

# COVID-19: An Enterprise Approach for Protecting People and Operations

March 2020

# Featured Aon Presenters

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# Welcome and Agenda

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**Aon's Global Infectious Disease Task Force - How we support clients**  
Please see our website at [www.aon.com/coronavirus](http://www.aon.com/coronavirus)

## Today's Focus: An enterprise view of COVID-19 Impacts

Business Continuity & Pandemic Planning	Paul Koutouridis
Looking at People Risk <ul style="list-style-type: none"><li>• Insurance &amp; Health Considerations</li><li>• WHS &amp; Workers Compensation</li><li>• Risk Mitigation Strategies</li></ul>	Mario Machado Stuart Whitbread
How are insurances responding to COVID-19	Mark Ronan
Considerations around Credit Risk	Dan Chapman
Resilience in a time of uncertainty	Nancy Green

# What is COVID-19?

- Novel coronavirus is genetically similar to coronaviruses of bat origin and also to SARS
- Reportedly originated at a seafood / live animal market in China
- Global spread with WHO declaring COVID-19 a pandemic on March 11, 2020
- Cases in 169 countries
- COVID-19 is a novel virus, so we are still learning progression of disease and epidemiological characteristics
  - Transmission – dependent on locality and response measures
  - Incubation – most cases 4 to 5 days after exposure
  - Symptoms – wide spectrum
  - Severity – wide spectrum, ~80% have mild disease, most severe in persons over 60 and / or with co-morbidities
  - Treatment and prevention – supportive care
  - Surveillance and response – dependent on locality and event dynamics



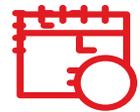
## Transmission:

Close contact from respiratory droplets, lower risk from contaminated surfaces



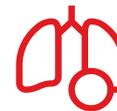
## Treatment / Prevention:

Supportive medical care for symptoms. No specific therapeutics or vaccine.



## Incubation:

~2 to 14 days (IQR 2-7)



## Severity:

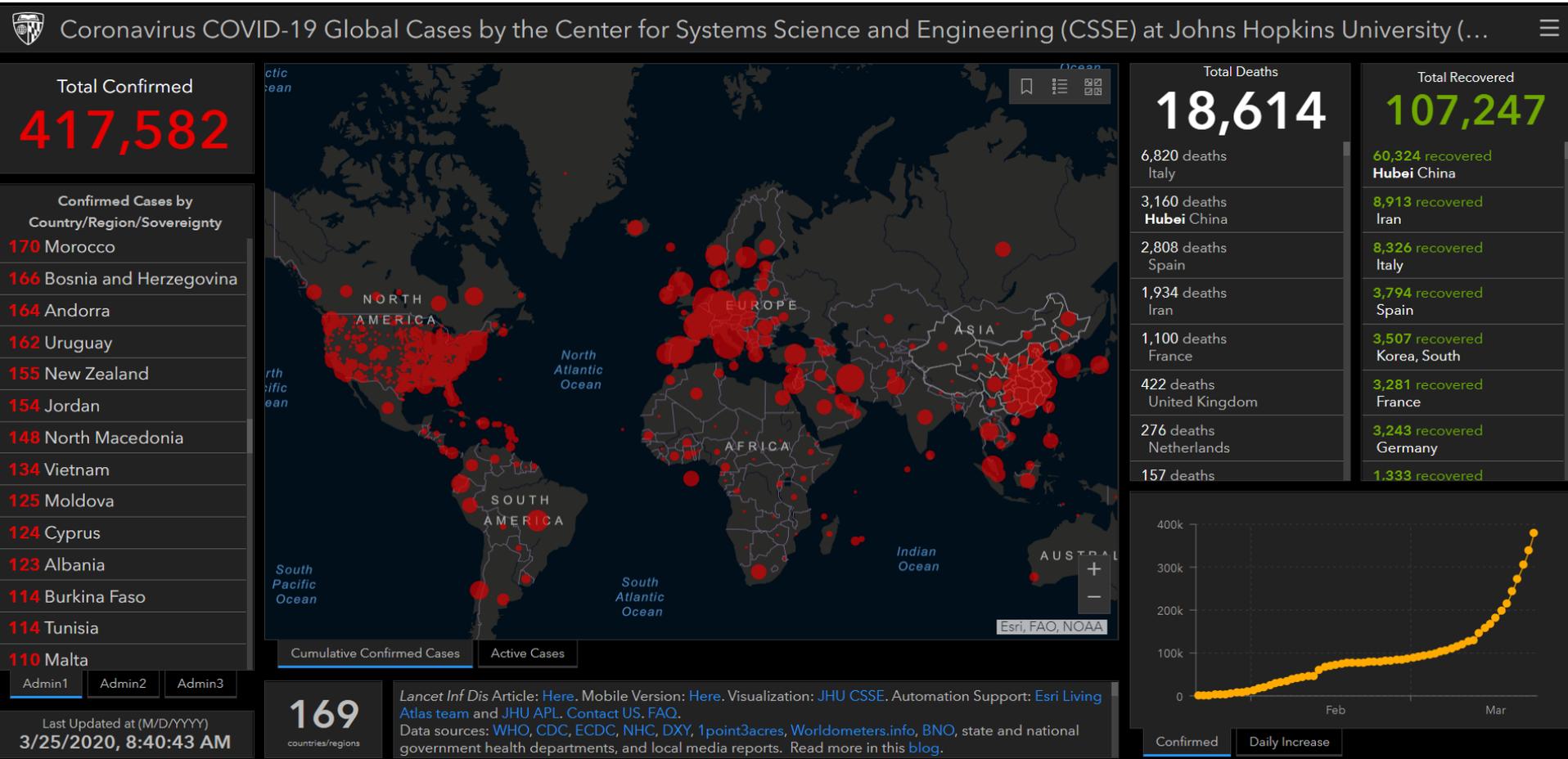
Mild (cold-like symptoms) to severe respiratory illness (pneumonia)



