

## **PCS Information Bulletin #3: COVID-19 Review**

Welcome to our third information-only bulletin on COVID-19. As long as information that's useful to the global re/insurance industry comes in, we'll continue to produce and distribute these notes. And we encourage you to share them with your colleagues and clients. If you have any questions, ideas, or requests on issues would cover, please reach out to us – either via your standard PCS contact or using the contact information we've provided at the bottom of this update. For those of you who missed it, yesterday, we produced a review of potential catastrophe claim-handling issues related to COVID-19. If you can't find it, we'd be happy to send you a PDF.

**REMEMBER:** This report is **for information purposes only** and **does not** constitute the designation of a PCS event. We have decided to provide this report simply to help the market understand the COVID-19 situation and to provide access to some of the resources our team uses daily for intelligence on this event. The information below comes from public sources.

Topics covered in this bulletin:

1. Intelligence from the Ground: U.S. and International Property Claims
2. Update: Business Interruption Issues
3. Analysis: Pandemic Parametric Data Sources (EXPANDED COUNTRY SET)
4. Asset Side of the Balance Sheet and the Upcoming Florida Renewal
5. Update: The Cyber Market
6. Update: The Contingency Market
7. Closed Courts and Implications for Claims
8. Workers Compensation and COVID-19
9. Useful Links from COVID-19 Data Sources

### **1. Intelligence from the Ground: U.S. and International Property Claims**

Although multiple states are imposing shelter-in-place directives that may impede many people from physically traveling to an office to work, many insurers have activated contingency plans for catastrophes, which outline strategies and logistics for continuing their operations under challenging circumstances. Many states require these plans to be filed annually with their departments of insurance in order for state regulators to have a level of comfort that insureds in their state would not be left without recourse and service in the midst of major catastrophes. PCS has remained in contact with insurers across the North American markets and we have learned that it's been business as usual for insurers in serving their customers as well as communicating with industry partners such as PCS.

Regarding actions that may affect the market as a whole, Representative Maxine Waters (D-Calif.), chair of the House Financial Services Committee, issued a memorandum with consumer relief and economic stimulus ideas that include the Pandemic Risk Insurance Act, which would create a reinsurance program similar to the Terrorism Risk Insurance Act for pandemics, by capping the total insurance losses that insurance companies would face. This was a request from the National Retail Federation, according to a recent memorandum.

Internationally, Switzerland's top insurance companies are in talks with the financial regulator about the impact of the coronavirus outbreak on their capital buffers and their business. While we haven't covered Switzerland in previous bulletins, we have found that the COVID-19 pandemic has been particularly

significant there. Below, in our section on pandemic parametric data, we review Switzerland and several other additional countries.

Additionally, according to Moodys, insurers in the United Kingdom, France, and Germany (also reviewed in the pandemic parametric section below) are likely to face only moderate business interruption (BI) claims as a result of the coronavirus outbreak because pandemic-related claims are excluded from most BI policies in the three countries.

While the COVID-19 situation **has not been designated a PCS catastrophe event**, our team remains in contact with insurers and other market sources regarding potential claims activity related to the situation. We have heard that some cedents have notified reinsurers of potential claims under their catastrophe programs related to COVID-19 in Canada. PCS is investigating the situation and will make any decisions related to catastrophe designation for each country within our platform based on our methodology.

## 2. Business Interruption Developments

The question of whether a virus cause physical damage to trigger BI coverage is currently a hot topic and will remain so for the foreseeable future. Recent thought leadership pieces by the Independent Agents and Brokers of America, HFW and others provide analysis of policy wordings and legal cases which provide some context regarding the coverage and exclusion issues that may apply in most circumstances. While the general consensus is that exclusionary wording within policies may be applicable to BI claims, insurers are encouraged to carefully review each policy and endorsement on every claim in order to assess each claim, as well as reviewing directives from each state or provinces legislature and department(s) of insurance regarding any legal decisions or directives that may affect the coverage decision for the claim.

