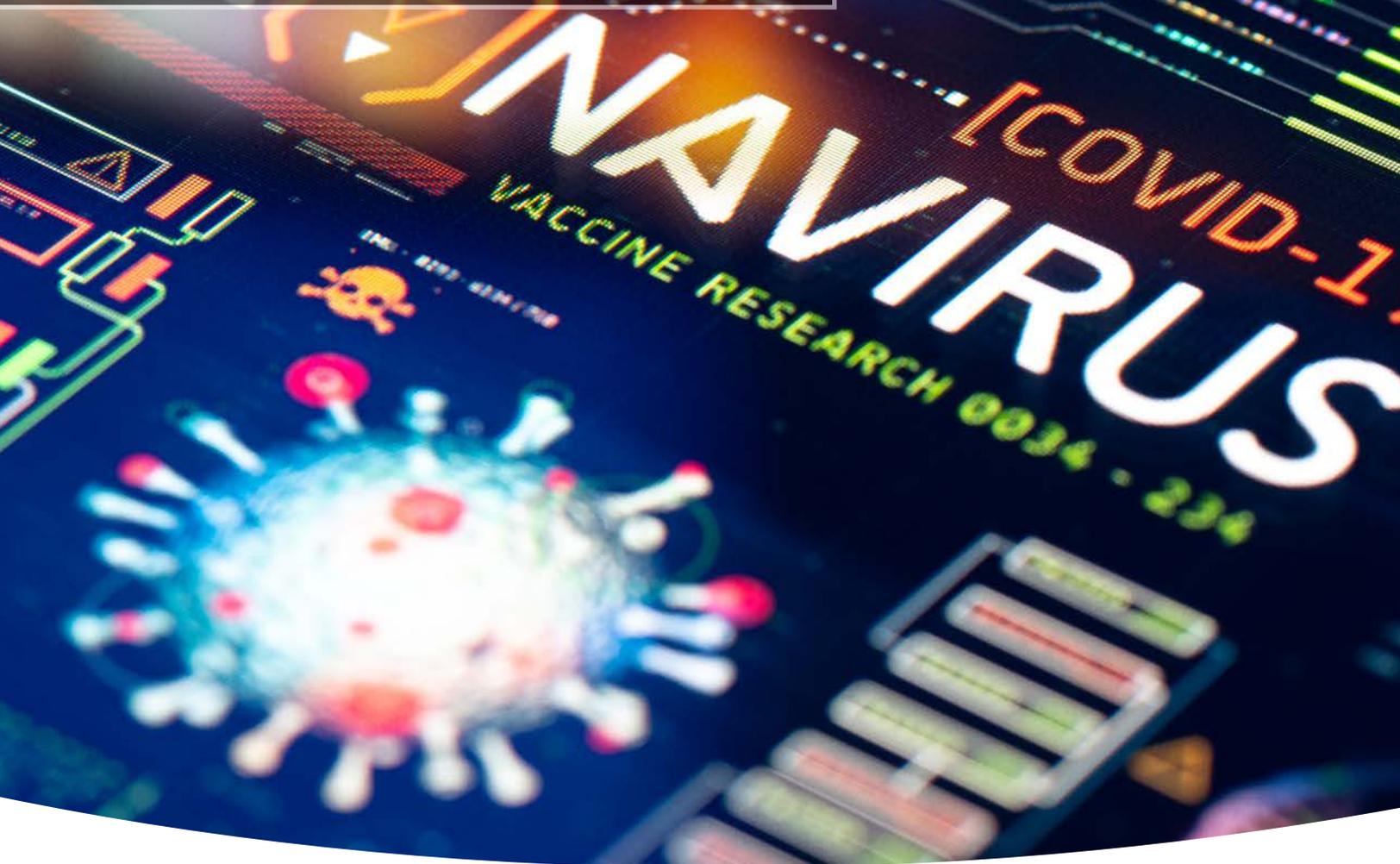
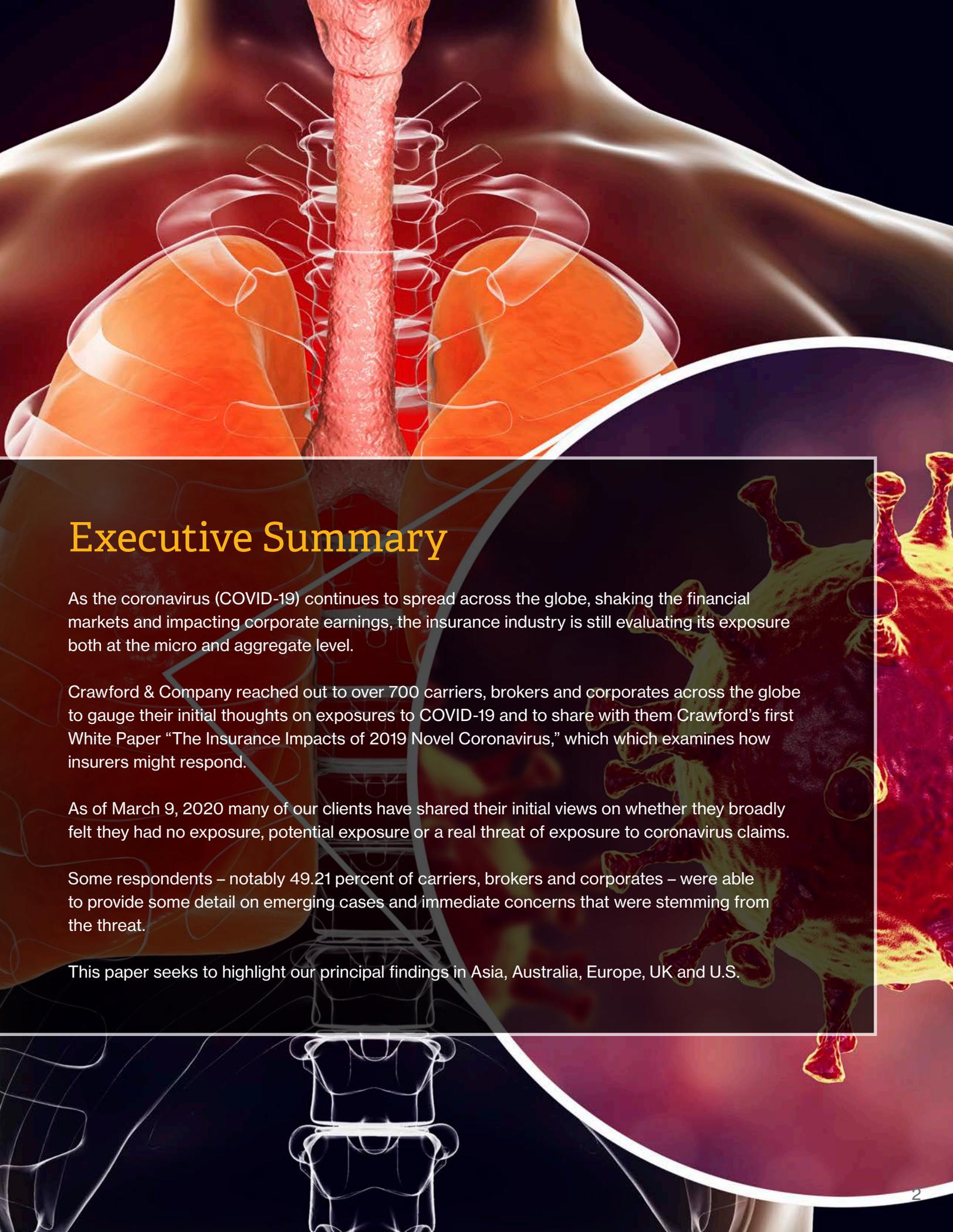


