EBOLA: THE IMPACT ON INSURANCE
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BACKGROUND

Ebola is a severe and often fatal illness in humans with the average fatality rate being approximately 50%. The virus was initially transmitted to people from wild animals and has since spread through human-to-human transmission via direct or indirect (surfaces and materials such as clothing) contact with bodily fluids of infected people.

Though the Ebola virus disease was first discovered in 1976, the current outbreak in West Africa, with the first case notified in March 2014, is the largest and most complex.

There are currently no licenced Ebola vaccines therefore extreme precautions must be exercised when in contact with infected people.

OUTLOOK

Risk modelling company Risk Management Solutions (RMS) has assessed the progress to control the outbreak and, as a result, calculated a range of possible trajectories the epidemic could take in Sierra Leone, Liberia and Guinea where it is most prevalent. These estimates are shown in figure 1. The prediction is that new daily cases will continue to increase into the New Year before declining throughout 2015.

RMS believes that effective logistics are the key to controlling the spread of the virus rather than virology. Even if a vaccine is available before the end of the year, it is unlikely that there will be enough quantities produced to halt the spread.

The U.S. Center for Disease Control and Prevention (CDC) estimates that with the deployment of effective resources the outbreak can be brought under control. Nigeria’s coordinated response to the outbreak has confirmed this theory.

There the rate of response outstripped the pace of increase in new cases to cross the “tipping point” – the peak of the curves. RMS explains that once the rate of coordinated efforts to trace new contacts increases above that of new cases, the virus should “peter out” – and enter a declining trend.

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However, the higher the number of cases, the harder it becomes to deploy such resources. This is especially the case in countries such as Sierra Leone, Liberia and Guinea, that have very weak health systems lacking in human and infrastructural resources.

It is possible that the virus may spread to neighbouring countries if appropriate measures are not taken, but RMS does not expect this outbreak of Ebola to become a significant threat to other parts of the world. The United States, United Kingdom, France and Cuba have all committed significant personnel and resources in West Africa to combat the spread of the virus, and all have strong public health systems which will be monitoring the situation domestically and taking action immediately. This has been demonstrated by the recent rapid response to the British nurse who contracted the disease.

IMPACT ON INSURANCE

Insurance firms that have a strong relationship with West Africa either directly or through other affiliated companies could be impacted negatively due to the severe impact on short-term economic growth in Guinea, Liberia, and Sierra Leone. One of the most severe scenarios in a recent analysis by the World Bank, projects more than USD 30 billion in lost economic output in West Africa from 2014–2015 if the outbreak continues.

Also, insurers may face claims from various lines including life insurance, employers’ liability, travel insurance and non-damage business interruption.

According to AIR worldwide, a provider of catastrophe risk modeling software and consulting services, business interruption is most likely to occur in mining, agricultural, energy, cocoa production and travel sectors that have a strong presence in the affected West African countries. However, whether existing policies will cover losses remains unclear as typically business interruption requires a physical damage trigger to be activated. Alluring Africa, a tour operator in East and South Africa, has faced cancellations and tour delays thought to amount to USD 350,000 of losses in one week. Although their tours are nowhere near the affected areas, “fear of contagion” has led to a reluctance to travel to all parts of Africa.

As a result, the Vice President of Alluring Africa has estimated a loss of USD 2 million for 32 US tour operators.

The market is slowly responding – Ark Syndicate at Lloyd’s is providing Business Interruption insurance coverage to healthcare providers arising out of a “non-physical damage event” such as a voluntary or mandatory quarantine of nurses and medical professionals. Whether such policies can be extended to other sectors remains to be seen.

However, the fear of the spread of Ebola has prompted US and UK Insurance Companies to start building in Ebola exclusions into standard policies and provide quotes that either exclude or include Ebola, the latter being significantly more expensive.

UK ORGANISATIONS AND INSURANCE

The NHS and UK Government deemed the risk of the Ebola virus spreading to the United Kingdom to be low. However, it is prudent to understand how, should the situation change, commercial insurance policies may respond. It should be remembered that insurers will apply their own definitions and terms and conditions to these classes of insurance.
BUSINESS INTERRUPTION

A standard Business Interruption policy would not automatically trigger if an organisation suffered a loss of income as a result of Ebola. For a Business Interruption claim to trigger, a material loss must occur.

It is also a common assumption that Business Interruption policy extensions, such as Loss of Attraction, Denial of Access and Suppliers/Customers, could provide an indemnity. However, these extensions are subject to exactly the same parameters as standard Business Interruption and, as such, would not afford the policyholder with any automatic cover.

