

# Pandemic Insurance Program Options

## Issue: A Global Pandemic

The current outbreak of Influenza A (H1N1) has sparked fears of the potentially devastating human and economic consequences that may follow a global pandemic.

Businesses worldwide braced for significant disruptions to their normal way of operating and governments implemented advisories limiting travel and trade. Precaution was paramount as the World Health Organization (WHO) on June 11, 2009, raised its alert to Phase 6—the highest level—which indicates that “a global pandemic is under way.” This action reflected the spread of the virus to different countries in various regions.

As more information became known and the threat became real, the H1N1 outbreak and the resulting public health response brought to the forefront the fact diseases, including influenza, can and may be spread globally. The interconnected global economy makes containing a contagious disease especially difficult and this has amplified the public health concern.

## Standalone Pandemic Options

There are few insurers that currently offer standalone pandemic insurance coverage options to trans-

fer non-physical losses. Coverage is expensive, typically includes significant attachment points, and clients are likely to be required to participate in coinsurance. Pricing of a pandemic product is driven by modeling, which can also be used to set parameters for deductibles. Client-specific inputs results in varying price and attachment points.

Most standalone pandemic policies include a public health trigger, usually requiring the WHO alert to reach level 5 or 6. For the H1N1 virus or associated variants, insurers are reluctant to consider inquiries for coverage because the alert is currently at phase 6 for this virus.

On the following page is a summary of key insurance product options.

## Measuring the Impact of a Pandemic on Your Business

In addition to the human toll, reduced demand for goods, services, raw materials, and disruptions in the supply chain of a company are possible side effects of a pandemic.

Marsh's Risk Consulting Practice can work with you to identify risk and limit its impact. Planning solutions include business continuity; claims consulting; clinical health care consulting; reputational risk and crisis management; modeling, analysis, and design; and supply chain risk



management.

## Property Insurance Market Response

Under standard property policies, physical damage is necessary to trigger an actual loss. Insurers will likely contend that contamination of premises by the virus is not physical damage—and are even more likely to assert that possible contamination is specifically excluded through a “contamination” exclusion.

Please read Marsh's Property Practice white paper titled [“Influenza A \(H1N1\)—Business Interruption and Time Element Coverage Considerations,”](#) which reviews various coverage aspects under a property policy.

The Property and Supply Chain Risk Management Practices offers a customized supply chain prod-

uct, Global Supply Secure<sup>SM</sup> (GSS) that includes pandemic coverage as a covered event. Specifically, GSS includes coverage for a WHO-declared phase 5 pandemic and a declared public health emergency by an authorized in-country government official. The policy will respond for the business interruption loss that results due to the interruption in the supply chain as the result of a covered event.

To access Marsh's pandemic

resources or to learn more about Global Supply Secure please visit Marsh's Pandemic Update Center at: <http://global.marsh.com/risk/pandemic/index.php>.

## Be Prepared

Given the unpredictable nature of the pandemic threat, we can work with clients to help them better prepare their organizations, learn about the extent of their pandemic exposures, and structure a solution to fit

their individual needs.

Please contact your local Marsh representative or the Property Specialized Risk Group for more information.

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Market	Is Standalone Product Available?	Max. Capacity	Rate Range	Attachment Point	Policy Form	Trigger	Territory	Target Industry
Berkshire Hathaway	Yes	\$50M to \$250M	5% to 10% ROL	2-4 week waiting period (Qualifier)	Broker manuscript form	WHO Level 3 to 6	Global	No restrictions Prefer health care and education
Catlin Insurance Company Bermuda Limited	Yes	\$25M	6% to 15% ROL	Varies (e.g. 110% to 125% of expected losses)	Broker manuscript form	WHO Level 6	Global	No restrictions Prefer industries that can be modeled
Lexington Insurance Company	No—Endorsement to property policy	\$25M	1% to 10% ROL	No deductible. Quota share of 10% (min.) required	Endorsement to property form or broker manuscript form	Any declared public health emergency	USA/Canada	Health care only
Munich Re/MARP	Yes	\$50M	6% to 7% ROL	Varies Client Specific	Company form or broker manuscript form	Varies (e.g. lost revenue, lost liquidity)	Global	No restrictions
Montpelier Re	Yes	\$5M to \$25M	4% to 10% ROL	Varies Client Specific	Broker manuscript form	WHO Level 6	Global	No restrictions

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