Crawford's novel coronavirus survey and its impacts

March 11, 2020





Executive Summary

As the coronavirus (COVID-19) continues to spread across the globe, shaking the financial markets and impacting corporate earnings, the insurance industry is still evaluating its exposure both at the micro and aggregate level.

Crawford & Company reached out to over 700 carriers, brokers and corporates across the globe to gauge their initial thoughts on exposures to COVID-19 and to share with them Crawford's first White Paper "The Insurance Impacts of 2019 Novel Coronavirus," which examines how insurers might respond.

As of March 9, 2020 many of our clients have shared their initial views on whether they broadly felt they had no exposure, potential exposure or a real threat of exposure to coronavirus claims.

Some respondents – notably 49.21 percent of carriers, brokers and corporates – were able to provide some detail on emerging cases and immediate concerns that were stemming from the threat.

This paper seeks to highlight our principal findings in Asia, Australia, Europe, UK and U.S.

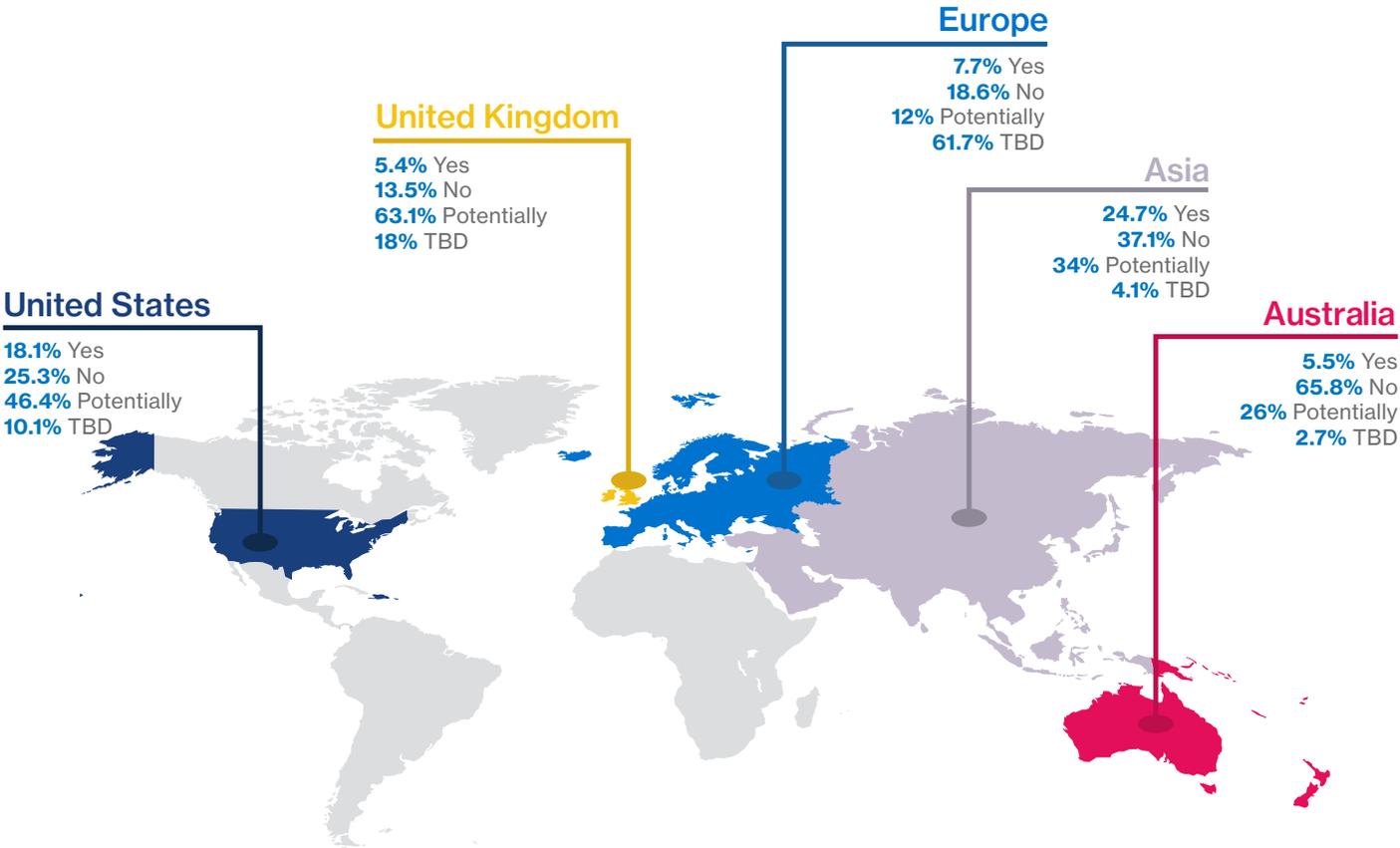
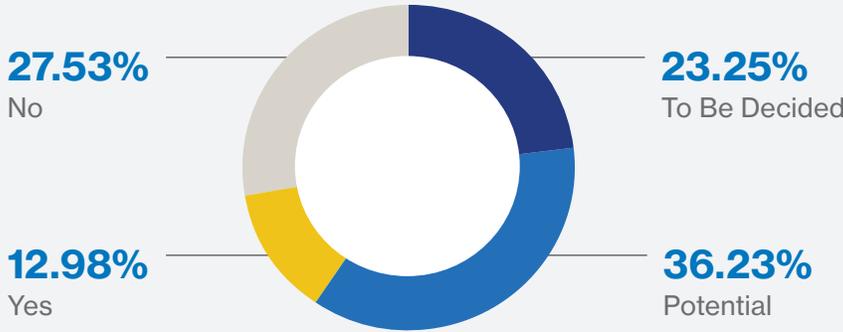
Global Findings – The Picture

Aggregated global responses to the question: “Are you exposed to insurance risk exposure from COVID-19?” shows that circa **50 percent** of the sample size believe they are exposed (financial impact arising from COVID-19) or have the potential to be exposed to the coronavirus (COVID-19). Those that have not yet responded are classified as “to be determined,” and this reflects continued evaluation within our markets.



Q. Are you exposed to insurance risk from the coronavirus?

Global responses



The Regional Viewpoint

ASIA

The Asia survey highlights are:

24.7% surveyed believe they ARE exposed to a coronavirus claim

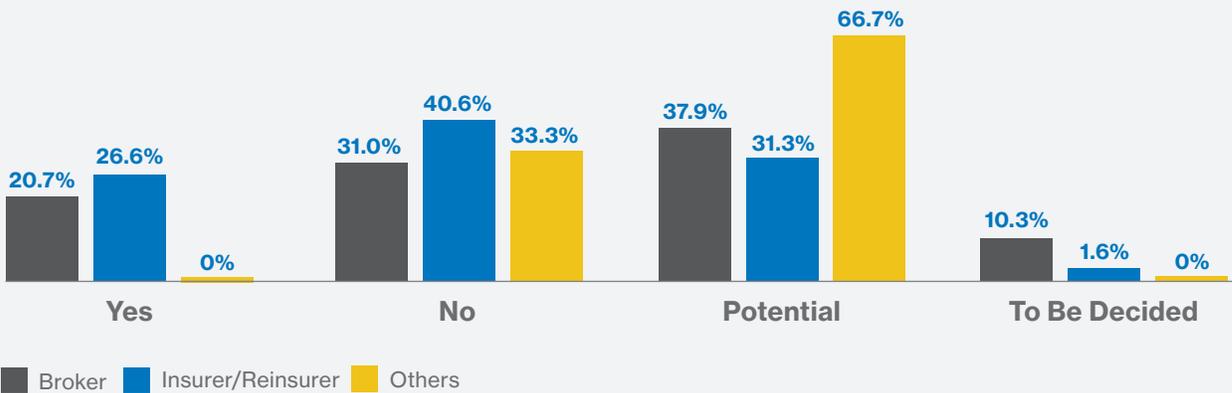
37.1% surveyed believe they are NOT exposed to a coronavirus claim

34.0% surveyed believe they are POTENTIALLY exposed to a coronavirus claim

The chart below shows again the headline data but also the source of the data by company type.

