

## **What was best practice for risk and insurance protection against “pandemic” in 2019?**

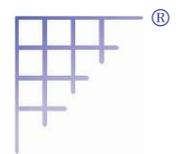
We all long for life to “return to normal”. Politicians talk about a “new normal”, but what did “old normal” look like? Concordia looks back to 2019 and assesses where we were before “Lady Covid” cast her deadly shadow over us.

Best practice, if we can call it that, appears to have been a case of “ignore it and it may go away”. Limited positive action was taken, the risk of a pandemic was not high on anyone’s agenda, and preparation was inconsistent and inadequate.

In 2019, before most of us had heard of Wuhan, was the insurance market attuned to the risk of a global virus outbreak? Was it a risk for insurers or was it one for governments to address? It is illuminating to look back and review the public’s perception of risk and the views of buyers and sellers of protections.

Our retrospective focuses on three main factors:

- the inadequacies of the preparations by countries around the world,
- the reports and surveys on risks in general and pandemics in particular, and
- the awareness of pandemics and contagious diseases by insurance buyers (directors and risk managers), brokers and insurers.

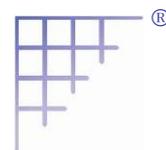


On 11<sup>th</sup> March 2020, the World Health Organization (WHO) declared the Novel Coronavirus disease outbreak a pandemic. Since its origin in Wuhan City in China, in December 2019, the disease has spread globally, with more than 3.5 million confirmed cases.

The world economies and stock markets feel the impact of the unprecedented measures taken to contain the virus. Of greater importance is the human element; the fear of job losses and, even worse, of health concerns and the risk of dying.

Although Coronavirus is not the world's first or recent pandemic (others include SARS in 2003 and H5N1 "bird flu" in 2012), few earlier crises in our lifetime have had such an impact in terms of human lives and financial losses. The level of unpreparedness was covered in the [Global Preparedness Monitoring Board \(GPMB\) Report](#) issued in October 2019. The Report warned of the disastrous financial consequences of a global pandemic.

How did insurance sellers, buyers and advisers respond in those pre-Covid days? Pre-Coronavirus reports from expert groups and governmental bodies world-wide had a recurring theme: the lack of preparedness. For example, [International Health Regulations \(IHR\)](#), signed in 2005 by nearly 200 countries, provided 11 clear targets to help countries create systems able to prevent, detect and respond to health threats.

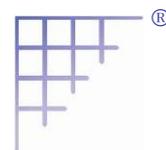


In October 2016, [Exercise Cygnus](#) was a simulation carried out by NHS England to estimate the impact of a hypothetical H2N2 influenza pandemic on the UK. The exercise showed that the pandemic would cause the country's health system to collapse from a lack of resources. The full results of the exercise, however, remain classified. Despite the failings exposed by Cygnus in 2016, the government's planning for a future pandemic did not change. Plans were tested and failed, but up to 2019 none were rewritten or revised.

Furthermore, in October 2019, the report of [Global Preparedness Monitoring Board](#), (GPMB) in an insight into global health security, revealed the problems facing many countries, including the highest-ranking nations.

In the insurance sector, [Aon's 2019 Global Risk Management Survey](#) involving responses from 60 countries, produced a list of the Top 15 risks. The survey placed "Economic slowdown/slow recovery" at No. 1 on the list, but without reference to a global pandemic as its cause. "Pandemic risk/health crises" did not make the "Top 15" but did make an appearance - at No. 60.

A look at the [2019 "Allianz Risk Barometer"](#) reveals that "Health issues/pandemic outbreak" just about made the list of Top Risks – placed 16 out of 17 with a score of just 3% after responses from risk management experts in over 80 countries.



Despite earlier outbreaks and publication of the report on the risks by the GPMB, a global pandemic did not feature highly as a risk when reviewing prudent coverage requirements. Did the insurance buyers, brokers and insurers discuss such a risk when talking with clients? Were regulators providing guidance and advice, and assessing resilience? Placement files will come under scrutiny as insurers, policyholders, boards of directors, and risk managers consider their position in the face of substantial financial losses.

To conclude, a look back over the last few years gives a somewhat disappointing view of the “best practice” that was in place. Governments, Health Services, Insurance Buyers, their Advisers, and Insurers did not prepare or protect to the extent that the available advice in 2019 recommended.

The level of awareness was low, clearly written pandemic insurance products were not available or not marketed, and all concerned appear to have placed a lower priority on preparation and protection (e.g. insurance). Shareholders and auditors may question how they missed the signs of how damaging a pandemic could be to organizations. Here we are now, in 2020, and we can see, all too clearly, what was required in 2019.

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