The COVID-19 outbreak is a rapidly evolving situation that presents both health and business risks on a global scale. As our clients work to respond to the pandemic and deploy Business Continuity Plans (BCP), Risk Strategies is monitoring developments worldwide. Our team of specialty risk advisors and brokers is prepared to help minimize the physical, financial and reputational losses that businesses might face as a result of the virus.

In addition to keeping workforces safe, our focus is on serving clients during this time by assessing their risks and analyzing coverage to determine if their losses are covered. As a national specialty insurance firm with experts in over two dozen practice areas, we benefit from deep subject matter expertise and access to markets. We’ve compiled this resource to identify the main risks and considerations across our practice areas and to present actionable solutions.
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While cyber risk is probably not top of mind when business leaders think through their Business Continuity Plan and response to the COVID-19 pandemic, it’s important to be aware of new threats that have come up in the wake of the virus. These concerns are secondary to public health and the safety but should be planned for and communicated to employees.

**COVID-19 Phishing Threat**

Many cyber criminals are being opportunistic and preying on the fears and curiosity around COVID-19. Cyber security experts have warned that in recent weeks they’ve seen a tremendous spike in the number of phishing emails related to COVID-19 enticing recipients to click on links or download attachments containing malware. Examples include emails doctored to look like a company’s purchase order for supplies like face masks, Clorox wipes and hand sanitizer, as well as messages manipulated to look like updates from governmental organizations like the World Health Organization.

Given the heightened focus and urgency around COVID-19, it’s important to remind employees to be diligent in ascertaining the legitimacy of email communications. Employees should alert the IT security team about suspicious emails or activity just as they would during normal times.

**COVID-19 Business Continuity Planning and Risk Transfer**

As many businesses begin their business continuity planning and consider the real possibility that a majority of their workforce may be telecommuting, it’s necessary to assess whether core systems and applications can support the increased load. Whether your organization has IT professionals internally or relies on outsourced managed service providers, Risk Strategies recommends involving the IT team in the business continuity planning. IT departments should test systems before implementing wide-scale telecommuting to ensure no loss in productivity.

We also recommended that you review your organization’s current cyber insurance policy to make sure that System Failure Business Interruption coverage is included. System Failure coverage provides reimbursement for any loss in net income and extra expense incurred due to an unplanned outage or degradation in bandwidth of your systems caused by an operational or administrative malfunction.

While the outage or decrease in bandwidth would have to have a discernable impact to your business and exceed at least eight hours in duration, it is likely that this type of event could trigger a well-structured cyber insurance policy. When reviewing your current policy, make sure there is no exclusion around communicable diseases or any language around requirements to maintain adequate bandwidth to sustain operations.
Health care organizations like hospitals are uniquely prepared to deal with the risks involved with infectious diseases. We anticipate that Property and Casualty (P&C) insurance portfolios for health care organizations should respond to the losses associated with COVID-19 in much the same way they have responded to other common communicable disease outbreaks in the past, such as SARS, Ebola and H1N1.

Large hospital systems have additional exposure in the wake of large-scale outbreaks because most have emergency protocols that convert them from normal operations to triage facilities. As a result, elective surgeries which are typically significant income generators may have to be canceled as part of emergency enablement.

Below are infectious disease risk management process and procedures that hospitals should implement in their COVID-19 response planning:

- Prevent the spread of respiratory diseases including COVID-19 within the facility
- Promptly identify and isolate patients with possible COVID-19
- Inform the correct facility staff and public health authorities
- Care for a limited number of patients with confirmed or suspected COVID-19 as part of routine operations
- Potentially care for a larger number of patients in the context of an escalating outbreak
- Monitor and manage any health care personnel that might be exposed to COVID-19
- Communicate effectively within the facility and plan for appropriate external communication related to COVID-19
COVID-19 is clearly an evolving exposure for educational institutions. Colleges and universities can face numerous losses from closures, declining enrollment, event cancellations, employee health issues and liability claims, among other exposures. Risk Strategies is diligently following this issue to ensure we provide our Higher Education and PreK-12 clients with up-to-date advice and guidance during these tumultuous times.