## Symptoms:

Fever, cough, shortness of breath

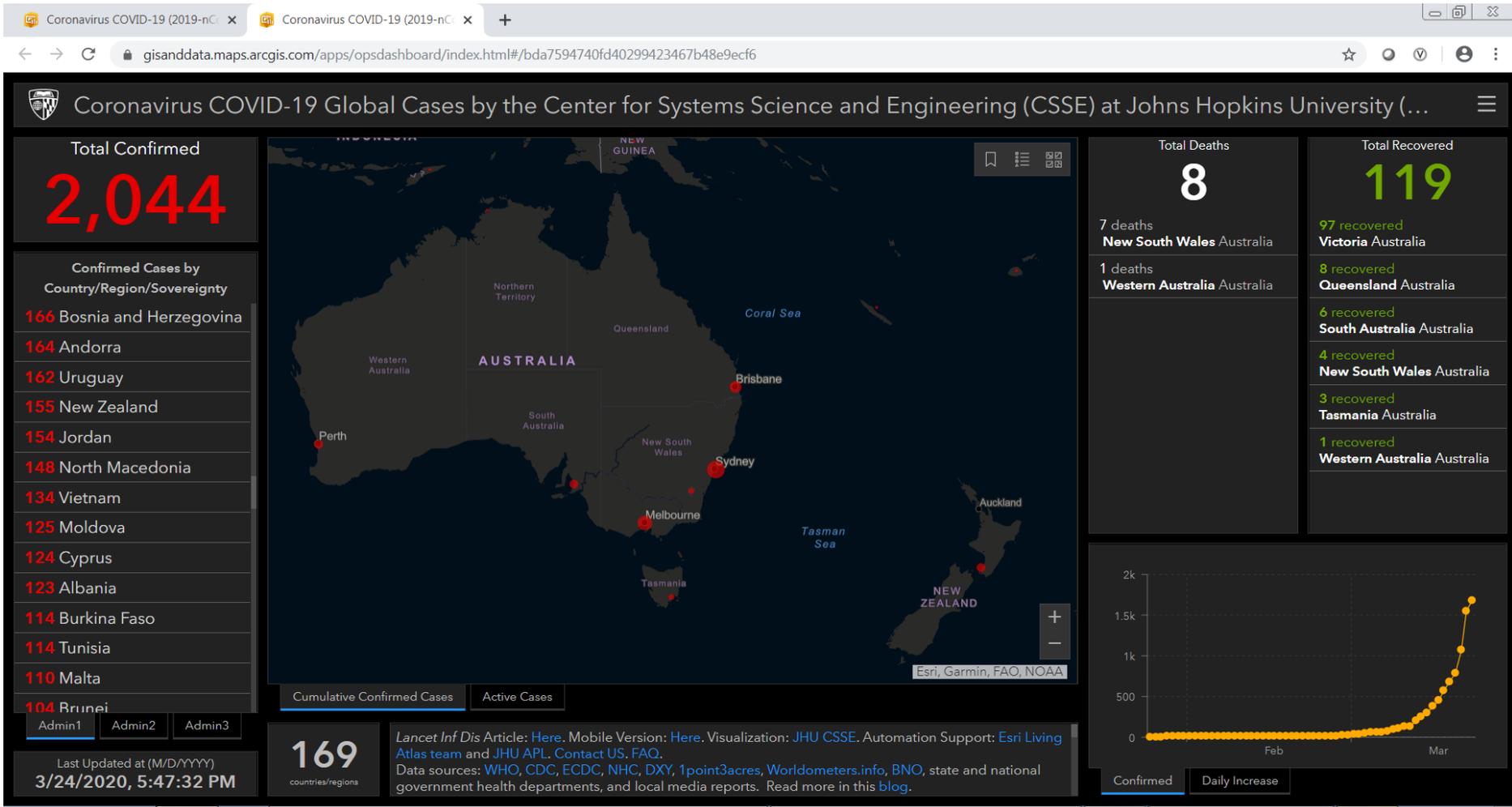
# COVID-19 Visualization and Live Update Sites (correct at 25<sup>th</sup> March '20)



