

Pandemic and Infectious Disease Preparedness and Response

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THE CORONAVIRUS PANDEMIC OF 2020 changed how many companies do business. Forced social distancing and closing or revamping of operations had many companies scrambling to adapt. These changes may lead to insurance coverage gaps. Disaster preparedness can sometimes be an overlooked component of the planning process for businesses and individuals, and, until recently, pandemic preparedness may have been even more uncommon. Helping clients prepare for and respond to a variety of events that could impact and threaten their business is another value-added service of the professional insurance agent.

Pandemics are not new. They have occurred throughout human history, changing and shaping how business and society operates. In the past, causes of these diseases and proper preventative measures were largely unknown. Growing populations living close to each other and to animals, compounded by unsanitary living conditions, provided optimal conditions for spread of disease. Couple this situation with the expansion of international trade and ever more mobile populations, and the emergence of global pandemics was perhaps inevitable. In the early days of this country, a yellow fever epidemic was blamed on everything from “bad vapors” to immigration to poor sanitation. In response, in 1730, New York City imposed limitations on the keeping of livestock within city limits. Slaughterhouses and tanning yards were moved out of the center of the city.

Pandemics differ from other natural disasters in their scope, duration and insurability. Most disasters, such as earthquakes, hurricanes, tornadoes and floods, are relatively finite and limited in time. Insurance coverage is usually available for such disasters through the standard and excess markets, or through government-run programs. Pandemics however, can last for months, and are essentially uninsurable in the standard market. In addition, the rate of transmission, incubation

period (during which person is contagious but has no symptoms) and severity of symptoms or fatality rate varies for each disease. The information may not be known until after the fact.

Standard insurance policies often do not provide coverage for property or liability losses caused by infectious disease or pandemics. This includes business income losses as a result of cessation of operations ordered by local, state or federal governments due to the presence or threat of infectious disease. Therefore, preparation for continuing business as completely and seamlessly as possible is extremely important. There are resources available to help businesses who need to develop their pandemic plan. The Centers for Disease Control offers “Business Pandemic Influenza Planning Checklist” (www.cdc.gov).

Advances in technology have greatly expanded the ways people communicate and manage their businesses. Companies who offer “work from home” options are much better able to adapt to travel and other restrictions imposed by national and local governments during pandemics and other natural or manmade disasters. This flexibility is advantageous in many situations, including disasters and pandemics, but also for employees dealing with caring for family members for any number of reasons. Businesses that are considered “essential” and must remain open switch to delivery and take out options to reduce person to person contact. Other industries, notably auto makers, can revamp their production facilities to manufacture much-needed medical supplies.

Changes in operation during and after a pandemic (or natural disaster) represent



changes in exposure that may require adjustment to the insurance coverage carried. Coverage for a company's equipment that is used off premises by employees, such as computers, printers and phones, may not be included automatically. If operations are expanded, such as changing to manufacture medical supplies, there are products and other liability exposures that should be addressed. Employees working from home may be subject to a business exclusion on their homeowner's or tenant's policy in the event of a loss.

Pandemics and other disasters are trying times for individuals and businesses. Initially, there may be more questions than answers. For insurance agents, a comprehensive review of the client's preparedness plan, as well as any changes in operation that may have occurred during the crisis, can help avoid gaps in coverage. Agents who are able to help their clients develop and implement plans for survival during pandemics and other disasters help not only their clients, but, in many cases, society itself. Helping clients prepare for and manage during times of uncertainty is another sign of the true insurance professional.

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