

Client Alert

Swine Flu: Preparing for a pandemic risk in Asia



Following confirmed cases of Swine Flu (A/H1N1) in Mexico, Canada, the US, the UK, New Zealand and Spain, as well as suspected cases in Asia, Marsh has outlined the risk and insurance implications for businesses arising from a possible human pandemic. The H1N1 flu strain was responsible for the Spanish Flu pandemic in 1918, which is estimated to have caused up to 50 million deaths worldwide.

Asia has learned many lessons following the outbreak of Severe Acute Respiratory Syndrome (SARS) in 2003. It is critical for businesses across the region to revisit their business continuity and risk management programs to ensure any potential impacts from Swine Flu are minimised

Swine Flu is common in pigs and usually only contracted by people in close contact with infected animals. Human to human transmission is rare but has been confirmed with the current strain recently found in Mexico. This virus is being described by the World Health Organization (WHO) as a new subtype of A/H1N1 not previously detected in pigs or humans; a mutation which may allow it to pass more easily among the human population.

The WHO has raised the pandemic threat level to five, the last level before pandemic. The change to a higher phase of pandemic alert indicates that the likelihood of a pandemic has increased, and the WHO consider it “a strong signal that a pandemic is imminent and that the time to finalise, the organisation, communication, and implementation of the planned mitigation measures is short.”

If it is proven that the virus is easily transmitted from human to human and the WHO continues to increase the threat level, the possibility of restrictions on travel and the passage of some goods, may ensue.

Business Continuity and Crisis Management implications

While many firms have procedures or plans for emergencies that impact on business continuity and/or crisis management, they may not adequately cover a situation involving communicable diseases that affect employees and the general population on a wide scale. Even companies that have prepared pandemic plans over the last few years may not have had the opportunity to evolve or test those plans fully.

A pandemic could escalate quickly, last for many months, and infect 25% or more of the world's population, according to public health experts. Many organisations believe that at the peak of a severe pandemic, up to 75% of the workforce may be absent from work.

To address this risk, firms need to monitor the situation very closely, paying particular attention to government and WHO advice, and examine and possibly amend their existing pandemic, business continuity and crisis management plans accordingly.

Marsh recommends that a company's management review its risk management controls, human resource and other pandemic policies, crisis management plans and crisis communications capabilities. Companies should update these plans based on the threat of a pandemic. Additionally, there are preventive and preparatory actions that can and should be taken now.

The key points for businesses to consider immediately are:

- Review company travel policies, hygiene and medical screening policies and policies on anti-virals and healthcare support, including providing anti-bacterial sanitizer, masks and other materials;
- Identify possible social-distancing and other means to minimise exposure and spread of illness within the work place;
- Review methods for providing ongoing information about both the pandemic threat and the status of the business to employees at work and at home;
- In heavily-populated centres, make sure the plans allow for staff to work at home where possible and appropriate;
- Consider if there are any vital processes that must be maintained for the normal or a central location in a pandemic. For example call centres, health services, and services vital to the vulnerable;
- Review the structure that will be necessary to manage the crisis effectively. This includes how to implement multiple business continuity plans, cope with any major increase in the number of employees working from home, and substantial changes to the marketplace and the supply chain;
- Ensure crisis management and business continuity management plans include pandemic scenarios and exercise the plans where possible.

The focus of business continuity planning and management should be to reduce exposure, proactively minimise impacts, communicate extensively, minimise peaks of absenteeism, plan for the possible re-occurrence of flu and constantly adjust business activity and the supply chain to reflect shifts in the local and global marketplace. In the event that the WHO raises the threat to Level Six (widespread human infection) firms need to have the following:

- A crisis management plan that includes tailored elements for pandemic, including policies for business travel, locating staff, social-distancing and medical screening and an extensive awareness and communications plan and process;
- An alternative workforce or work-at-home policy and plan in the event that a large portion of the workforce is or may be impacted by pandemic;
- A strategy for taking special precautions to assess the health of the workforce and potentially turn back infected workers who report for work;
- A process for dealing with emotional impacts of such events as death on the individual's family members and on the workforce in general;
- A process for orderly shut down or reduced service delivery based on reductions of customer demand, labour force, raw material supply or energy resources;
- Continuity procedures for core functions that must be kept running;
- A structure and process for working collaboratively with third party suppliers to maintain critical flows of supplies, business services and product.