Source: <https://bit.ly/2Q5Eyl2>

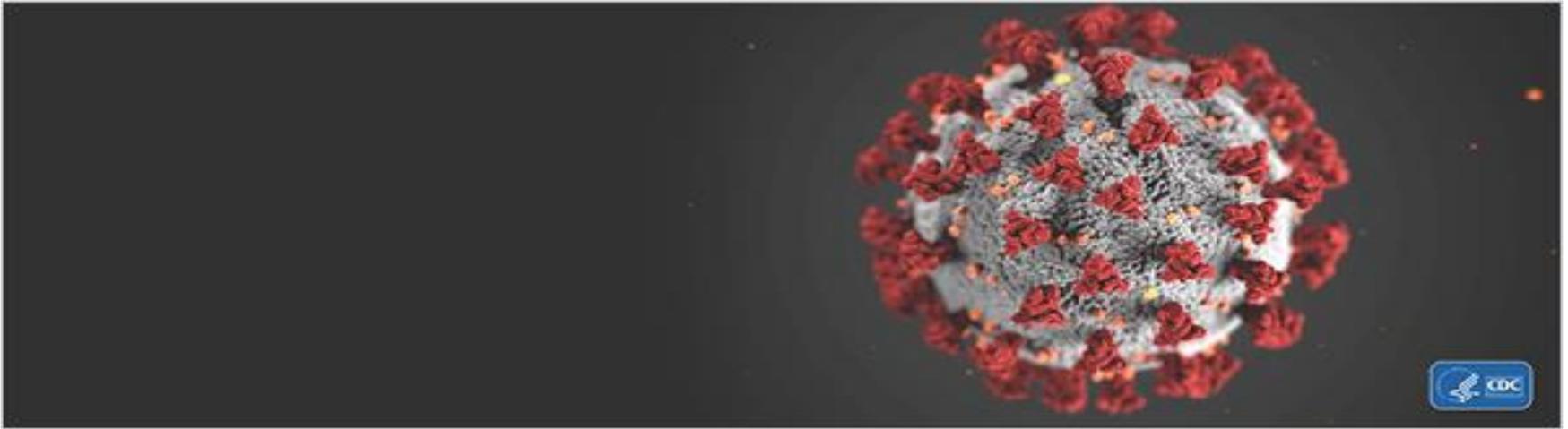
Australia 2,044 cases  
 NZ 155 cases

# COVID-19 Visualization and Live Update Sites (correct at 25<sup>th</sup> March '20)



Source: <https://bit.ly/2Q5Eyl2>

Australia 2,044 Confirmed cases  
NZ 155 Confirmed cases



# Business Continuity & Pandemic Planning

- What to consider?
- Communication Plan Guidance
- Additional Risk Perspectives



**Paul Koutouridis**  
Principal  
*Risk Management Consulting*

# BCP And Pandemic Planning

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- Pandemic planning is an event specific plan detailing how the organization should respond in a pandemic situation:

Preparedness

Standby

Initial  
Response

Targeted  
Response  
Where we are now

Stand-down

- BCP is a broader document used to inform the pandemic plan by identifying critical functions and their ongoing operation.

Threat  
Assessment

Critical  
Function  
Identification

Critical  
Suppliers

Mitigation  
Planning

Comms  
Planning

## Pandemic Planning – What to Consider

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1. Find a single source of truth
2. Consider disease impact and spread to determine impact on the organization
3. Understand critical business functions and how they can continue to operate at each stage of the response
4. Continuously monitor the situation through identified sources of truth
5. Develop your communications plan

# Communication Plan Guidance

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Prepare a Communications Strategy now

## Internal to Employees

- State the facts as you know them
- Describe the current and, if known, future impact on the organization
- Demystify the fear and outline steps the organization is taking on behalf of its employees
- Promote safety steps that employees can take at work
- Summarize company policies/positions
- Articulate work-from-home policies
- Promote safe travel policies
- Emphasize an “open door” policy for employees to ask questions