[Independent Agents and Brokers of America Coronavirus Report](#)

[HFW COVID-19 Briefing](#)

## 3. Reporting Disparities among COVID-19 Data Sources

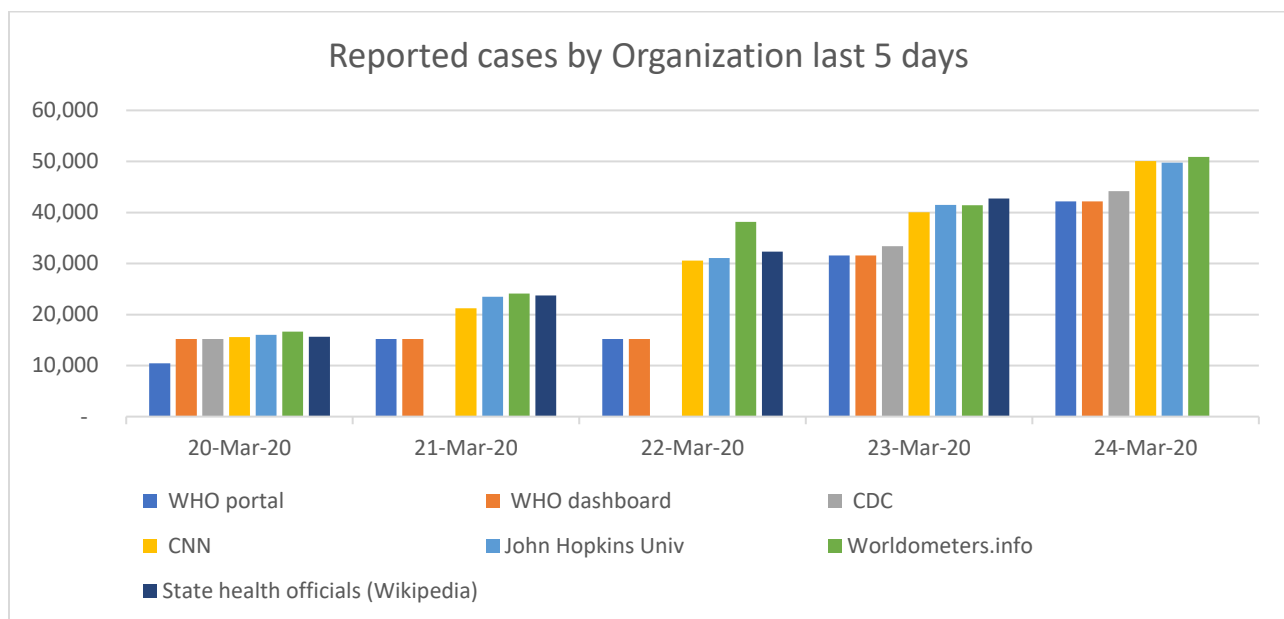
**REVIEW:** PCS has kept track of reported U.S. cases from several sources as a way to help the market understand any basis risk or reporting agency risk issues that could come from the use of pandemic parametric triggers in the future (you can find a good definition of “parametric” at <https://www.artemis.bm/library/what-is-parametric-insurance/>). Historically, the parametric market for pandemics has been relatively small, and the WHO has been the standard for reporting such information as cases and fatalities. For more background on the analysis below, please review prior PCS information-only bulletins on COVID-19.

In reviewing reported confirmed cases of COVID-19, we have found a disparity among the different sources of authoritative data. Initially, we focused on the delta between the WHO and the CDC. At the beginning of the week, it seemed as though the disparity was due primarily to publishing cycles, with the WHO updating in the morning and the CDC at noon EDT. Throughout the week, though, we saw the numbers diverge.

*Note: Since March 17, 2020, the WHO has provided different estimates in its daily situation reports than it did through the WHO portal. There is a risk that they report on different timeframes and may require separate data entry (although there could be other reasons). We have seen this trend continue and have*

observed some differences in reporting with other countries as well – some inconsistencies across WHO platforms, as described above, and some discrepancies between the WHO and other reporting sources.