Insurance implications

The potential outbreak of Swine Flu in Asia will undoubtedly have an impact on businesses' insurance programmes, regardless of size or sector. Below is an outline of the main types of insurance, the potential impact of an outbreak on coverage and recommendations to address the issue. This is an overview only and individual policies may vary.

Insurance and cover for pandemic losses in Asia

Commercial Property	<p>Property covered by a Commercial Property policy must sustain physical loss or damage from an insured event for the policy to respond. Insurers are likely to argue that the presence of a pandemic illness does not cause physical loss or damage to an insured premises. Additionally policy exclusions for contamination, mould, disease and pollution contingencies may eliminate coverage.</p>
Business Interruption	<p>Businesses are only covered for loss of prospective earnings when business operations are interrupted or suspended as a result of physical loss or damage to property.</p> <p>Some policies may include an Endorsement providing limited cover against losses resulting from closure or evacuation of insured premises by order of a competent public authority as a result of the presence of human infectious or contagious disease. From experience many businesses will lose income from the effects of the disease that occur in the vicinity of the premises but which have not been required by the relevant authority to close or be evacuated. Some insurers may exclude any illness for which a pandemic alert or similar publication is issued by a Government.</p>
General Liability	<p>Standard policies provide coverage for a policyholder's legal liability to compensate third parties for bodily or personal injury and property damage caused by an unexpected and unintended event. Cover may be provided for pandemic illnesses under standard policies where it satisfies the terms of the policy. However the following important matters must be considered:</p> <ul style="list-style-type: none"> ■ Policy conditions require an insured to take reasonable measures and to comply with all statutory obligations and regulations imposed by any statutory or government authority. ■ Some insurers may argue that pandemic illnesses are excluded due to the application of broadly worded pollution and contamination exclusions.
Workers Compensation	<p>An employer's legal liability to its employees for injury or disease must arise out of and in the course of an employee's employment. The exposure to a pandemic illness would have to be proven to be solely a result of the workplace exposure to be considered for coverage under a workers compensation policy. However in some countries where a 'no fault' basis of insurance is adopted, some cover 'may' be available.</p>
Personal Accident & Sickness	<p>Is likely to provide coverage to employees at this stage where it satisfies the terms of policy, although the situation may change when policies are renewed. Note following earlier regional and global health threats, some insurers have included a specific exclusion for pandemics.</p>
Corporate Travel Insurance	<p>Where the terms of the Corporate Travel Insurance policy are satisfied, is likely to provide coverage to employees. However similar comments to those under the Personal Accident and Sickness heading also apply.</p>

continue to next page



<p>Expatriate and Inpatriate Health Plans</p>	<p>Medical costs associated with pandemic illnesses are covered at this stage where it satisfies the terms of the policy – although the situation may change when policies are renewed. Emergency evacuation costs may be covered if local medical treatment was unobtainable.</p>
<p>Keyman:</p> <ul style="list-style-type: none"> - Income Protection - Life (Death & Total Permanent Disablement) 	<p>Pandemic illnesses are excluded where a policy has a pandemic illness exclusion.</p>

This table is current at the time of publication and provided as a guide only. There may be a wide variation in the terms and conditions of coverage in contracts of insurance from one insurer and from one jurisdiction to the next. The full terms of policies and endorsements need to be analysed in detail to determine how coverage applies. Contact Marsh to discuss your specific requirements and for further information.

Marsh can help

For pandemic risk preparedness and business continuity management (BCM) advice and solutions, please contact Marsh Risk Consulting. To understand the potential insurance impact from Swine Flu, please contact a Marsh representative in your country.

You should also monitor developments via the World Health Organisation website (www.who.int) and your local health authorities.

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