Q. Are you exposed to insurance risk from the coronavirus?

Asia Total Responses



The extent of market exposure is still being modelled in Asia. Most property policies in Asia exclude infectious disease and available extensions routinely require the disease, as a condition, to be present at the premises. Some of the largest losses will be incurred by the Macau gaming industry, with the Macau Authorities ordering the closure of all gaming venues as of February 5, 2020 for a period of 15 days.

Carriers have responded that they are experiencing a large number of travel claims and a large carrier in Hong Kong has received workers compensation claims for cross-border workers in mainland China.

With travel bans and corporate restrictions imposed, the hospitality sector will be significantly impacted. Carriers and brokers are receiving a large number of inquiries, and we have assisted with the review of numerous policy wordings. We maintain our view that policy conditions and exclusions will be predominant.

China being under lockdown and the shutdown of businesses beyond the Lunar New Year will also give rise to supply chain disruption. Business continuity plans are being activated to reduce impact. Risk managers are under pressure to demonstrate the efficacy of these plans.



AUSTRALIA

The survey highlights in Australia are:

5.5% surveyed believe they ARE exposed to a coronavirus claim

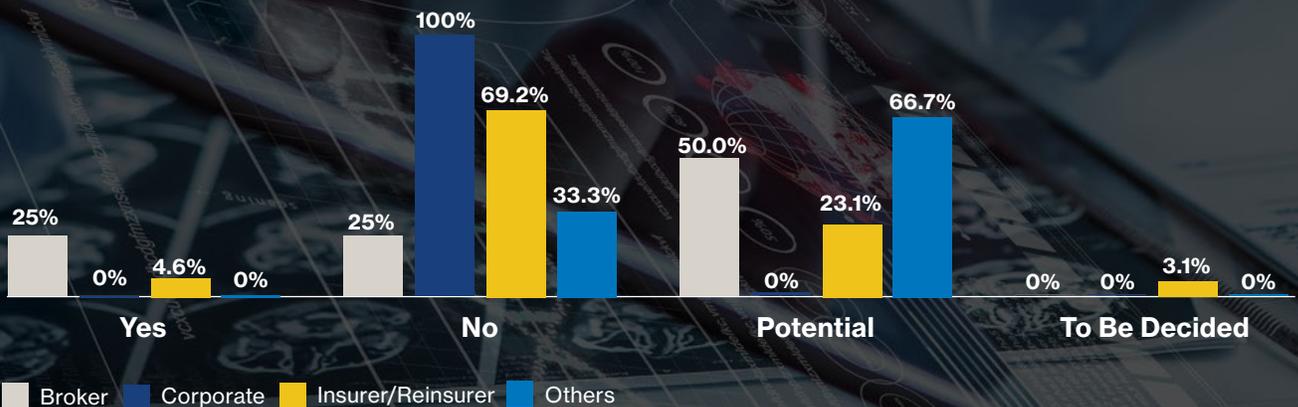
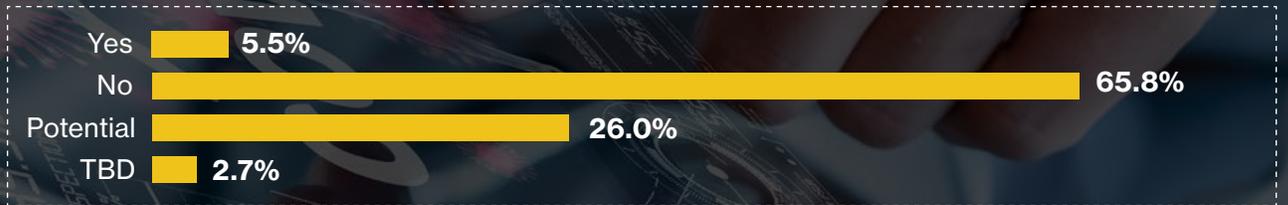
65.8% surveyed believe they are NOT exposed to a coronavirus claim

26.0% surveyed believe they are POTENTIALLY exposed to a coronavirus claim

The chart below shows again the headline data but also the source of the data by company type.

Q. Are you exposed to insurance risk from the coronavirus?

Australia Total Responses



“The impact in Australia is largely still being determined but the overwhelming view of carriers and brokers is that the majority of claims will not be covered.”

The Carrier View

Carriers have only received a small number of Industrial Special Risks (ISR) and package policy claims to date, and these are being thoroughly investigated for coverage on their respective merits. Some carriers have one or two claims under consideration, including cancelled entertainment events.