### U.S. Reported Cases

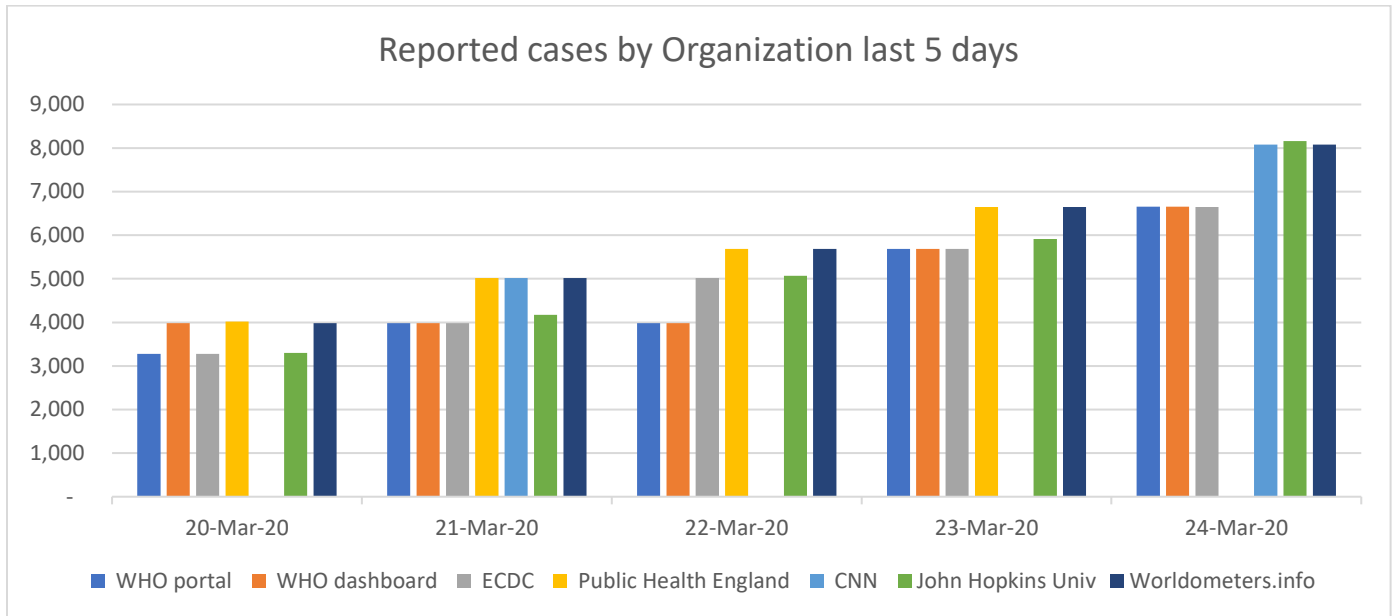


1. The most up-to-date case counts will come from states; CDC officials have said
2. CNN's tally relies on state totals and won't always match the CDC's count
3. John's Hopkins dashboard thus far has been found to update several times a day  
<https://coronavirus.jhu.edu/map.html>
4. Worldometers.info – web scraping took -  
<https://www.worldometers.info/coronavirus/country/us/>

Generally, the data reporting issues we noted in our last information-only bulletin on COVID-19 have improved. WHO portal and situation report data have become consistent, and generally in line with data published by the CDC. However, CNN, Johns Hopkins, and Worldometers continue to publish significantly higher estimated numbers of confirmed cases, likely because they pull from sources that will ultimately (on a lag) feed the WHO and CDC. However, as of the afternoon of March 24, 2020, the lag has persisted longer than we would have expected, with CDC and WHO numbers at least 25 percent below those reported by Johns Hopkins, Worldometers, and news outlets. PCS will continue to monitor

this trend, to include looking for any narrowing or other reporting consistency emerging that could be relevant to risk-transfer transactions on a parametric basis.

