



Coverage for Pandemics and Other Natural Phenomena | *Indemnity and/or Parametric-Based Coverage Triggers*

April 21, 2020

Updated 4-30-20

Why was this coverage developed?

Epidemic outbreaks are becoming more frequent and severe and this trend is expected to continue. The current Coronavirus (COVID-19) pandemic is exposing potential gaps in coverage which could result in trillions of dollars of uninsured losses, such as business income. As these unprecedented times continue to unfold and the impact of Covid-19 is fully understood, a pandemic product that addresses these unique risks is top of mind for many businesses. A market has been developed to provide capacity for these gaps in coverage resulting from future pandemic events and subsequent non-physical damage business interruption losses stemming from governmental imposed shutdowns and other mandated actions.

- Loss of revenue stemming from business interrupting events such as the current Coronavirus (COVID-19) can significantly impact a client's earnings as it relates to direct loss, business interruption and contingent business interruption.
 - The ongoing pandemic has illustrated the potential gaps in traditional indemnity-based coverage that exist, particularly business interruption losses caused by mandatory shutdowns of business operations by the insured and/or their upstream and downstream suppliers. This has resulted in significant uninsured business interruption losses that require some degree of physical damage.
 - A market has been developed to provide coverage specifically for loss of earnings as a result of future pandemic crises similar to the COVID-19 outbreak we are experiencing globally. Disease outbreaks which have already occurred would not be covered prospectively.
 - Insurance capacity is available on **both** a traditional indemnity-based or a parametric-based trigger. The coverage trigger selected will ultimately be based on various criteria including price, retention level and limits offered.

- **Target Sectors**

The market is currently focusing on the middle market to larger fortune 1000 corporations in the following industries:

- Hospitality/travel/tourism business (including hotels, restaurants, cruise lines, amusement parks, event organizers, sport leagues, performing arts, museums)
- Manufacturing
- Retail/Wholesale
- Mining

Candidates in other industries will be evaluated in the next few months including, but not limited to:

- Real Estate
 - Trucking
 - Construction
 - Financial institutions
 - Hospitals and other medical providers
 - State governments and municipalities
- **Limits, Retention and Premium Levels**
- Limits of liability are to be tailored to the client's needs depending on level of balance sheet protection required. Requested limits average from \$5MM to \$50MM, however, market has the ability to quote up to \$100MM+ on a case by case basis. Current capacity is coming mainly from Munich Re, which needs to monitor its aggregate capacity geographically and by industry.
 - \$50,000 in crisis management costs will also be part of the limits provided.
 - Retention levels will vary from insured to insured but likely to be at least 10% of the limit.
 - Premium levels vary by limit and retention level purchased but realistic minimum premiums levels would be ~\$250K.
 - More standardized solutions for small and medium sized enterprises will be rolled out in the near future.

Please contact your USI broker for more information or visit www.USI.com.

Helpful Resources

To help clients navigate these challenging times USI has implemented a **STEER** (Steer Through Epidemic & Economic Recovery) **Task Force**. This cross-functional team is working to provide timely COVID-19 information, understand cross-industry and geography impact and evolving responses, and to develop and deliver tailored solutions to help clients **steer** through this epidemic challenge and economic recovery.

For additional resources, tools, information, and links, please visit our COVID-19 resource page: www.usi.com/public-health-emergencies.