That said, Insurers sometimes include limited extensions of cover within their standard Business Interruption policy which might provide indemnity to the policyholder with the most obvious being “Infectious Diseases” (common alternatives being Notifiable or Specified Disease). Broadly speaking this extension indemnifies the insured against a loss of income as a result of an occurrence of an Infectious Disease at the Premises. At the time of writing we would expect Ebola to be included within a general definition, although there is no standard industry wording. As such, we would recommend contacting your advisors to understand whether cover is included, to what extent and the conditions that apply.

Although not always included as an automatic extension to a Business Interruption policy (if available insurers would charge an additional premium), we believe there to be two areas of coverage which might respond in respect of an outbreak of Ebola:

• Non-Damage Denial of Access
  Coverage would usually provide policyholders with an indemnity in respect of Denial of Access on the instruction of the police or other authority (Statutory). Therefore, it is conceivable that should Ebola virus spread to the United Kingdom, this extension could provide coverage. However, the inner limits provided by Insurers are usually significantly lower than a standard Business Interruption policy and individual Insurer Terms and Conditions would have to be satisfied.

• Non-Damage Loss of Attraction
  Coverage can be purchased by the policyholder with the aim of covering loss of income. In 2001 the tourist industry in the United Kingdom suffered greatly through cancelled international bookings over the Foot and Mouth crisis, despite the risk to humans being extremely low. We believe, therefore, it would be possible for this coverage to provide some indemnity in respect of loss of income through Ebola and coverage to be especially pertinent to the UK Hospitality, Leisure and Retail sectors.

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CASE STUDY

Our Global and Corporate team recently included an enhanced wording in a policy placed with Kiln for an international school funded and operated from the US.

One of the Insured Events is Contamination. Contamination means contamination at OBPS (Overseas Branch of Private School) resulting in bodily injury, sickness, illness, disease (or death) to more than 5 individuals who are students, faculty members, or other employees of the Insured which results in an order of a civil authority that prohibits access to OBPS. Such Contamination must result from the presence of a foreign substance, impurity, pollutant, hazardous material, poison, toxin, pathogen or pathogenic organism, bacteria, virus, or other disease-causing or illness-causing agent, including but not limited to fungus, mould or mildew.

Kiln has said that it will consider providing Enterprise Disruption coverage in respect of Ebola within the following framework:

1. Worldwide (excluding Continental Africa, or other territory with an existing ‘outbreak’ – definition of ‘outbreak’ TBD)
2. Will indemnify loss of income and/or extra expense following an ‘outbreak’
3. Must be a Government intervention/ order etc. following the outbreak
4. Time Deductible 30 days

LIABILITIES

Employers Liability and Public/Products Liability policies will indemnify the policyholder if it has been proven that they have been negligent and breached their duty of care and, therefore, this must provide the context in respect of Ebola.

EMPLOYERS LIABILITY INSURANCE

If it is established that the insured is legally liable (where a duty of care to the employee has been breached) for an employee becoming infected with Ebola virus then the Employers Liability insurance policy should provide indemnity. The policyholder should check to ensure certain activities have not been excluded as this could result in any claim being repudiated.
PUBLIC/PRODUCTS LIABILITY INSURANCE

As with Employers Liability, in the United Kingdom a Public/Products Liability insurance policy would provide indemnity if legal liability has been established. We would, however, recommend policyholders fully understand the wording and any specific conditions that have been applied by Insurers.

TRAVEL INSURANCE

Coverage and terms depend on each insurer and their products and, as such, there is no standard form on which to provide advice. However, as the Foreign & Commonwealth Office has not yet advised against all travel to infected areas, it is likely that any cancellation for the reason of not wishing to travel will not be insured. Therefore, we would always recommend understanding the terms of Cancellation coverage.

If coverage is provided for repatriation from infected areas, it should be understood that a number of agents are involved and some do not have sophisticated infrastructures to meet repatriation and possible evacuation requirements, regardless of insurance coverage being in force.

Therefore, if the policyholder must travel we would strongly recommend fully understanding the depth and breadth of coverage in force and registering for travel updates from the Foreign and Commonwealth Office before travelling.

RISK MANAGEMENT RECOMMENDATIONS

If an organisation operates strictly within the United Kingdom, actively managing an exposure to the Ebola virus will be difficult owing to its lack of manifestation. However, if an organisation operates across the globe and specifically in infected areas, we would strongly recommend contacting your Employers and Public/Products Liability Insurers to ensure sufficient cover is being provided and request good practice and management guidance to ensure compliance with policy terms and conditions.

We would also recommend regularly reviewing updates from the following sources:

- NHS www.nhs.uk
- World Health Organisation www.who.int
- Centers for Disease Control and Prevention www.cdc.gov
- Foreign and Commonwealth Office www.gov.uk/government/organisations/foreign-commonwealth-office

CONTACT

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