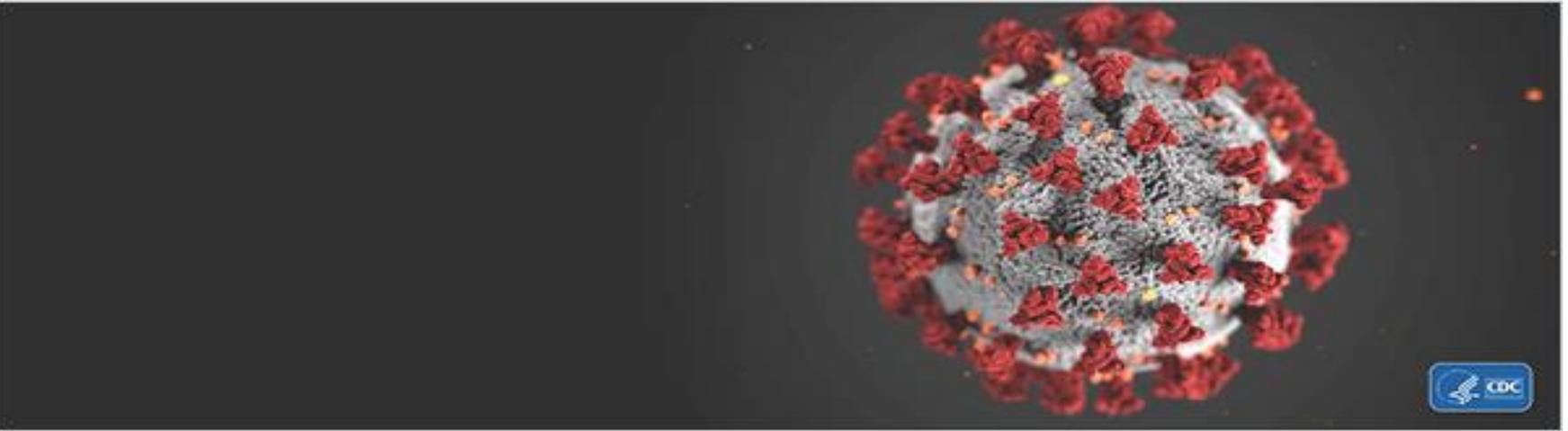
## External

- Identify external stakeholders - customers, vendors, neighbors, regulators, media, etc.
- Determine what should & needs to be communicated and timing thereof
- Create a procedure for crafting, vetting/approving, issuing, then analyzing receipt of the message
- Build a flexible schedule for follow up communications

## Additional Risk Perspectives

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- This event has show the connected nature of our community and business world – risk issues need to go beyond direct financial impacts. You need to have a whole of supply chain or whole of business process view on risk
- Need to make sure that you are still monitoring other risks that could impact your business. e.g. A risk going unnoticed at the moment is the cyber exposure due to the world's largest work from home event in history
  - In times of haste temporary measures are implemented to keep things going which open holes for cyber criminals
  - Phishing emails around corona virus will be prevalent, be ready with comms to staff
  - WHS Risk is another that needs to be considered
- Once the dust has settled consider relooking at your risk registers and determining how each risk issue is connected to another
  - e.g. whilst the risk here is pandemic, it has had far reaching supply chain impacts on many businesses. It has also had operational impacts that may impact brand and reputation.



## Looking at the People Risk

- Approaching Working From Home Environment
- Workers Compensation impacts
- Mental Health impacts and monitoring
- Coverage in a Pandemic Environment
- Leaning on your Health & Benefits program



**Stuart Whitbread**  
Director  
*Health & Benefits*



**Mario Machado**  
National Practice Leader  
*Workplace Health & Safety*

# Insurance Considerations

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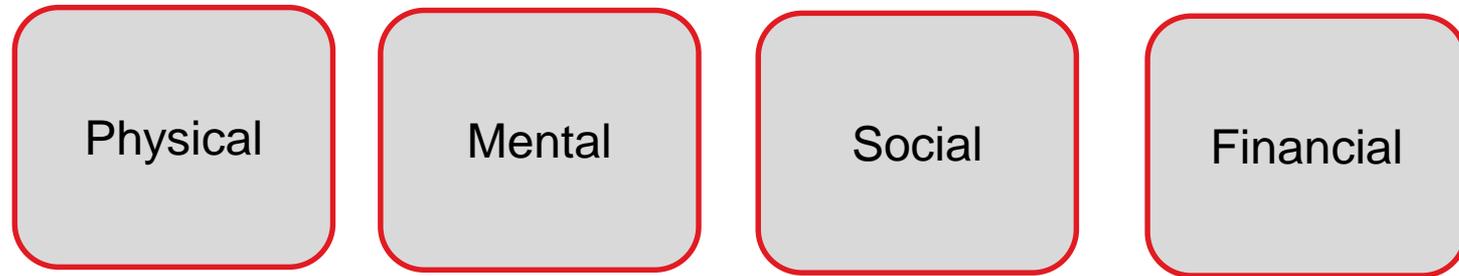
## 1. Initial employer concerns

- Travel insurance
- Expat medical insurance

## 2. Employers will begin to look at more long-term insurance considerations

- Group Salary Continuance insurance
- Group Life insurance
- Private Health insurance

## 4 pillars of wellbeing



Many existing corporate employee benefits programs have solutions embedded within them

# WHS and Workers' Compensation

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Exposure to  
COVID-19

Working from home  
hazards/risks

- When employees are required to work from home, the home becomes a workplace
- WHS and workers compensation laws are applicable for employees working from home in this context

## Workers Compensation

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- In terms of an employee diagnosed with COVID-19, liability on a claim will be based on the following;
  - An injury/illness (diagnosis of COVID-19) has occurred
  - The exposure to COVID-19 occurred in the work environment; and
  - The work exposure was a significant contributing factor to the COVID-19 diagnosis
- In order for coverage to apply, there must be a casual link between contracting the virus and work being the main (or a significant) factor.
- Given the delay in pathological testing to confirm COVID-19 infection, it may be difficult to ascertain that work was the main cause of transmission.
- Employees are also entitled to submit a workers compensation claim if an injury has occurred and is work related. This applies if an injury occurred whilst the employee was working from home.