Additionally, there is some question of cover under certain ISR extension clauses for the inability to import manufacturing parts from China. Whilst there are few ISR and package policy claims, carriers have advised that they are experiencing a large number of travel cancellation claims as Australian residents cancel holidays in Asian destinations.

The Broker View

As noted above, the brokers are reporting a number of inquiries regarding the potential of policy cover, but there have been very few claims. Where claims have been presented, they are being thoroughly investigated for coverage on their respective merits.

The Corporate View

At present corporates are evaluating the impact of the coronavirus with many testing their business continuity plans. It is apparent that given Australia's reliance on imported goods from China and that production in China has been reduced in many sectors, corporates are discussing the possibility of cover for business interruption through the suppliers' inability to meet demand. The large national brokers have received inquiries regarding policy cover, but few claims have been presented. Brokers believe that there is no cover in most cases.

General Comments

The impact in Australia is still largely being determined, but the overwhelming view of carriers and brokers is that the majority of claims will not be covered. Given the potential severity of impact on local industries, especially those reliant on imports from China, the question of policy coverage may well be challenged.

EUROPE

The survey highlights of Europe are:

7.7% surveyed believe they ARE exposed to a coronavirus claim

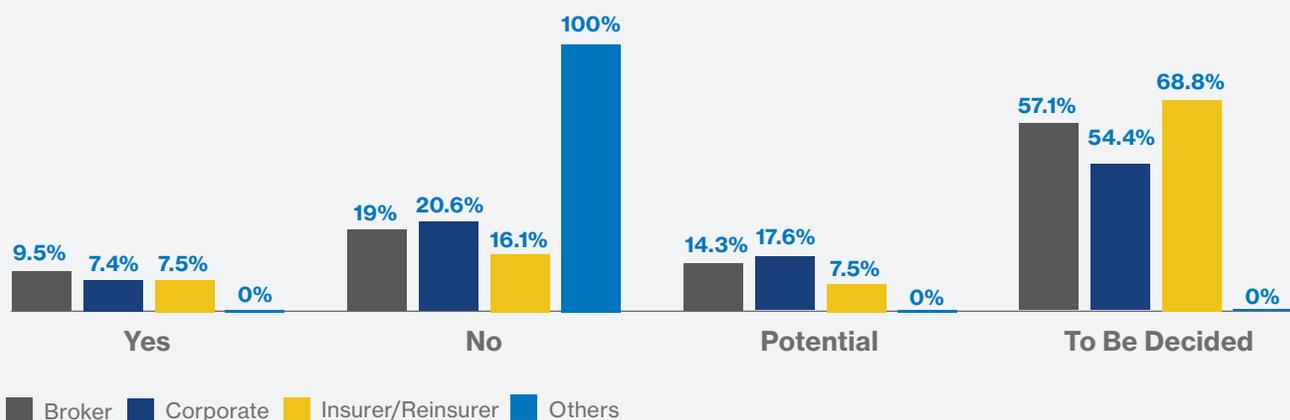
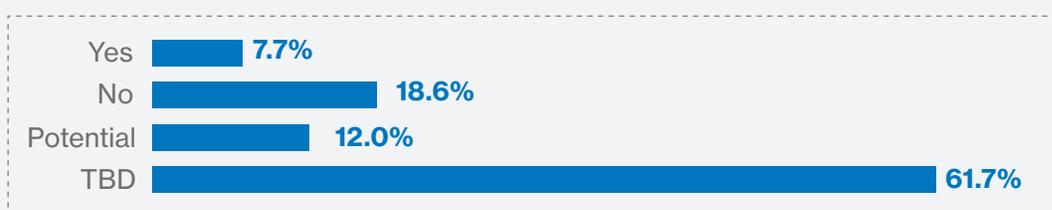
18.6% surveyed believe they are NOT exposed to a coronavirus claim

12.0% surveyed believe they are POTENTIALLY exposed to a coronavirus claim

At present, the majority of surveyed respondents are continuing to evaluate and understand their potential exposures. Fewer respondents have indicated that they do not have or foresee any exposures at this stage. The collective view from Europe can be summarized as follows:

Q. Are you exposed to insurance risk from the coronavirus?

Europe Total Responses



The Carrier View

The majority of carriers (68.8 percent) are still reviewing the situation and evaluating their position. Some indicate that coverages have been provided to large multinationals as part of a Master policy program.

7.5 percent of carriers have indicated potential exposure, while 16.1 percent have indicated a clear no exposure or coverages in play.

The Broker View

23.8 percent of European brokers are currently reviewing their clients' policy conditions and coverages. The principal view is that many corporates will not have coverage in place. However, by exception, the view from global broking houses appears to be that some multinational corporates may have some coverage in place.

The Corporate View

The feedback from the corporate respondents is divided into two main categories: companies with a global presence and those with local in-country operations. The latter appear to be more confident about their potential exposures. Global and multinational corporations, however, are very much

concerned about real or potential exposure at present, with emphasis on supply chain disruption and contingent business interruption. We have also identified that numerous respondents do not have a policy that covers the current disruption.