The following insurance policies could potentially be affected by COVID-19 claims for Higher Education institutions:

- Property & Business Interruption
- Commercial General Liability
- Workers’ Compensation
- Foreign DIC
- Environmental
- Educators Legal Liability
- Event Cancellation
- Malpractice Liability
- Student Health
- Employee Health
- Group Life Insurance
- Short- and Long-Term Disability
- Business, Travel and Accident
- Trip Interruption/Cancellation
- Foreign Emergency Medical

Additionally, many cities have contingency plans for major outbreaks that involve college and university facilities. For example, the University of Massachusetts Boston campus has been identified as a staging area for patient intake and treatment should the hospital systems become unable to manage incoming patient populations. If the state government decides to move forward with that sort of contingency plan, the campus will be essentially shut down and students will be sent home, resulting in further economic loss.

We encourage our clients to be aware of certain considerations for their upcoming renewals. First of all, consider increasing limits or adding infectious and communicable disease coverage to policies where applicable and available. Secondly, explore purchasing declining enrollment coverage for foreign students.

Since no two schools or insurance policies are exactly the same, general information will only go so far. Please contact your Risk Strategies team with any questions to ensure you have the correct answers and guidance for your institution. We will continue to send out periodic updates and add information to our website.

Below please find a list of federal and other resources applicable to Higher Education. Please be sure to check your state and local government resources for additional information.

**US Federal Government COVID-19 Resources**

- Occupational Safety & Health Administration: https://www.osha.gov/SLTC/covid-19/
- Department of Education: https://www.ed.gov/coronavirus
- Federal Student Aid: https://studentaid.gov/understand-aid/types/international#participating-schools
- Department of State: https://www.state.gov/coronavirus/
- Environmental Protection Agency: https://www.epa.gov/pesticide-registration/list-n-disinfectants-use-against-sars-cov-2

**Other Higher Education COVID-19 Resources**

- Disaster Resilient Universities (DRU) Network: https://safety.uoregon.edu/disaster-resilient-universities-network
- Johns Hopkins Global Cases Map: https://www.arcgis.com/apps/opsdashboard/index.html#/bda7594740fd40299423467b48e9ecf6
- Johns Hopkins Global Cases Map: https://www.arcgis.com/apps/opsdashboard/index.html#/bda7594740fd40299423467b48e9ecf6
- University Risk Management & Insurance Association: https://urmia.org/

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We have received many questions about how environmental insurance policies are responding to the COVID-19 pandemic.

There are two areas worth commenting on as respects this evolving issue and environmental insurance policies. One is the definition of a pollution condition. The second focuses on coverage for communicable disease.

Environmental insurance programs are uniquely written to meet an insured’s legal and financial obligations within a property transaction or the operational risk of an institution. The carrier forms have a structure similar to most other insurance policies. The policy wording, however, may be customized to mitigate the specific risks associated with the industry or business operations. For example, the definition of a pollution condition varies from carrier to carrier but is still written very broadly to pick up unforeseen environmental conditions that could impact a company’s balance sheet. Proposals from insurance companies may offer significantly different terms and conditions that include enhancements and/or limitations based upon appetite for the same risk.

A close examination of the policy wording is required as not all carriers are going to provide coverage for all environmental conditions. Every insurance carrier weighs the risk of specific contaminants differently based on historical loss experience, underwriting guidelines, and due diligence on a specific emerging and historical issues. Underwriting appetite, terms, conditions and pricing will vary based on industry practice as well.

Another consideration that comes into play when considering the evolving issue of Covid-19 pandemic is communicable disease. Many carriers have communicable disease exclusions simply because environmental insurance is based on an environmental event that has an identifiable and quantifiable cause. The difficulty with communicable disease is that it may be difficult to identifying the causal environmental condition. The presence or absence of a communicable disease exclusion is generally based underwriting appetite and individual risk assessment.

In some cases, you will find exceptions made by carriers that offer limited coverage for communicable disease. Examples of this include disinfection coverage designed to clean up and disinfect a covered location. Diseases such as the MRSA virus or other communicable virus, bacteria or communicable diseases that require reporting to the CDC may fall under this exception.

In summary, it is essential to review the policy terms, conditions, and claim reporting requirements of your environmental insurance policy. Contact our environmental professionals, who are here to assist in navigating through the complex world of environmental risks. It is our job to help given the uncertainty around current and future unknown conditions that affect our environment and our society.
Disruptions caused by the COVID-19 outbreak may impact personal lines of insurance specifically around travel and personal liability.

