

Risk and Insurance Implications of COVID-19

Introduction

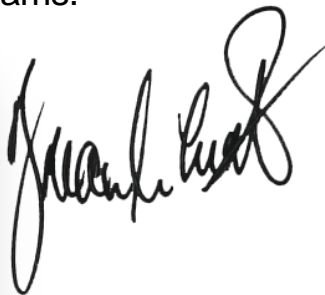
We hope that all our clients and your families are keeping safe during this unprecedented and complex phase of the COVID-19 pandemic.

This presentation is intended to provide you with a brief background as to how COVID-19 is affecting major classes of insurance.

The situation is constantly evolving and we are committed to delivering timely updates. Our teams are on standby to address your individual concerns.

Our COVID-19 Specialist Team will provide our client service and broking teams with technical input, and guidance on how best to manage the many issues that continue to evolve.

As Willis Towers Watson is one of the world's leading brokers, we also have access to our Global Specialist Teams.



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1. Property Damage and Business Interruption



Property Damage Insurance policies traditionally cover specific perils i.e. fortuitous events such as fire, explosion, theft, flood, burst pipes, storms, malicious damage and “accidental damage”.

COVID-19 is not included as an insured event under a standard Property Damage Policy.

Standard Business Interruption Policies have a “material damage” proviso which must occur to “trigger” a Business Interruption Claim.

Some policies include “Non Damage” Extensions eg. Infectious Diseases and Denial Of Access.



At this time, insurers are slow to agree that cover applies.
Each policy is different and the issue is constantly evolving.
We are addressing each insurer response and your Client Service Team will keep you informed.

1. Property Damage and Business Interruption – Closure of Premises



Property Damage Policies continue to provide cover during the possible closure of premises provided the insurer has been notified and the proposed safety and security protections have been approved

Stringent Policy Conditions may apply in the event of unoccupancy, including:

- ✓ Disconnection of gas and electricity supplies
- ✓ Drainage of water systems
- ✓ Regular visits to check building condition, security and other protections

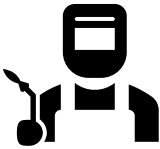
The above is just an example. All policies are different, so please contact your service team if you are planning to close your premises

It is our understanding that criminals have been “scouting” unoccupied premises

2. Liability Insurance

Employers Liability Policies provide an indemnity for Legal Liability to pay damages, including legal costs and expenses, as a result of accidental bodily injury or disease sustained by an employee

Public and Products Liability Policies provide indemnity for Legal Liability to pay damages, including legal costs and expenses, as a result of accidental bodily injury and / or property damage to third parties arising in connection with the business, including arising out of any defect in respect of products sold or supplied



Employers may be held liable for failure to provide employees with a safe working environment. These obligations extend to the duty to enforce the wearing of protective equipment

Where infection by coronavirus can be traced to a particular place, activity, or product supplied, claims may be brought against businesses or individuals deemed responsible.

Standard Liability Policies may respond to claims arising from COVID-19.

We anticipate disputes around mold provisions which exclude viruses or pathogens; pollution exclusions; and communicable disease exclusions (if any).

New Exclusions are likely to apply from renewal.

3. Employment Practices Liability Insurance



Employment Practices Liability Insurance may respond to complaints from an employee or by a group of employees arising from COVID-19 issues. Some examples :

- 1 Discrimination:** Some employees (as well as candidates for hiring) could be misdirected or be the subject of suspicion due to their ethnic origin or nationality.
- 2 Harassment:** Employees may be pressured to maintain unreasonable activity levels during the crisis, or be pressured to accept reduced pay.
- 3 Invasion Of Privacy:** Employees questioned on their personal trips and activity, on their health status as well as that of their immediate family.
- 4 Recrimination:** An employee voluntarily abstains from business events due to fear of being contaminated by the virus at this time and believes that he or she has been victimised by the employer.
- 5 Dismissal without just cause:** An employee who did not adhere to company rules submits a claim for constructive or unfair dismissal.

4. Cyber Insurance



COVID-19 crisis management leads companies to heavily **rely on teleworking.**

Cybersecurity has become increasingly important - with a large number of employees now working from home, the risk of cyber-attacks has increased. Hackers are likely to take advantage of an increased reliance on digital tools, including Ransomware.

Clients should be aware of this and ensure that they are equipped to maintain the security of their networks through increased awareness campaigns for staff and refresher training if necessary.

There has been an increase in coronavirus related phishing emails, some purporting to be from healthcare facilities or sellers of protective equipment (like face masks), and if businesses are short-staffed the risks of employees falling for such scams will increase.

Laptops provided to employees carry an increased theft risk with a potential risk of losing sensitive data.



