short of its intended destination, or held in a warehouse due to closed borders. Cargo insurance, however, will usually continue to provide physical loss/damage coverage on insured goods during a transit delay, and — where specifically arranged — extend coverage to perishable goods or time-sensitive cargo.

Policyholders should carefully review their policy language and key contracts, and maintain records of cargo-related decisions and incurred costs as the pandemic continues.

Product Recall

Although infectious disease is not a standard form of coverage under product recall policies, coverage could be triggered as a result of the presence of contagious persons within a location or the closing of a location by a public health authority as a result of a disease outbreak. Coverage may not apply, however, unless there is product contamination as a result of the pandemic, which has not been reported publicly to date.

Nevertheless, insurers are beginning to introduce exclusions for COVID-19; similar action has been taken in the past during outbreaks and epidemics of mad cow disease, avian flu, and other infectious diseases. Policyholders should work with their insurance advisors to review and understand key policy language, including definitions of insured and excluded perils, bodily injury, and insured products; notice of claim requirements; and covered recall costs.

Fiduciary Liability

Fiduciary liability insurance provides protection for fiduciaries — including plan sponsors — of privately sponsored pension and welfare benefit plans for alleged breaches of fiduciary duty, along with alleged errors or omissions in plan administration. If company stock is included in such plans, fiduciary liability claims may increase in frequency as global financial markets remain turbulent because of the pandemic.

As employees take on different responsibilities in an ad hoc manner, it may push them into managerial or executive responsibilities without commensurate titles. This may lead to disputes over eligibility for certain plans. Confusion over how health plans will respond to medical costs may also lead to allegations of poor plan design.

Plan committees should work closely with their benefit plan managers and fiduciary advisors to mitigate these issues.

Business Continuity and Resilience

The economic and financial impact of COVID-19 continues to grow as organizations face government-mandated closures and global financial markets remain volatile. As the focus of governments and health officials has shifted away from containment of the pandemic and toward mitigation, businesses must actively respond to current impacts while continuing to plan and prepare for future effects.

In order to minimize disruptions, businesses should analyze impacts and critical issues in light of the current state of the pandemic in their geographies. Using this information, businesses can forecast other impacts they will likely face as the pandemic continues, along with the resources they will need over the next weeks and months.

It is important to identify worst-case disruption scenarios emanating from both within and outside of the organization. For example, what happens if an organization is forced to close its doors, and not all business can be conducted remotely? Or, what happens if an employer loses 30% or more of its workforce due to employees being ill or their need to care for sick family members or for children while schools are closed? In these scenarios, it is critical to identify core operations and differentiate between people who are out because they are sick and unable to work and those who have the ability to work remotely.

Organizations should evaluate their business continuity workarounds for these scenarios and ensure they are viable and have been stress-tested. For jobs that cannot be performed remotely, organizations should consider split-site and split-shift work for critical teams, as national and local government orders permit. For roles that employees can

perform remotely, businesses should ensure technology systems and VPNs can handle the greater bandwidth requirements that mass teleworking could entail. More bandwidth should be purchased as needed; if that is not possible, businesses should identify those critical functions that require access and should be prioritized.

Clear communication with employees about business priorities, resilience plans, and work expectations is important. With fewer face-to-face interactions, employees could be confused about what they should be doing and how they should handle different scenarios while at home.

Clear communication extends to employees' continued health and well-being. Before instituting new work arrangements, employers should provide guidance to employees and leadership on specific COVID-19 situations such as:

- What to do if an employee reports that they are suffering COVID-19 symptoms.
- What to do if an employee or family member is confirmed to have COVID-19.

This is especially important for large workforces that may have been spread across multiple sites and may now partially or in full be working at home or furloughed.



Businesses must actively respond to the pandemic while continuing to plan and prepare for future effects.

Supply Chain Resilience

Supply chains have suffered from the early days of the COVID-19 outbreak. Just-in-time and lean manufacturing, over-reliance on single suppliers, work stoppages, and national and international travel restrictions have in many instances halted exports, led to part shortages, and even delayed product and service launches.

With the pandemic now global, the ability to maneuver may seem limited. However, some businesses will be more affected than others, depending in part on how individual organizations manage their supply chains.

Though this pandemic may be an organization's most prominent risk today, other risks could at some point impact supply chains. If they have not already done so, businesses should develop supply chain risk management (SCRM) frameworks that consider how to address inventory management, information and physical security, supplier management, transportation, and corporate social responsibility as client needs, regulations, and standards change. Organizations should involve all stakeholders throughout the process to discuss and help to uncover any and all supply chain challenges.

With a SCRM framework in place, businesses can better understand their pandemic exposure profiles. The first step is to identify crucial products, ingredients, or services. It is an established best practice not to rely on any single supplier for essential resources. While an organization may have a strong relationship with a particular supplier, it should consider what happens if that supplier cannot fulfill an order or deliver essential products on time. Organizations also should seek to understand how suppliers prioritize their customers.

Businesses should then assess how their supply chains get critical products and services to them, going as far back up the supply

chain as is prudent, based on complexity. Organizations should identify what suppliers depend on to produce the items that they need, and what their own suppliers need.