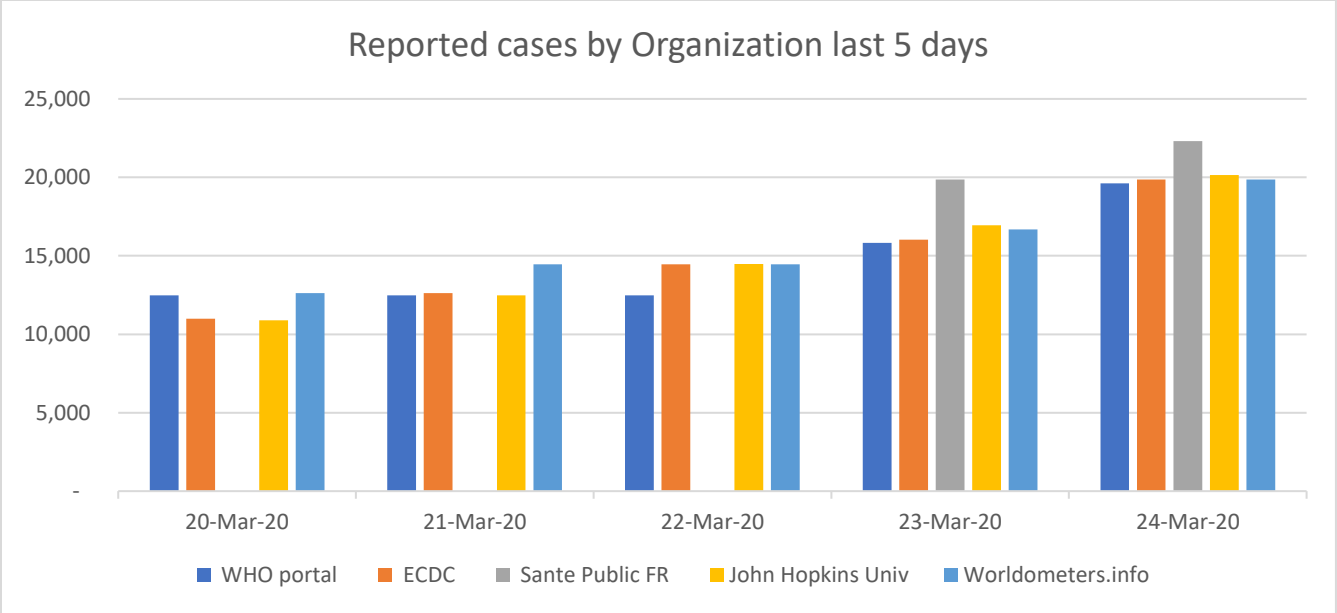
### UK Reported Cases



The United States isn't the only region where WHO data seems to lag behind other sources of information. In fact, in general, we've seen a similar dynamic in the United Kingdom. Public Health England estimates have generally been at least 20 percent higher than WHO estimates. In general, the WHO and ECDC align, except for the occasional anomaly which seems to be associated with production timing (to include catchup reporting). This appears to be consistent with the issues we've seen between CDC and WHO data in the United States, so there's a possibility that all three sources will roughly align at some point in the near future. PCS intends to keep any eye on this for any additional underlying and potentially persistent issues that could be relevant to parametric risk-transfer reporting. At a minimum, it seems that Public Health England is at least a leading indicator of the direction of WHO data.