# Workplace Health & Safety

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- Work Health and Safety laws require employers to ensure, so far as is reasonably practicable, the health and safety of their workers and others at the workplace.
- This applies to exposure to COVID-19 and working from home hazards/risks.
- The key risks associated with the workforce during a pandemic and COVID-19:
  - Exposure at work – co-worker and visitor exposure
  - Travelling for work
  - Working from home – physical and psychological hazards

## Risk Mitigation Strategies – Exposure to COVID 19

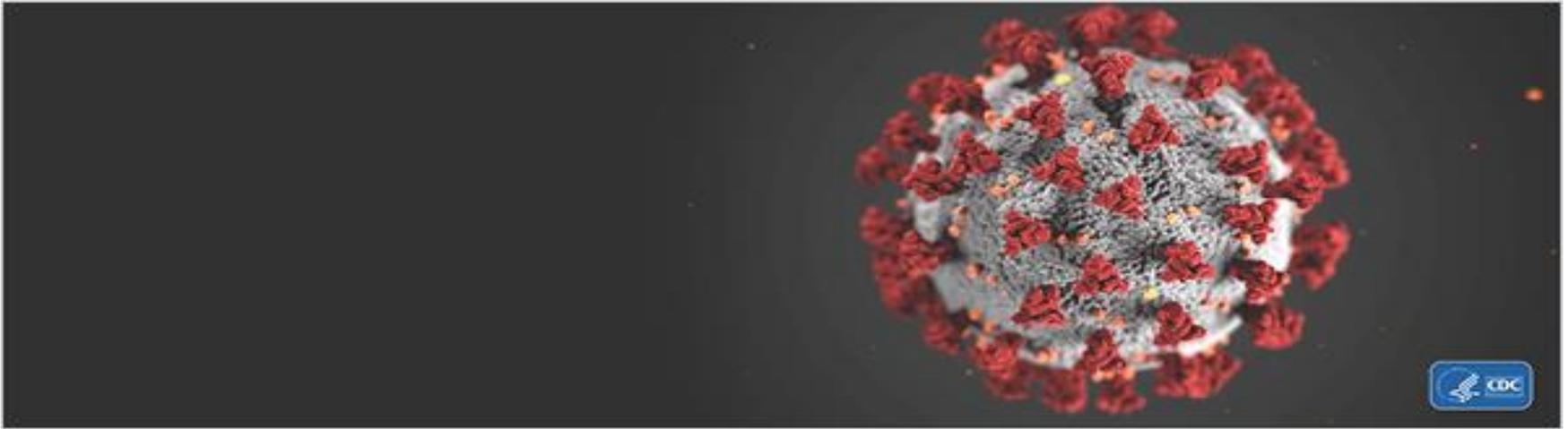
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- Exposure at Work (consider hierarchy of controls)
  - Activation of social isolation strategies, including WFH
  - Risk controls to reduce exposure such as large scale disinfectant routines, hand sanitizer, gloves, masks
  - When attendance at work is considered essential consider:
    - Staggered start times
    - eliminate the use of public transport - self driving, taxi's, uber etc
- Visitors
  - Avoid having visitors on site unless necessary (e.g. necessary contractors)

## Risk Mitigation Strategies – Work from Home

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- WFH / Remote Working
  - Activation of strategies to combat social isolation (regular check ins, WhatsApp and other social media groups)
  - Web based tools may help to manage workforce isolation (video conferencing, web based mental health support)
  - Promote mindfulness practices – avoid constant reading of news on-line, staying positive about outlook, focus on daily routines, have regular breaks and meditation.
  - Consideration of the home workspace, including lack of appropriate equipment:
    - Complete WHS self-assessment to identify key hazards/risks
    - Deploy office equipment to employees homes or allow employees to purchase equipment.
    - Where an employee determines the home is unsafe to work in for prolonged periods of time, the employer needs to consider other options.



# Will Consequential Loss Insurance policies and other financial loss policies respond to the **CORONAVIRUS** Pandemic?

- Property / Consequential loss
- Directors & Officers Liability
- Cyber Liability
- Product Contamination
- Employment Practices Liability
- Environmental Liability



**Mark Ronan**  
Chief Claims Officer

## Property / Consequential Loss Insurance

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- Combined Property and Consequential loss insurance = Industrial Special Risks Insurance ( ISR ).
- The primary policy trigger for Consequential Loss insurance policies is Damage.
- In certain circumstances Damage at the premises of a supplier or customer is sufficient to enliven a consequential loss claim.
- Damage for the purposes of many ISR policies is not limited to physical damage
- ISR policies often deem ***specified circumstances*** to be Damage, thereby enlivening loss of revenue cover in the absence of physical Damage.

### Direct physical Damage v Deemed damage

Does the existence of the Coronavirus or its effects constitute physical *Damage?* ,  
***Arguable not***

Does the existence of the Coronavirus or its effects constitute Deemed Damage?  
***Possibly***

## Property / Consequential Loss Insurance (cont.)

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- It is common practice for ISR policies to deem the action of a competent public authority in ordering the partial or full closure or evacuation of a Premise , as a result of an outbreak of an infectious or contagious human disease , to be deemed Damage.
- Will the closure of a workplace by order of a competent public authority due to the presence of COVID – 19 be considered deemed damage.?
- No two policies are the same , limitations often apply in relation to infectious disease cover.
  - Many policies specifically exclude cover for losses resulting from SARS as well as losses resulting from contagious diseases which are gazetted as “Listed Human Diseases “pursuant to relevant health acts.
- It is noted that COVID-19 was declared as a Listed Human Disease pursuant to the Biosecurity Act 2015 on 21 January 2020.