With visibility of the entire supply chain in hand, businesses can pinpoint their potential vulnerabilities. The need to be agile in addressing problems cannot be overemphasized. For example, what do you do if an essential product can't depart its port of origin due to border closures or is denied entry into a port due to country of origin restrictions? While competitors may face similar challenges, it is still essential for organizations to have identified alternative suppliers from which they can source products and, ideally, to have already discussed pricing.

Organizations with this supply chain understanding that are in the midst of managing the pandemic's impacts should:

- Build greater resiliency by cross-training production workers, modifying shifts to reduce person-to-person contact, and focusing on priority product lines and services.
- Talk to critical suppliers to ensure they have enacted their business interruption plans in alignment with the circumstances of the current pandemic. If it appears these plans will not be effective, businesses should reach out to alternative suppliers and review potential contractual liabilities in the event of delays, cancellations, or quality issues.
- Depending on their locations and the state of the pandemic, organizations should consider stockpile programs and target those items where additional inventory can be acquired, if working capital allows.

Businesses should continue to encourage openness about suppliers' level of disruption, and modify orders, shipment arrangements, and digital capabilities as needed if demand for products or services increases or falls.



Technology Challenges

For those employees able to work remotely, organizations should proactively remind them about the critical importance of good digital hygiene when connecting to company networks. This burden may fall not only on employees, but students, patients, and others at home, who may need to conduct activities such as patching and updating systems, logging out when not working or using networks, physically securing computers, following proper procedures about handling private data, and using robust passwords for devices and home Wi-Fi.

Organizations also need to maintain a heightened state of cybersecurity, including testing system preparedness for inevitable operational disruption. Increasingly, IT/InfoSec teams are being called upon to handle problems arising from a suddenly remote workforce. Organizations should be prepared to supplement these teams with additional resources.

Easing Employee Fear and Anxiety

As the pandemic continues, its psychological impact is growing and deepening. More people globally are practicing social distancing — isolating themselves not only from the public, but also from friends and family. The fear of the unknown is real. *Have I been exposed? Have I exposed others? Is my cough due to allergies or am I exhibiting symptoms? What if I need to shelter in place? What financial impacts might I face?*

These fears and anxieties can be compounded by misinformation campaigns driven on social media and conflicting news reports. A lack of factual information from employers can add to employees' worries.

With so many now working from home, employees are eager for details about their employers' responses to the ongoing pandemic. It is therefore important for organizations to ensure they maintain regular communication with their workforce. It is also essential that employers share information from credible sources, such as the WHO or CDC, when compiling communications.

Employees, meanwhile, should be advised to avoid speculation and rely only on these and other trusted sources. They can also limit their exposure to new information — for example, by turning off notifications on mobile phones and other devices, avoiding live television news broadcasts, and only reading updates on the pandemic once daily. Employees may also benefit from mindfulness and meditation apps and websites, recording thoughts in notebooks or journals, eating healthy, and exercising.

Recent surveys suggest a rise in depression and anxiety over the past several weeks. Managers and senior leaders should communicate with employees regularly, engage employee assistance providers or other experts, and ensure response teams stay in contact with them. These outside specialists can provide guidance on how to help manage the short- and long-term psychological effects of the COVID-19 pandemic on your employees.

Ergonomics/Working From Home

Many employees have never worked from home or have not done so for extended periods. A few small changes to employees' home work environments can help create a more comfortable, safe, and productive remote working experience for the duration of the COVID-19 pandemic and into the future. Employees should:

1. Use sturdy, adjustable chairs, and refrain from sitting on soft couches and chairs, as they do not support the body evenly during extended sitting.
2. Adjust seating height, so forearms are parallel to the floor when typing.
3. Place small pillows behind their lower backs while sitting to maintain the natural curve of the spine.
4. Use external mice and place objects — such as phones, mice, and printed materials — close to their bodies to minimize reaching.
5. Place their feet entirely on the floor.
6. Alternate between sitting and standing throughout the day (move about every hour) to reduce excessive stress on the lower back and legs while sitting.
7. Take micro-breaks (approximately two minutes long) every hour to stretch and move.
8. Be careful not to overload electrical outlets, to avoid fire risk.
9. Be aware of extension/power cords and other tripping hazards.
10. Keep laptops and equipment in secure places after hours to prevent damage or theft.

In addition to sharing these best practices, employers should consider creating video tutorials and providing access to helplines to assist with the home work environment setup and to professionally address physical discomfort issues.

Conclusion

As the effects of the COVID-19 pandemic continue to play out and evolve, Marsh will monitor developments and assess potential impacts on policyholders' claims. Organizations that may be suffering losses should follow existing guidance - including collecting appropriate documentation, presenting claims to insurers in a prompt and timely manner, and following the terms and conditions of their policies. Risk professionals should also stay in contact with their insurance advisors and legal counsel as the situation changes.

For more information, visit our Pandemic Hub, contact your Marsh representative, or send an email to questions@marsh.com.



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