

COVID-19 Risk Management:

5 key questions your organization needs to answer

Have you reviewed your exposures?

If your company has not undertaken a pandemic risk assessment it should make this a priority. The source of exposure as a result of the coronavirus can be far-reaching – from employee health, to supply chain disruption, to rapidly changing government advice or regulation. Companies must understand the main scenarios that could most impact them and invest in appropriate control and response measures that reflect the exposure.

[Checklist: planning for the impact of a pandemic](#)

Have you reviewed your policy for coverages?

If you are likely to depend on insurance as a part of your coronavirus risk management strategy, it is strongly recommended that you seek professional advice on whether current policies will provide coverage, and where. This is a complex insurance issue. No physical loss is likely to mean that a traditional PDBI policy provides little or no cover, even if a site is inoperable due to health concerns. Companies overlooking the advice of authorities around travel restrictions may face similar challenges. Companies that are most exposed to pandemics, such as those in the travel or leisure industries, have for some time explored complex parametric solutions in order to help finance the risk. It is therefore unlikely that traditional insurance will provide all the answers.

[Property and coronavirus: is my business covered?](#) and [Is disinfection coverage available for coronavirus under environmental insurance policies?](#)

Have you reviewed and tested your Business Continuity Management plans?

Even companies that have made significant investments in their business continuity should review and test these in light of a potential pandemic. The coronavirus presents a potentially different threat event – impacting a business in numerous concurrent ways and potentially limiting options around recovery if other businesses are also affected, or there are logistical limitations. Companies should continue to think of business continuity as a phased response –

short term emergency response (to limit impact on the health of employees or the public), crisis management (to ensure key stakeholders retain confidence in the ongoing viability of the company) and business recovery (enabling the most important, value generating parts of the company to recover, as quickly as possible).

[What can you do to protect your organization against the threat of infectious disease?](#)

Have you considered the implications to supply chain and have you identified other suppliers?

As an extension of a pandemic risk assessment, companies must move quickly to understand the potential impact on their supply chain from a growing coronavirus threat. It is important to think widely on the issue; is there exposure in the second or third tier of your supply chain, not just your immediate suppliers? Does the risk present itself, not just in the availability of materials, but in sourcing, logistics or even impact on short-term consumer sentiment, where products have been sourced from an impacted region? How well risk managed are you – do you have a plan B for your most critical, strategic suppliers? Do your contracts protect you from liability to your customers, or could your suppliers point to force majeure clauses in their contracts with you?

[Protecting your supply chain against the threat of infectious disease](#)

Have you activated your plans?

If you are not activating your plans in some way today, do you understand the triggers or risk indicators that would cause you to do so? The coronavirus needs to be treated as both a health risk issue and a business risk one. It is important that an assessment of the risk is provided by a suitably broad range of professional advisers, including Health and Safety professionals, who will be able to ensure that appropriate action is being taken by the company to mitigate the impact of the virus on your business.

[Coronavirus communication plan: what to say to employees and external stakeholders](#) and [Keys to success in managing a Black Swan event](#)

Contacts:

EMEA

Richard Waterer
+44 (0)207 0863263
richard.waterer@aon.co.uk

Djuo Leideritz
+311 044 883 18
d.leideritz@cot.nl

UK

**Dr Grant Foster, CEng
MIET MIRM**
+44 (0)207 0860300
grant.foster@aon.co.uk

US

Jill Dalton
+1 212 441 2136
jill.dalton@aon.com

Tony Adame
+1 949 823 7202
tony.adame@aon.com

APAC

Rob Cusack
+61 292 538 317
rob.cusack@aon.com

For further information on the issues covered by this article, please contact an Aon representative from your region.

Background

In January 2020, the Chinese government acknowledged that a new virus, first reported in the city of Wuhan, was spreading from human to human. Since that time, coronavirus – officially called COVID-19 (formerly 2019-nCoV acute respiratory disease or 2019-nCoV) – has spread to almost 50 countries, and tens of thousands of people, mostly in China, have contracted it. This event has disrupted business and travel and challenged governments and public health experts seeking to contain a potential pandemic.

By the beginning of February, according to the World Health Organization (WHO), [the number of confirmed and suspected COVID-19 cases in China was approaching 20,000](#). Approximately 2 percent of patients with confirmed cases of COVID-19 have died, making the number of deaths attributable to this new disease more than those from the severe acute respiratory (SARS) outbreak of 2002–03.

On January 30, WHO declared the disease, which causes mild to severe respiratory symptoms, [a global health emergency](#).

For both businesses and governments, combating a pandemic threat such as COVID-19 requires acting quickly and cooperatively. Infectious disease outbreaks like COVID-19 have two primary impacts on organizations:

- **Operations:** Outbreaks can affect business continuity management, cause supply chain and business interruptions, demand effective crisis communications, test risk transfer strategies, cause losses and have a negative impact on business due to associated economic slowdowns. For example, [businesses reliant on parts and materials from China](#) are already confronting the threat of supply chain disruptions.
- **People:** Organizations can experience the impacts of a disease outbreak in areas such as absenteeism, return-to-work issues, succession planning, employee communications and employee benefits.

In the face of such a health emergency, governments can respond by suddenly imposing strict quarantine measures, such as the cordon around Wuhan. These responses can cause business interruptions and force organizations to slow operations or even cease them altogether.

The impacts of a global disease outbreak can be particularly severe for organizations lacking adequate communicable-illness policies and response plans. The COVID-19 crisis highlights how organizations must update and expand their crisis management and business continuity plans with an emphasis on employees, customers, supply chain contacts, stakeholders and business assets.

Please note this document does not contain an exhaustive list of considerations. There are many interconnected risks associated with coronavirus and pandemics. To learn more about some of these risks, click the links below:

Further reading

- [How does COVID-19 differ from pandemic flu?](#)
- [What are the cyber risk implications of the coronavirus outbreak?](#)
- [Novel Coronavirus: How Organizations Can Reduce Pandemic Risk](#)

Contacts:

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Richard Waterer
+44 (0)207 0863263
richard.waterer@aon.co.uk

Djuro Leideritz
+311 044 883 18
d.leideritz@cot.nl

UK

Dr Grant Foster, CEng MIET MIRM
+44 (0)207 0860300
grant.foster@aon.co.uk

US

Jill Dalton
+1 212 441 2136
jill.dalton@aon.com

Tony Adame
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