

# Learning lessons from Covid-19

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WITH MORE THAN 100 years since the last global pandemic, it is not surprising that words like “unprecedented” are being used to describe the current coronavirus crisis, according to Claire McDonald, UK and Ireland country manager for Risk Frontiers Europe sponsor HDI Global.

“It’s beyond our collective consciousness,” she says. “We have slightly reworked history. You may have heard people say, ‘that was then and now we have much better healthcare, it wouldn’t be as bad’. We have forgotten some of the lessons of the past,” she adds.

Ms McDonald also believes that more recent health events like swine flu, or even the SARS and MERS outbreaks, largely passed many people by. However, she stresses that lessons should be learnt this time.

“As deforestation and climate change occur, we are being warned that this increases the risk of new pandemics,” says the insurer.

Adding: “For now, the emphasis is on surviving the pandemic physically and as businesses, and then it will be on economic recovery... At this point, we would like to say that our thoughts and sympathies are with the communities and individuals, including healthcare workers in the NHS and other key workers, who have suffered.”

## DUTY OF CARE

As far as risk managers are concerned, much of the effort to combat the current crisis has been focused on corporate duty of care to employees, the closure of physical locations and repositioning business to survive the pandemic.

However, risk managers should also have one eye firmly fixed on the future. “They should be asking themselves questions like: Should our future supply chain be the same as the one we have had in place historically? What does the pandemic mean for numbers in the organisation? And how do we ensure we are in the best place to have our voices heard internally?,” says Ms McDonald.

Throughout all of this, the role of insurance and where it is a good fit is crucial. “It may not be business as usual, but business enterprises will still need protection wherever possible. Some businesses are venturing into new areas of liability, although it is appreciated that the British government is providing indemnity for equipment manufactured to support efforts to combat Covid-19,” says the insurer.

“And others are ramping up their efforts – for example, pharma companies are carrying out more clinical trials than before and they are under pressure to deliver, and to deliver safely. They need insurance to enable that effort,” she adds.

Empowering business as usual involves HDI Global’s UK risk engineering teams working virtually and using technology to allow them to ‘visit’ sites and support clients in the same way as before. “This is an opportunity to change our approach and use technology in new ways, but the key to success lies in delivering the service to risk managers that they need,” Ms McDonald stresses.

Like so many, she senses that “the crisis is a global social experiment, where we all have the chance to try out new things and new ways of working”.



“In many ways, the old way of face-to-face trading within the London market particularly has been a luxury but also an anachronism. Relationships still matter and this doesn’t mean they will stop. But do we need to go to our offices every day? Do we need to work rigidly from nine to five? Is presenteeism really a requirement?” she asks.

“The Covid-19 crisis has proved that many jobs can be done just as well from home,” continues Ms McDonald. “It’s dispelling many myths and might set a new agenda for the future. As insurers, we need to reflect any longer-term societal changes in the products we offer our clients,” she says.

Ms McDonald readily acknowledges that not everyone feels comfortable working from home. But she believes the crisis has already encouraged business leaders to be more relaxed about flexible working. Home workers still need support, initially in setting up a good working space and ensuring things like cybersecurity are properly considered, she suggests.

“From a liability perspective, employees are covered wherever they are working, so the employer’s duty of care remains unaffected by these changes,” says Ms McDonald.

She adds that where cover has been given for infectious disease within property insurance, it is limited. This is not the only area where cover could potentially lie but the main one being queried, she explains. “We welcome the FCA action around this to provide greater clarity for both clients and insurers around some of the wordings in existence,” she says.

Ms McDonald adds that HDI Global has had a small number of claims, but mostly coverage enquiries. However, she stresses that “there are so many variations on wordings, it will depend on the individual policy”.

“We write bespoke policies for every client, so there really is no rule of thumb for this. And some clients have multiple extensions, so the question becomes: how do the extensions work together in the current circumstances? In the UK alone there have been four different dates for shutdowns, etc,” she adds.

“If you have a global programme, the dates of different shutdowns will vary enormously and it all has to be brought together in a way that makes sense for client and insurer,” Ms McDonald continues.

Until Covid-19, there were few incidents that had a truly global impact simultaneously. For those who have global programmes in place, the challenge has been enormous, Ms McDonald acknowledges.

But she is confident about HDI Global’s ability to meet those challenges and support its clients. “Until I joined the company, I had no idea just how good our global programme capabilities are, both from the range of countries served but also our service levels. I think it is something we need to talk about more often, because we have been quite reserved about this in the past, but we actually have a really positive message to give,” she says.

So, what does Ms McDonald think about some kind of pool arrangement for future pandemic cover? She likens the current crisis to the terrorist attacks in London in 1991 and 1992 that led to the creation of Pool Re, and the need for some sort of governmental backstop. She also compares reinsurers’ profitability warnings to that of 9/11 and the consequent impact on pricing.

## SUSTAINABILITY

Overall, she stresses that the hardening of insurance rates must continue if the sector is to remain sustainable.

Beyond Covid-19, Ms McDonald points to recent extreme flooding across large swathes of northern England as a key risk. And with climate change firmly on the agenda, Ms McDonald comments: “Our relationship with clients is a true partnership. We need clients to manage expected events and if flooding is becoming the norm, there will undoubtedly be more emphasis on client mitigation.”

“For insurers, climate change is on the agenda like never before and our regulator is asking us to consider this as part of our own risk portfolio. We know there is more we need to know, so it’s something we are focusing on,” she adds.

Another risk that may have ‘gone quiet’ during the pandemic is Brexit. Ms McDonald says that uncertainty remains about what will happen next and what impact Covid-19 will have on the timetable. “We are carrying on with our Brexit preparations to ensure we are ready whenever things happen politically,” she says.

Cyber risk also remains a challenge. “Home working has produced its own risks for companies and we know hackers have seen this as a golden opportunity to breach company systems,” says Ms McDonald.

She adds that from an insurance perspective there is greater clarity if the risk is insured as a standalone product, allowing risk managers and business to fully understand what is and is not covered, she continues.

That brings Ms McDonald back to the debate about non-physical damage business interruption cover – an area thrown into the spotlight by Covid-19 but which is about so much more than disease alone.

She explains that one of the greatest risks for insurers is accumulation. For clients, it is important that insurers manage this risk, remain sustainable and are in a position to pay claims. She concludes by saying that Covid-19 had shown that sustainability is not just a word but something all businesses need.