**It is probable that many Property / Consequential loss insurance policies will not be triggered as a result of the adverse impacts of the Coronavirus Pandemic. Notwithstanding the foregoing we strongly recommend that each claim be considered on its merits in accordance with the specific policy wording in play.**

## Directors & Officers Liability

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- COVID – 19 is materially impacting revenue streams – e.g. airline industry.
- Directors need to be mindful of their obligations to maintain solvency and to take actions if they have concerns in this regard.
- Continuous disclosure obligations for listed companies is paramount.
- Information that a reasonable person would expect would have a material effect on the price or value of the entities securities needs to be disclosed.
- The impact of COVID – 19 will inevitably result in shareholder class actions
- In our view it would be prudent for those entities who have or envisage that they may suffer material adverse revenue impacts due to COVID – 19 reasonably quantify such exposures.

### Cyber Liability insurance cover is more important than ever.

#### This is why

- Widespread concerns and insecurities emanating from the Coronavirus Pandemic have seen a surge in **phishing** attempts.
- In 2019 , over 70% of the ransomware attacks were initiated through Remote Desktop Protocols (RDP) i.e. working from home regimes!
- COVID -19 = Working From Home = Increased risk of opening gateways to hackers via insecure networks.
- Essential to have multi – factor authentication ( MFA ) protocols.
- Appropriate Cyber Liability policies can mitigate exposure to cyber related financial losses.

# Product Contamination Liability

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## Product Contamination Insurance

- COVID – 19 food contamination = Accidental Contamination event ? Likely
- Product Contamination policies provide cover for the cost of replacing contaminated product, decontamination costs as well as loss of gross profit resulting from contamination.

**The potential for an EPL policy to be triggered as a result of the COVID – 19 Pandemic is remote.**

### Primary areas of focus for EPL insurance claims

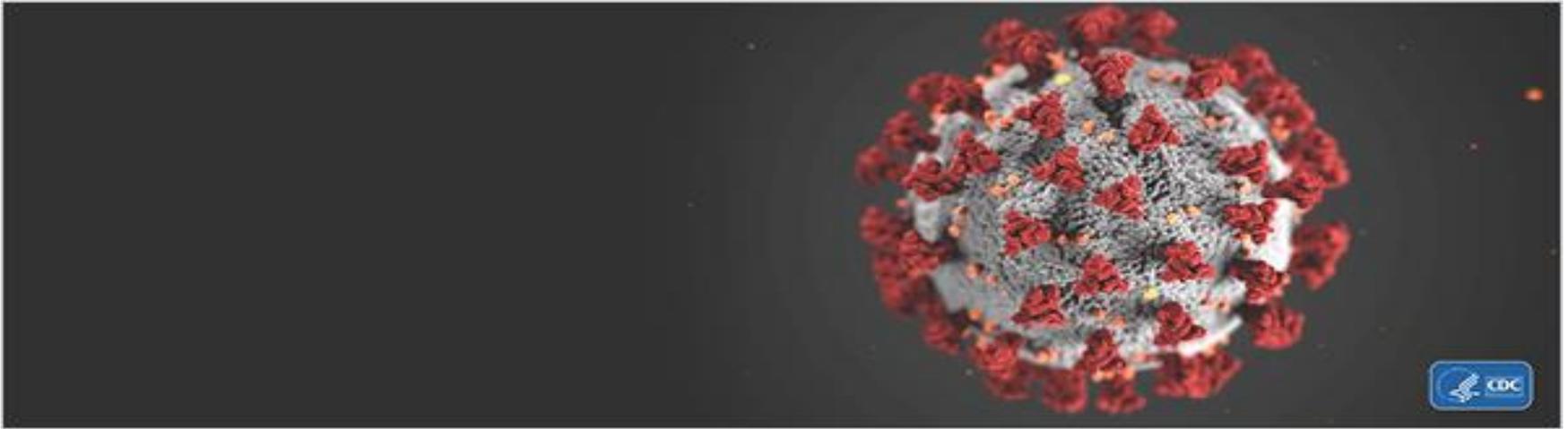
- Cover trigger being a legal liability to pay damages , defence costs etc consequent upon a workplace dispute.
- Unfair dismissal claims primary focus.
- EPL polices contain standard Bodily Injury and / or Property Damage exclusions which invariably include claims relating to sickness and disease.
- Disputes relating to Contractual Liabilities are similarly often also excluded i.e. claims in relation to back pay or statutory remuneration entitlements.
- As a result of COVID -19 there will inevitable be a heightened focus on ensuring employers are adhering to their statutory employment obligations. Employment disputes ?