- Personal and Excess Liability. These lines would likely respond to a lawsuit alleging a client negligently congregated with others while knowingly infected and therefore infected others. Defense costs would typically be paid outside of the liability limit for both personal and umbrella liability with our preferred insurance companies.

- Travel Insurance. Most standard travel insurance policies will not reimburse you for cancellation based on the fear of becoming infected. If you or a family member becomes ill with the virus, that is generally a valid reason for cancellation and in that situation the insurance company may reimburse you. Some policies have a “cancel for any reason” clause for an additional premium that would reimburse up to 75% of your costs. However, that option is going away in the current environment created by COVID-19.

The spread of the virus is significantly impacting domestic and international travel and intervention by governmental agencies is rapidly evolving. Be sure to check with your broker and travel agent on coverage that’s available state-by-state.
Art collectors, dealers, artist-endowed foundations and museums could potentially face risks stemming from virus-related travel restrictions, museum and gallery closures, and disruptions revolving around artwork that is out on loan or consignment, or even in their gallery or museum.

**Works on Loan or Consignment**

Galleries and museums worldwide are closing due to COVID-19. Anyone with artwork out on loan may want to ask about contingency measures of the borrowers and make decisions accordingly. Other questions clients should be asking are:

- If a museum that houses art on loan closes due to the virus, will there be security staffing at the museum or gallery?
- Will it be possible to recall artwork out on loan because of the virus?
- If so, who will assist on the borrower side?

If loans or consignments are going to be extended due to virus disruptions, we advise clients to make sure extensions are provided for the following:

- Loan/consignment agreements
- Certificates of Insurance
- Exhibitions policies or endorsements providing coverage specific to the works in question

**If Your Business Closes**

If you are closing your own gallery or museum, it is imperative that you have a contingency plan in place to respond to emergencies on site and to maintain alarm continuity. Should you be aware of a disruption in your alarm system, please notify us immediately as we must relay this information to your insurance company in order to ensure we do not prejudice coverage for your artwork.
PRIVATE EQUITY

While public health and safety is the main concern of the COVID-19 outbreak, we are starting to see its ripple effects on the private equity market. Specifically, the Representations and Warranties insurance markets are starting to add virus-related claims and/or supply chain issues to either heighten risks or outright exclusions. The due diligence process has been expanded greatly to address client and finance sources’ concerns and questions. Finally, new deal flow has slowed dramatically as a result of the pandemic. In the current climate, buyers are in no hurry to close without greater visibility, so the pace of deal closings has also slowed.

The Directors and Officers (D&O) market for both public and private companies is focused on the fiduciary responsibility of D&Os. As such, the expectation of the underwriters at this time is that companies understand and can articulate the operational impact or governmental response which can shut down a business as well as how long the companies could be impacted.

SURETY BONDS AND CONSTRUCTION

We anticipate that the main impacts of COVID-19 on the Surety Bonds and Construction market will not be felt right away. Instead, this market will feel secondary effects and will follow the direction of the overall economy.

Bonds are written when owners, either public or private, engage in construction spending. With the deferral of funds going toward combatting the virus at the national, state and local levels, government budgets for construction projects will likely be reduced. How much of a hit these budgets will take has yet to be seen. On the private side, a reduction in wealth through a decline in the markets and uncertainty regarding future financial conditions may lead to banks pulling back lending and private developers holding onto their funds rather than continuing to spend on new projects.

The construction economy tends to lag 12-18 months behind the overall economy, so our clients may not be impacted in 2020 if they have healthy backlog positions. Finding work to fill 2021 may be the challenge if spending for construction is reduced. A decline in projects could lead to less work for our clients, which would then result in reduced payrolls, equipment purchases, etc. These factors can have a direct effect on insurance premiums. A similar adjustment happened during the 2008 recession. Clients’ policies were renewed when they were expecting growth. They came back a year later having shed revenue and expenses, and this led to a downward trend until the economy recovered.

Finally, labor is the constraining factor in the construction field, so a contagion such as COVID-19 could conceivably further exacerbate the shortfall of workers to complete the current projects on hand.