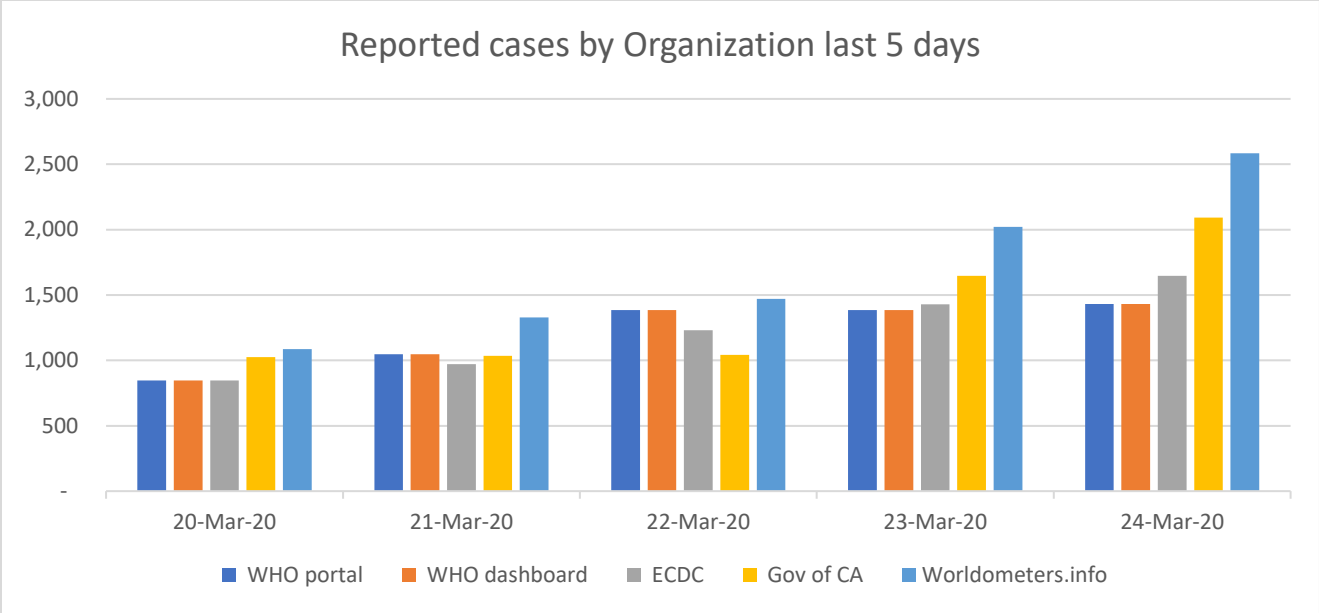
Worldometers looks like it's drawing from either Public Health England or the same underlying sources of data (likewise, Wikipedia). Johns Hopkins and news reports are reporting less consistently, from at our preliminary review, although we may need to scan UK publications more thoroughly for future iterations.

### France Reported Cases



The situation seems to be similar in France, although it has been difficult for us to find past losses for Santé publique France. SPF’s most recent estimate is much larger than what’s currently available through the WHO and ECDC. The WHO and CDC are generally aligned but show slightly less of that than what we’ve seen in the UK, where it looks like reporting lags may be the issue. There are more differences (albeit smaller) with French data, which hints that there may be some differences in data collection and reporting. Johns Hopkins and Worldometers are different enough, as well, to suggest that there are significant challenges associated with collecting COVID-19 confirmed case data in France. If it’s because France is going through a period of rapid increase in infections – which is what coincided with inconsistent collection data in the United States several days ago – then we may be able to expect data reporting to become more consistent across all data sources in a few days. PCS will continue to monitor the situation.

**Canada Reported Cases**



The WHO has lagged Government of Canada data for the past week, and it seems as though the trend could continue, although time zones and reporting cycles could contribute to the discrepancy. As we've just started to monitor data from Canada, we'll continue to evaluate the differences to see if any persistent gaps emerge.

*In general, we've seen WHO portal and situation report results begin to match again, although there are occasional disconnects. We believe that the speed of transmission and challenges associated with data collection, as well as some publication processes, may have led to the disconnect. While this may not be a long-term problem, we do highlight it because it could have implications for risk-transfer transactions that would rely on WHO data for parametric triggers. Reporting risk could be mitigated simply by specifying which source of WHO data would be acceptable. We noticed reporting disparities in data for the Germany, Switzerland, Japan, and South Korea, as well. However, none of those data sets showed the issues in reporting that we observed in U.S. data in our previous information-only COVID-19 bulletin.*

*For more information on parametric trigger issues and basis risk considerations, please review our two earlier information-only bulletins on COVID-19.*

**4. The Asset Side of the Balance Sheet and the Upcoming Florida Reinsurance Renewal**

It's no secret that global financial markets have been affected by the COVID-19 pandemic, and we've heard across the market that the losses have led to a strategic challenge for some re/insurers. Among them is the fact that lower asset values can affect risk appetite going into the Florida reinsurance renewal. Already, the reinsurance community is taking a view on Florida impacted by the ongoing Hurricane Irma loss development (with Hurricane Irma now the longest PCS catastrophe, eclipsing the loss development period for the terror attacks of September 11, 2001).