Cyber insurance policies are intended to cover the financial consequences of these losses subject to policy conditions.

5. Directors and Officers Liability



The Covid-19 crisis

The responsibility for the management of a company sits with its directors, save to the extent the constitution of the company provides otherwise. The directors are responsible for, among other things, anticipating and managing the risks which their company may face. It is good corporate governance for directors to have their company adopt policies and procedures to deal with those risks.

The recent spread of COVID-19 is likely to create risks for companies carrying on all types of businesses, which the boards of directors of such companies should consider and address.

Reporting

Companies should consider the impact of COVID-19 on their financial statements and financial reporting obligations. D&O duties will change in the context of insolvency or pre-insolvency. Unfortunately, insolvency may become a worldwide problem due to the pandemic

Regard to employees

The directors of a company should have regard to the interests of the company's employees.

Risk policy

In order to manage business risks effectively, it is advisable for directors of companies to draw up, adopt, publish and enforce policies and procedures. It would be common, for instance, for a company to have in place policies to deal with business risks associated with health & safety, data protection and bribery and corruption. Depending on the type and gravity of the risks which COVID-19 carries, directors may consider a policy dedicated to dealing with those risks.



COVID-19 committee

Should they consider it necessary, the directors of a company may delegate some of their powers to a committee specifically in order to address risks caused by the spread of COVID-19.

6. Construction Insurance



Covid19 Issues:

- Stoppage of work
- Inability to source materials
- Unavailability of workforce due a government lockdown
- Uncertainty as to whether COVID-19 can be considered a *force majeure* event within the meaning of a contract



Contractors All Risks Policies contain a standard clause similar to the following example :

In the event of a stoppage of work by the Insured at the Contract Site for a period of four consecutive weeks all cover under the Policy shall be suspended unless otherwise agreed by the Company. If such a stoppage occurs the Insured shall take all reasonable care to ensure that all plant and machinery and Contract Works are protected.

Insurers should be requested to extend this period as appropriate

7. Goods In Transit Insurance



Goods In Transit Issues arising from COVID-19 :

- Vessels may find themselves quarantined or required to deviate.
- There may be delays in obtaining free *pratique* (clearance given to the vessel by authorities confirming that the vessel is free from contagious disease).
- Issues may also arise regarding whether orders to particular ports may be orders to an unsafe port and therefore not legal under the terms of the charter.
- Vessel delays will inevitably lead to potential cargo losses, especially to perishable cargo, leading to bill of lading claims and insurance disputes, depending on the level of cover.



The impact of coronavirus on marine insurance isn't clear cut and a key issue is the extent to which policies respond where there is no physical damage.

Goods In Transit Policies are typically triggered by physical damage, but some policies may afford non-physical loss cover.

In assessing how such policy extensions respond, it will remain important to consider whether, in causation terms, the Coronavirus outbreak is the true cause of the loss rather than having an indirect effect, also whether insurers can establish that other policy exclusions apply

8. Travel Insurance



The Covid-19 crisis has produced Cancellation Claims in particular

Cancellation Issues

- ❑ Travel Policies are likely to exclude cancellation claims where, at the time travel was booked, an “appropriate authority’s” advice was against travel to that particular destination, region or country.
- ❑ The Exclusion may also apply where circumstances could reasonably have been foreseen as potentially giving rise to a claim at the time of booking.
- ❑ The insured is expected to seek reimbursement from airlines, hotels etc.
- ❑ Although it may appear in some cases that cancellation cover does not apply i.e. the insured prefers not to travel due to coronavirus concerns, some insurers have said they will consider each claim on it’s merits.

9. Trade Credit Insurance

Willis Towers Watson Trade Credit & Surety Ltd is committed to working with you to manage the impacts to national and international trade as a direct or indirect result of COVID-19. All businesses are facing trading challenges and liquidity issues during these exceptional times and in order to support policyholders credit insurance underwriters will be introducing measures to give you greater flexibility with your customers to manage any payment delays however underwriters will also be reviewing exposures and possibly be withdrawing cover where trade no longer exists. **The payment of a valid claim is not prejudiced by it being directly or indirectly related to COVID-19.**

In order to ensure claims are valid it is vital that during this period of global uncertainty that policyholders adhere strictly to all policy terms and conditions and it is especially important that policyholders:

- Read all policy related correspondence they receive from ourselves and underwriters and respond if required to do so.
- Strictly adhere to all policy obligations especially in relation to “On Stop” dates and “reporting dates” for overdue accounts.
- Seek approval from their underwriter to accept any repayment plan put forward by a buyer.
- Report any adverse information which could potentially trigger a claim to their underwriters at the earliest opportunity.