United States

The United States survey highlights:

18.1% surveyed believe they ARE exposed to a coronavirus claim

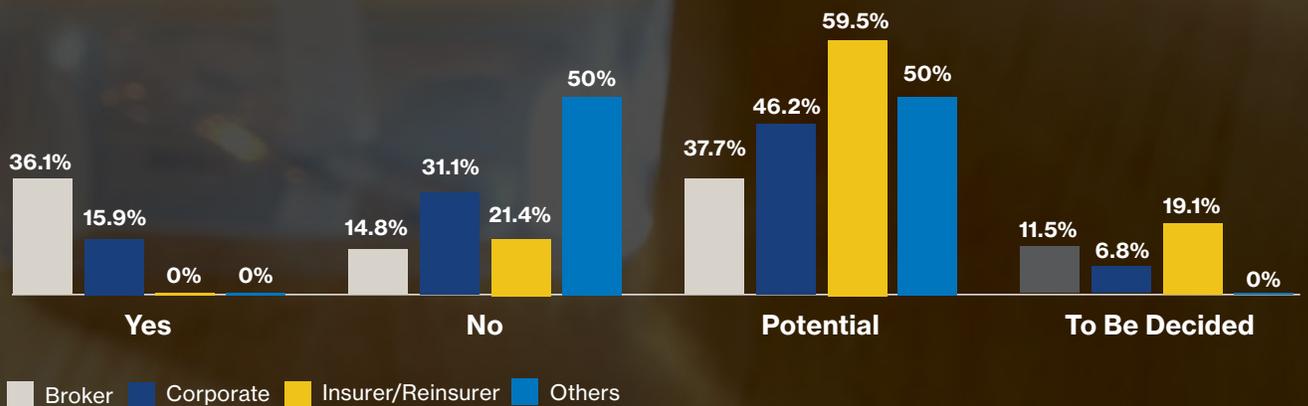
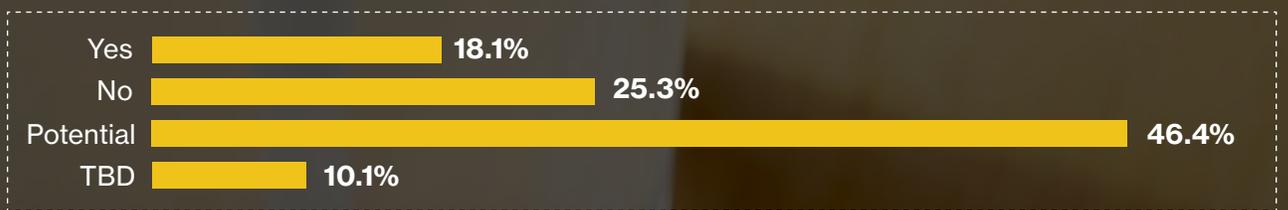
25.3% surveyed believe they are NOT exposed to a coronavirus claim

46.4% surveyed believe they are POTENTIALLY exposed to a coronavirus claim

Most survey respondents are continuing to evaluate impact. The responses have, however, indicated the possible extent of exposure as follows:

Q. Are you exposed to insurance risk from the coronavirus?

U.S. Total Responses



“The majority of corporates that indicated a potential exposure have all or most their operations in the U.S. and are concerned about the spread of coronavirus within the U.S.”

60 percent of carriers who responded have indicated potential exposure with many advising that the situation was fluid and that they were still evaluating.

66 percent of surveyed broker contacts have been categorized as U.S. based global and larger national brokers. Their responses spanned all of our response categories, being a reflection of their client portfolios. Those broker contacts indicating a ‘No’ impact were largely focused on U.S.-based accounts only or were primarily specialty, wholesaler, or medium-sized national and local brokers.

The picture for corporates is as below:

16% of corporate contacts indicated they do have exposures.

48% of those indicating exposure advised that they are still evaluating the degree of exposure and current impact.

8% advised that they have direct exposure with physical locations or employees in Asia (primarily China), travel or ship to this region regularly.

16% advised potential exposure specific to supply chain disruption.

The majority of corporates that indicated a potential exposure have all or most of their operations in the U.S. and are concerned specifically about the spread of within the U.S.

Many of the corporates surveyed are retailers that sell goods manufactured in China. At least one retailer indicated no exposure has ceased importing goods from specific countries as a precaution.

Questions have also been raised as to whether workers compensation would be applicable should the virus become prevalent in the U.S., particularly for clients where exposure potential may be high, such as first responders or healthcare workers. At least two public entities have expressed concern about the potential spread of in the U.S. and the impact this would have on their ability to deliver mission-critical functions such as public safety / first responders, human services and corrections. Please refer to Crawford & Company’s second white paper, “The Workers Compensation Impacts of 2019 coronavirus”.

United Kingdom

The macro view from carriers, brokers and corporates in the UK is that insured exposure is currently minimal, but the situation remains fluid as the market is evaluating whether and to what extent coverage exists. We anticipate the London Market to be most impacted in the contingency / cancellation segment, with complex extension and conditions potentially being tested.

The extent of the available cover is being stress-tested and the situation may lead to period of discussions about the true value of certain policies following the outbreak.