The Florida renewal is coming up fast, and asset-side impairment could translate to less capacity at June 1, 2020. Additionally, we've heard some expectations of increased retrocessional activity in May – following the Japanese reinsurance renewal (right around the corner at April 1, 2020) and head of Florida. Economic uncertainty is expected to become a factor in the overall management of risk and capital – and especially in the two months between the reinsurance renewals for Japan and Florida.

The retro market has been tight this year, and that's unlikely to change in April and May. If anything, it could tighten – including the industry loss warranty (ILW) market. Tight retro markets often mean opportunistic entrants into the ILW market. *If you are not experienced with PCS-traded ILWs, we encourage you to contact us.* PCS has heard plenty of inaccurate descriptions of our methodology, and not understanding how we work could have negative consequences. Even if you are familiar with how PCS works, it's never a bad idea to take a refresher course. Just give us a call; we're happy to walk you through how we work.

## 5. Update: The Cyber Market

- On March 14, 2020, Hammersmith Medicines Research, a British medical facility on standby to help test any coronavirus vaccine, was reportedly hit by the Maze ransomware group. The company reported they spotted the attack in progress, stopped it, and restored systems without paying any ransom.
  - The attackers managed to exfiltrate patient records and published some of them online.
  - The breach has been publicly disclosed by media outlets on March 22, 2020, however Maze announced on March 18, 2020 that it would no longer target medical organizations.
- On March 13, 2020, Reuters reported an attempted cyber break-in at the WHO, but the effort was unsuccessful. The unidentified hackers tried to breach the WHO by activating a malicious site mimicking the WHO's internal email system in an attempt to steal passwords from multiple agency staffers.
- Hackers and bad actors are using the term “COVID-19” as a promotional discount code to sell malware, exploitation tools, and a variety of fake items like from consumer electronics on various websites throughout the web
  - A spike in the number of coronavirus-related domains with bad actors putting up bogus product offers such as cheap Apple products for sale.
  - They are creating more and more websites with fake home testing kits and apps claiming to protect you from COVID-19, among other scams. Cyber-criminals are also using ‘corona’ or ‘covid’ as a part of the URL to carry out phishing attacks. These attackers are asking people to enter their email credentials and redirect them to a CDC article.
  - Some experts have said they are responding to an increase in data security incidents that's up more than 5X in the past few weeks.

## 6. Update: The Contingency Market

The 2020 Tokyo Olympics will be postponed because of the COVID-19 pandemic. Japan's Prime Minister Shinzo Abe said he has reached an agreement with International Olympic Committee President Thomas Bach to postpone the Olympics for about one year. Before this official announcement had been made, several countries have either announced that they would not send athletes, while others have said they are waiting for the summer games to be rescheduled. The event cancellation losses associated with the Olympics could impact some of the top players in the reinsurance industry. The estimated insured cost of the Tokyo games is US\$2 billion according to analysts, which includes TV rights, sponsorships, and also hospitality. The IOC is thought to have an event cancellation coverage in place worth roughly \$800 million, while Munich Re and Swiss Re have announced exposures of US\$500 million and US\$250 million, respectively[[link](#)].

## 7. Closed Courts and Implications for Liability Claims

Across the United States, many courts are closing as a result of the threat associated with COVID-19 transmission. A wide range of government measures – from limited operation through “shelter in place” and more extreme constraints on mobility – have also made it difficult for courts to remain open even with reduced loads. As a result, there's concern across the insurance industry (particularly for liability lines of business), that reduced access to the legal system will bring the claim process to a halt, stretching out cycle times, increasing loss adjustment expense (LAE), and otherwise negatively impact the claim handling process. PCS is aware of such issues in other jurisdictions, particularly Italy (given the severe impact of COVID-19 there).

Our colleagues at ISO Claims Partners have found that court closure doesn't have to impact the settlement process. Virtual hearings have been used in some instances, either via telehearings or through platforms such as CourtCall. Additionally, virtual depositions, remote mediation services, electronic document filings, and online document exchanges have helped keep the claims process moving in the United States.