Very Important: *It is very likely that your own Credit Rating will be downgraded by credit insurers. This will need to be resolved when you are able to recommence normal trading. We are able to assist in your preparation and communication of your information, whether or not you currently use credit insurance.*

Please don't hesitate to contact your Policy Manager to discuss or seek clarification on any issues relating to your policy or your Credit Rating.

10. Surety Bonds & Guarantees



Whether you are a developer, main contractor or sub-contractor in the Construction Sector, or you are in another sector, importing goods or providing a service, you may have or need to put in place surety bond facilities to guarantee your contractual obligations and/ or provision of services. Surety bonds provide valuable working capital by freeing up banking & funding facilities.

The impact of COVID-19 on executed bonds or guarantees is not clear-cut but may involve delays to performance of the contracts, resource and supplies deficits or funding problems any of which may cause a possible breach of the Contract.

Should an Employer/Beneficiary or the actual Surety/Insurance Company demand changes to the bond wording or to the associated Contract on which the performance of your obligations are based then you should immediately liaise with your Legal Advisors and with us, as your Surety Brokers, to discuss same before agreeing to any material changes.

Our specialist **Surety Bonds Team** can help you navigate any changes demanded and in addition, for any pending bond requirements we can assist you by:-

- Creating customised strategies and facilities should you need surety capacity by developing existing and alternative Surety markets and nurturing partnerships with the key Underwriters.
- Delivering innovative solutions with the best and most secure investment grade markets, combined with competitive pricing and bespoke bond wordings.

11. Motor

Scaled back or suspended operations may cause businesses to consider laying up vehicles for a while.

If you own a vehicle that you no longer want to drive on a public road, you can declare your vehicle 'off road' by making a Statutory Off Road Notification (SORN). A SORN informs the Driver and Vehicle Licensing Agency (DVLA) that you are registering the vehicle as off the road. The vehicle cannot be driven or parked on a public road when it has been declared as SORN.

The choice of storage has implications for the physical security of stored vehicles. Locked buildings can help with security, and offer some protection against theft, arson or damage, but can also increase the significance of fire risks and safety issues connected with the density of storage. Also consider any risk of flooding due to inclement weather. Take all relevant risk factors into consideration and utilise CCTV if you have it.

Many Motor Fleet policies have an accumulation Limit i.e. maximum Insured Limit in respect of any one incident of own vehicle damage. If you have a number of vehicles stored at one location, you may need to review this Limit



At Willis Towers Watson we are committed to working with you by continuing to provide quality advice and service in the current extremely challenging environment.

Please reach out to your Client Service Team at Willis Towers Watson with any queries.

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Disclaimer

The information in this publication is intended only to raise awareness of some of the risk and insurance issues arising from the COVID-19 pandemic. Willis Towers Watson has prepared this material for general information purposes only and it should not be considered a substitute for specific professional advice.

Each applicable policy of insurance must be reviewed to determine the extent, if any, of coverage for COVID-19. Coverage may vary depending on the jurisdiction and circumstances. For global client programs it is critical to consider all local operations and how policies may or may not include COVID-19 coverage. The information contained herein is not intended to constitute legal or other professional advice and should not be relied upon in lieu of consultation with your own legal and/or other professional advisors. Some of the information in this publication may be compiled by third party sources we consider to be reliable, however we do not guarantee and are not responsible for the accuracy of such information. We assume no duty in contract, tort, or otherwise in connection with this publication and expressly disclaim, to the fullest extent permitted by law, any liability in connection with this publication. Willis Towers Watson offers insurance-related services through its appropriately licensed entities in each jurisdiction in which it operates.

About us

Willis Towers Watson (NASDAQ: WLTW) is a leading global advisory, broking and solutions company that helps clients around the world turn risk into a path for growth. With roots dating to 1828, Willis Towers Watson has 45,000 employees serving more than 140 countries and markets. We design and deliver solutions that manage risk, optimize benefits, cultivate talent, and expand the power of capital to protect and strengthen institutions and individuals. Our unique perspective allows us to see the critical intersections between talent, assets and ideas - the dynamic formula that drives business performance. Together, we unlock potential. Learn more at willistowerswatson.com

Regulatory Information

Willis Towers Watson Insurances (Ireland) Limited, trading as Willis Towers Watson is regulated by the Central Bank of Ireland. In the UK, Willis Towers Watson Insurances (Ireland) Ltd is authorised by the Central Bank of Ireland and is subject to limited regulation by the Financial Conduct Authority. Details about the extent of our regulation by the Financial Conduct Authority are available from us on request.