The UK survey highlights are:

5.4% surveyed believe they ARE exposed to a coronavirus claim

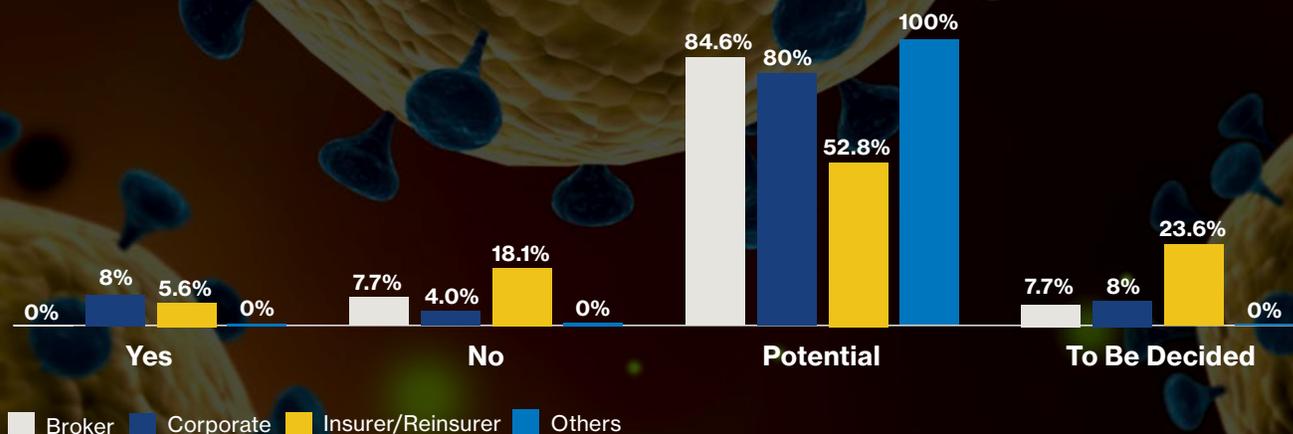
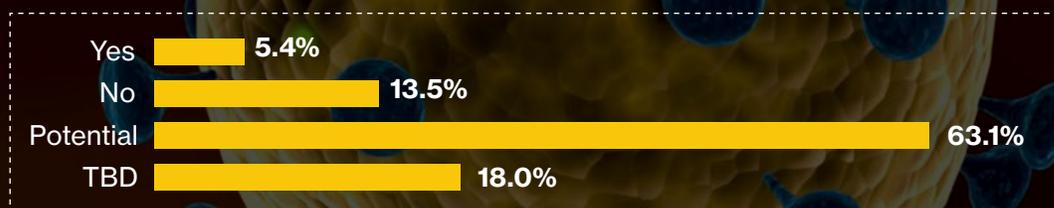
13.5% surveyed believe they are NOT exposed to a coronavirus claim

63.1% surveyed believe they are POTENTIALLY exposed to a coronavirus claim

The chart below shows the headline data but also the source of the data by company type.

Q. Are you exposed to insurance risk from the coronavirus?

U.K. Total Responses



The Carrier View

The overall market view at this stage is that the majority of the losses will not be covered due to the non-physical nature of the exposure faced by insureds. Carriers have also learned from past outbreaks such as SARS and Ebola and have subsequently introduced a range of exclusions / conditions to curtail their potential exposure.

For example, in addition to standard 'Communicable Disease' exclusions, some carriers have introduced specific exclusions, removing the cover for any viral and/or bacterial infections and even introducing pneumonia-specific exclusions. Furthermore, some carriers are already taking steps to exclude coronavirus as part of renewal discussions and when evaluating event-specific cancellation submissions.

However, there is still the potential for a broader exposure to carriers, depending on whether coverage wording is their manuscript or if they are a follow market or a reinsurer, without these constraints to cover.

The Broker View

7.7 percent of brokers surveyed are reporting an increased number of inquiries and are actively evaluating potential cover, but so far this has translated into few covered losses. The situation at the moment is perceived as similar to the SARS outbreak in 2002-2003. This, of course, may change if the outbreak continues to expand and results in Government imposed closures and coronavirus classification as a 'Notifiable Disease' by more and more countries across the globe.

The Corporate View

At present, global corporates are modelling the potential extent of loss and critically stress-testing their insurance programmes and business continuity plans. There is active broker involvement in this respect, and Crawford has been similarly engaged.

Crawford's major and complex loss preparation methodology is applicable and available to our clients. Many are also focused on reviewing the business continuity plans of their own suppliers and service

providers to ensure best sustainability and mitigation to risk.

Contingency Markets

So far, the biggest exposure seen in the market is in the contingency / event cancellation space. As the disease spreads geographically, many venues may be compelled to shut down or postpone events. In most cases, cover within these contingency policies will be dependent on a 'Notifiable or Communicable Disease' clause. However, in most cases the cover only applies once the disease has been classified as notifiable by a government authority.

In the UK, for example, the coronavirus is currently classified as a notifiable disease by Scotland only. Until the UK government follows, cover conditions relating to events in the rest of the UK territories will not apply. It is also worth noting that the cover will only apply from the date that the coronavirus is classified as a notifiable disease. If a cancellation occurs prior to the classification, the cover is unlikely to be backdated.