## 8. Workers Compensation and COVID-19

While we are still early in the pandemic lifecycle, questions are already beginning to arise regarding the potential impact of COVID-19 on workers compensation. There's a belief that some workers, such as first responders, may be covered under workers compensation programs. We're still waiting to see if it will expand, as well as how claimants will prove work-related exposure.

## 9. Useful Links from COVID-19 Data Sources

- US Government Federal Guidance - <https://www.usa.gov/coronavirus>
- Government of Canada Federal Guidance - <https://www.canada.ca/en/public-health/services/diseases/coronavirus-disease-covid-19.html>
- UK Government Guidance- <https://www.gov.uk/government/topical-events/coronavirus-covid-19-uk-government-response>
- Government of Mexico Federal Guidance - <https://www.gob.mx/salud/documentos/nuevo-coronavirus-2019-ncov-comunicado-tecnico-diario>
- ESRI COVID-19 GIS hub: [https://coronavirus-resources.esri.com/?adumkts=industry\\_solutions&aduse=local\\_state&aduc=email&adum=list&](https://coronavirus-resources.esri.com/?adumkts=industry_solutions&aduse=local_state&aduc=email&adum=list&)



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- WHO COVID-19 situation reports: <https://www.who.int/emergencies/diseases/novel-coronavirus-2019/situation-reports>
- CDC Overview Page: <https://www.cdc.gov/coronavirus/2019-ncov/cases-updates/summary.html> (includes links to testing locations, nature of transmission, etc.)
- Insurance Information Institute Corona Virus Toolkit - [https://www.iii.org/sites/default/files/docs/pdf/covid19\\_toolkit\\_03162020.pdf](https://www.iii.org/sites/default/files/docs/pdf/covid19_toolkit_03162020.pdf)
- Pharmaceutical technology Coronavirus COVID-19 outbreak: Latest news, information and updates - <https://www.pharmaceutical-technology.com/knowledge-bank/coronavirus-faqs-covid-19-categories/>
- CNN Live Coronavirus pandemic updates: <https://edition.cnn.com/world/live-news/coronavirus-outbreak-03-17-20-intl-hnk/index.html>
- Worldometers.info - <https://www.worldometers.info/coronavirus/country/us/>
- Wikipedia US pandemic - [https://en.wikipedia.org/wiki/2020\\_coronavirus\\_pandemic\\_in\\_the\\_United\\_States](https://en.wikipedia.org/wiki/2020_coronavirus_pandemic_in_the_United_States)
- European CDC - <https://www.ecdc.europa.eu/en/publications-data/download-todays-data-geographic-distribution-covid-19-cases-worldwide>
- GOV.UK - <https://www.gov.uk/guidance/coronavirus-covid-19-information-for-the-public>
- Public Health England - <https://www.arcgis.com/apps/opsdashboard/index.html#/f94c3c90da5b4e9f9a0b19484dd4bb14>
- Statista - <https://www.statista.com/statistics/1101388/coronavirus-france-confirmed-cases/>
- Sante Public FR - weekly update - <https://www.santepubliquefrance.fr/maladies-et-traumatismes/maladies-et-infections-respiratoires/infection-a-coronavirus/articles/infection-au-nouveau-coronavirus-sars-cov-2-covid-19-france-et-monde>
- GOV of Canada - [https://www.canada.ca/en/public-health/services/diseases/2019-novel-coronavirus-infection.html?utm\\_campaign=not-applicable&utm\\_medium=vanity-url&utm\\_source=canada-ca\\_coronavirus#a1](https://www.canada.ca/en/public-health/services/diseases/2019-novel-coronavirus-infection.html?utm_campaign=not-applicable&utm_medium=vanity-url&utm_source=canada-ca_coronavirus#a1)

If you have information that could be useful to PCS or the industry and would like to share it with us, please contact Tom Johansmeyer (+1 441 799 0009 / [tjohansmeyer@verisk.com](mailto:tjohansmeyer@verisk.com)), Ted Gregory +1 201 253-6866 / [tgregory@verisk.com](mailto:tgregory@verisk.com)), or your regular PCS contact. We'd be happy to connect with you. All information supplied will be held in the strictest confidence and only be used to inform industry-wide analysis that is fully anonymized.