# Environmental Liability Insurance

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## Environmental Liability Insurance

- Cover enlivened by reference to a “pollution condition“ i.e. discharge, dispersal, release or escape of pollutants.
- Should the COVID -19 virus spread through a workplace would this be viewed as the “Dispersal of a pollutant”?
- Is the definition of pollution/pollutant broad enough to capture viruses?
- Not uncommon to have a specific exclusion for communicable diseases i.e. person to person infection.
- Case by case analysis is important.



# Considerations around Credit Risk

- Credit Risk



**Dan Chapman**  
Director  
*Credit Solutions*

## Considerations around Credit Risk

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- Global GDP growth had shrunk to 3% in 2019 and pre COVID-19, was already predicted to weaken to 2.9% in 2020.
- As a result of Covid19, we have seen restrictions on the movement of people and goods, and the resulting broken supply chains has caused significant trade contraction.
- According to market estimates, global business disruption could create a reduction in trade of USD \$320Billion per quarter resulting in a global recession.
- Initially, analysts were predicting a V shaped event, but as the crisis deepens this is now expected to be U shaped, with a more sustained period of recession.
- Insurers are already predicting a doubling of insolvency rates globally compared to pre-COVID crisis levels, increasing the risk of bad debts.

## Considerations around Credit Risk

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- Businesses need to focus on people and health related issues but client insolvency and the resulting non-payment should also be a priority.

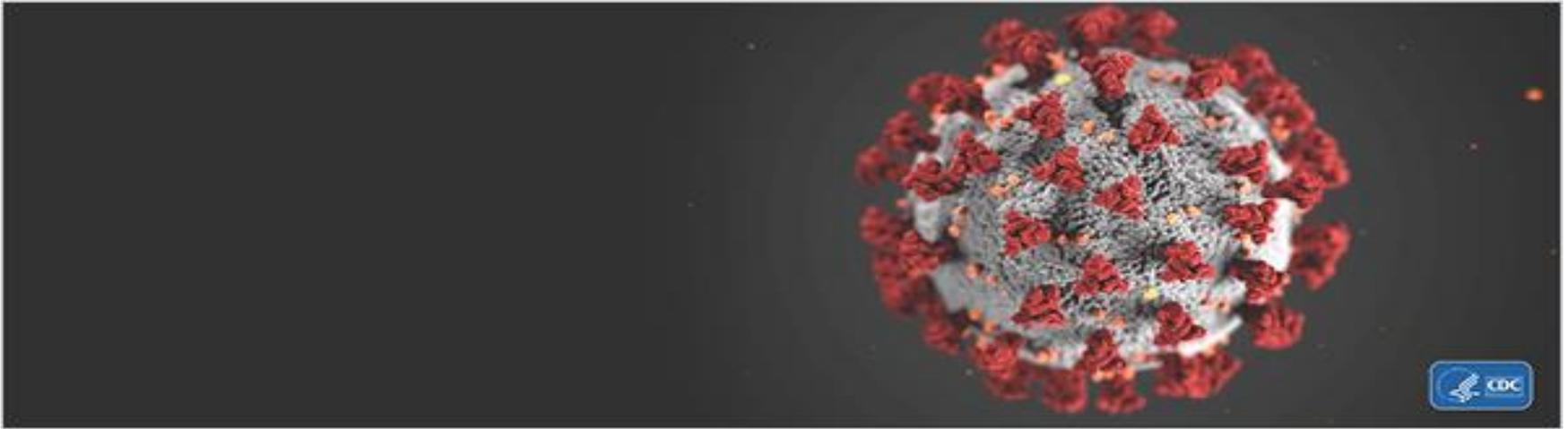
### **A new environment**

- The credit worthiness of your clients is altering on a daily basis and historical performance isn't as reliable guide to future prosperity
- Understanding your debtor book and managing your exposures is vital.
- Business most at risk of failure are those unable to adapt to a sudden drop in revenues, already facing liquidity shortages or operating in the worst hit sectors (Travel, Hospitality, retail and entertainment) but the risk is heightened across all sectors.

## Considerations around Credit Risk

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- Trade Credit Insurance protects businesses against the damaging impact of bad debts. Its a safety net against losses but it will also help you avoid them altogether. The insurers review your clients and help identify and avoid businesses that are distressed.
- It can also help combat falling sales by giving you the confidence to extend credit to new or existing clients and provide an additional layer of security to lenders.
- Capacity available on buyers is finite and demand is increasing so businesses looking for protection should move quickly to ensure that the required cover can be secured.
- Existing insureds should continue to have close communication with their broker, be diligent in following your credit procedures and adhering to policy obligations and consider the guidance from insurers if they are unwilling to extend cover on a specific buyer.



## Resilience in a time of uncertainty

- Not everything goes to plan
- Making good decisions in an uncertain environment
- 7 C's of decision making in a crisis event



**Nancy Green, CPCU, ARM**  
Executive Vice President  
Global Client Promise Leader  
*Co-Leader of Aon's Global Infectious  
Disease Response Task Force*

# Not everything goes according to plan

## *Understanding what it feels like to be making decisions in a crisis situation*

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- Psychological impacts of crisis situations
- Effect that shock creates
  - Don't miss the gorilla
- Organizations (and people) that move successfully through crisis situations typically exhibit one or more of these characteristics:
  - Employ active passiveness
  - See what's really there; not what they expect to see
  - Are open to possibilities – are willing to consider solutions that might have been ruled out before
  - Are confident they will find a solution
  - Are able to flex to adjust when needed, and are able to identify inflection points for changes
  - Are persistent – they do not give up

Source: Sherwood, Ben. *The Survivor's Club*. New York: Grand Central Publishing, 2009.