As the number of infection cases rises across the globe, more and more governments are moving to limit public events and large gatherings to help curtail the outbreak.

While Tokyo 2020 Olympics are still some months away, Prime Minister Shinzo Abe's speech, instructing schools to close and requesting large scale sports and cultural events to be canceled, postponed or scaled down, has alerted London Market contingency carriers who will be evaluating their potential exposure to the risk.

Liability

Insureds in certain industries, such as hospitality, entertainment venues and retail, may face the risk of liability for not taking "adequate" measures to protect the general public, their own and supplier employees to prevent the spread of the disease. In general, liability policies are expected to provide legal defense cover against such claims.

Multinational Programs

While exclusions, such as infectious diseases, are often standard on most master wordings, it is worth noting that in some instances, where local fronted

wordings are issued as part of a compliant global programme, the same exclusions and sub-limits may not always be replicated.

“There will continue to be implications for the wider economy for many months as countries and organizations seek to protect their people and navigate through this uncertain situation.”

Conclusion

The outbreak of coronavirus is continually evolving. The impact to the insurance sector arises primarily under business insurance policies (including contingency / event cancellation) providing coverage for infections at, or in close proximity to, the premises. Our survey highlights that the sectors most likely to be impacted are:

Hospitality – 26%

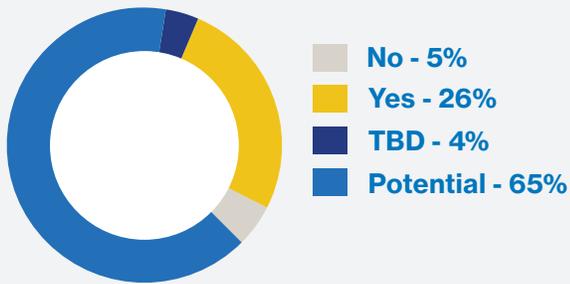
Retail – 31%

Manufacturing – 31%

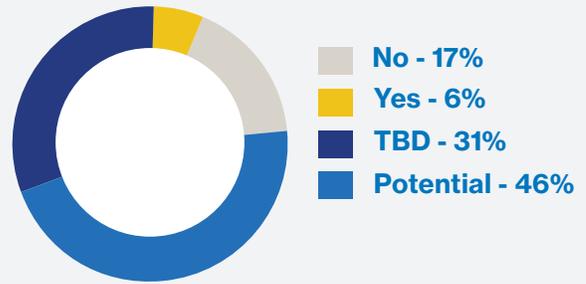
Some sectors are still monitoring the likely impact.



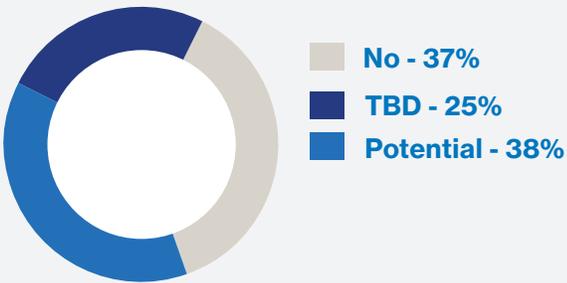
Corporate Sector
Hospitality



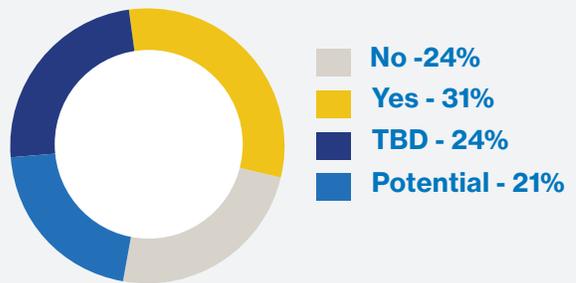
Corporate Sector
Manufacturing



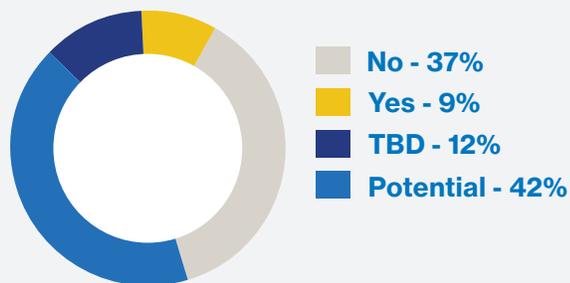
Corporate Sector
Travel



Corporate Sector
Retail



Corporate Sector
Other



In addition to the humanitarian challenge, there will continue to be implications for the wider economy, businesses and employment for many months as countries and organizations seek to protect their people and navigate through this uncertain situation.

About Crawford & Company®

For over 75 years, Crawford has solved the world's claims handling challenges and helped businesses keep their focus where it belongs – on people.



Loss
Adjusting



Third Party
Administration



Managed
Repair



Medical
Management



On-Demand
Services



Catastrophe
Response

9,000 employees | **50,000** field resources | **70** countries | **\$14B** annual claims managed