# Resilience in a time of uncertainty

## *How to maintain a good decision-making environment when responding to uncertainty*

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- Test and question assumptions to avoid inattentive blindness
- Take emotion out of the equation:
  - Focus on accurate, factual, objective data
  - Expand access to external resources to give breathing room to leadership and internal resources and free up capacity to run day-to-day operations
- Broaden view of options by expanding access to depth/breadth of resources and ensuring multidisciplinary perspectives
- Break situation down into manageable components for tactical response, but retain perspective of whole
- Get comfortable making decisions with imperfect information; implement a situational analysis process and decision cadence
- Power of planning is not just the plan; it's also the planning itself and how it brings teams together and facilitates understanding
- We can't predict the scope or severity of the event, but we *can* prepare for the impact

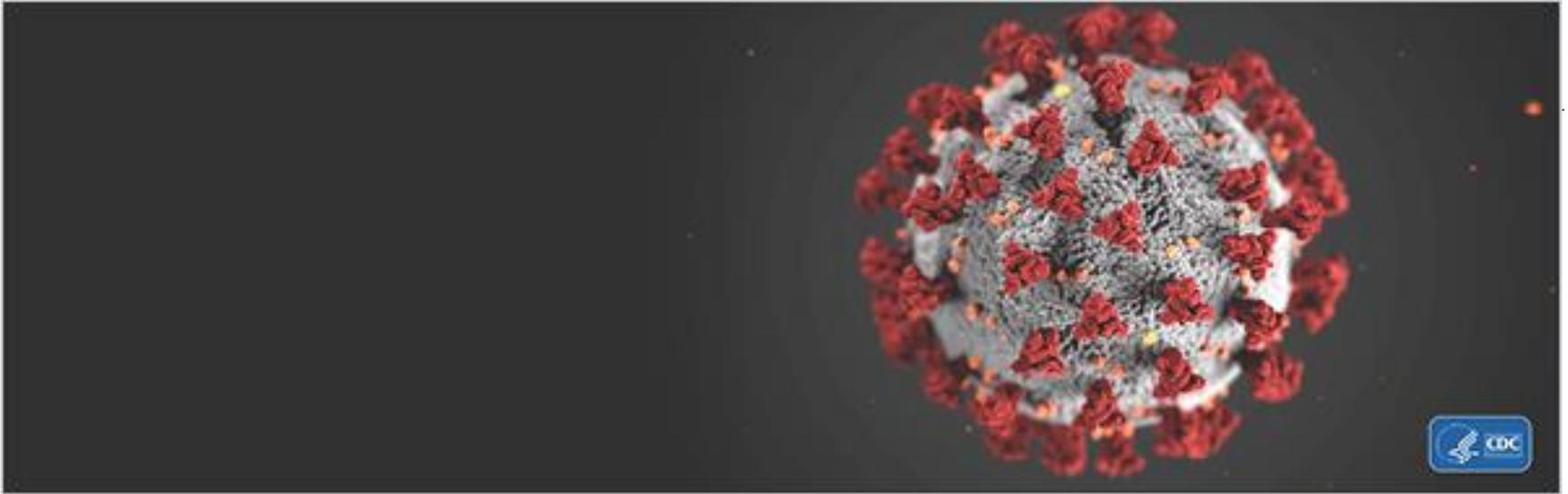
Note: See Aon's whitepaper "Keys to Success in Managing a Black Swan Event" on our website at [www.aon.com/coronavirus](http://www.aon.com/coronavirus)

## 7 Cs of Decision-Making in a Crisis Event

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Company should ensure all of the following are involved in each key decision:

- ✓ **Candid** – be candid, as candor enhances credibility and improves effectiveness of communication
- ✓ **Creative** – be willing to think outside the box and even consider solutions that might have been ruled out before
- ✓ **Code of Conduct** – operate within the ethical boundaries that are consistent with the character of the Company
- ✓ **Competence** – continue to fulfill the Company's daily mission; do not allow performance and service quality to falter
- ✓ **Confidence** – be confident that we will find a solution for impacts – it counteracts 'tunnel vision' to become more open to possibilities; confidence also enhances colleagues' and public's view of the Company's stability and focus
- ✓ **Compassion** – empathy enhances ability to see how the other party(ies) views the situation and improves effectiveness of strategy development, smooths disconnects and enhances communication with internal and external parties
- ✓ **Coordination** – *simultaneously* maintain emergency response, address the underlying problem and keep the daily operations going



# Thank You

For more information on our Full Picture series, and to access replay links to our previous presentations, please visit [aon.com/event-response/coronavirus](https://aon.com/event-response/coronavirus)

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