

Long-term implications of COVID-19 on business risk

April 2020



As businesses around the world are grappling with the immediate impacts that COVID-19 is having on the global system and its resilience, it is important not to forget the slow burn impacts, as this is where unintended consequences can create hidden tipping points.

What's COVID-19 going to do in the future? What might this look like beyond the event? Is it going to happen more quickly than you realise?

With many countries under 'lock-down' and their COVID-19 death and infection rates rising exponentially, it is understandable that society's focus remains transfixed on how to contain and deal with the immediate impacts of this virus.

In the UK, the government's narrative has shifted from one of relative confidence to this being the "worst public health crisis for a generation", with suggestions that the virus could last until Spring 2021¹.

The term pandemic is often exemplified by the 1918 Spanish Flu pandemic estimated to have claimed the lives of between 20-50 million people globally². Whilst acknowledging the tragic suffering and loss of life, even today's worst scenarios do not envisage the same

impact of that terrible event. However, the modern-day equivalent of those losses could perhaps be translated into how people's working, leisure and social lives are affected by the shocks to the economy globally.

The H2N2 virus of 1957 also remains clear in the minds of many, having severely challenged the health services of the time and killing over a million people around the world³. This was followed by the Hong Kong flu of 1968 and the Russian flu of 1977 which was thought to be a re-emergence of Spanish flu⁴. Our experiences of such globally impacting viral infections are not new and they do not appear to completely disappear. However, what is new is the way in which we can now connect across the world and the speed with which microorganisms can be spread.

Should we be prepared for viral infections becoming a more regular feature of our lives and will this impact on the way in which we work, travel and communicate?

Optimistic predictions suggest that by late spring we could be over the peak of the virus but, as the numbers of those affected continue to grow, that timeframe seems to be edging further away. Some forecasts now point to late summer if not early next year.

¹<https://www.theguardian.com/world/2020/mar/15/uk-coronavirus-crisis-to-last-until-spring-2021-and-could-see-79m-hospitalised>

²<https://www.cdc.gov/flu/pandemic-resources/1918-pandemic-h1n1.html>

³<https://www.cdc.gov/flu/pandemic-resources/1957-1958-pandemic.html>

⁴<https://www.bbc.co.uk/news/magazine-21125713>



A recent impact modelling exercise illustrates the economic, business and financial implications of the impact over several timeframes and suggests that in a worst-case scenario we could be heading for a multi-quarter and deep global recession, with entrenched structural business challenges that would take some years to recover:

Assumptions and expected impacts			
Most likely	Global recovery in Q3	Extended global recession	Credit squeeze and defaults
Epidemiology	<ul style="list-style-type: none"> Public health policy measures are highly effective – virus spread controlled by mid-Q2 Social distancing measures eased in c. 2 months 	<ul style="list-style-type: none"> Problem transmissions occur up to Q3. Public health policy is less effective; control of the virus and social distancing easing takes 4 months; with new cluster cases in localised areas 	<ul style="list-style-type: none"> Problem transmissions occur up to Q3. Public health policy is less effective New cluster cases continue in localised waves through the northern hemisphere winter
China	<ul style="list-style-type: none"> Public health policy measures are highly effective – virus spread controlled by mid-Q2 Social distancing measures eased in c. 2 months 	<ul style="list-style-type: none"> Public health policy measures are highly effective – virus spread controlled by mid-Q2 Social distancing measures eased in c. 2 months 	<ul style="list-style-type: none"> Recovery in factory output is delayed until Q3; consumer confidence recovers only in Q4 Slower recovery in export sectors
US and Europe	<ul style="list-style-type: none"> US and Europe have an acute contraction until mid-to-late Q2 Highly effective government credit support for households / businesses SMEs are most affected; service sectors (aviation, travel, tourism) will be significantly affected Energy sector affected by lower oil price to Q3 	<ul style="list-style-type: none"> Global recession over Q1 to Q3; US and Europe contract significantly throughout Q2 and Q3 Acute, sustained and broad-based decline in corporate earnings in 2020 Large-scale government credit support for households / businesses Consumer confidence does not recover until Q4 	<ul style="list-style-type: none"> US and Europe contract through to Q1 2021 A shock to employment, incomes, and global trade drives deleveraging given high debt levels Company funding and credit conditions are acutely affected leading to defaults Policy is insufficient or ineffective; economic recovery is weak from Q2 2021

Source: WTW Webcast, COVID-19 Implications of Coronavirus for employers, 17/3/2020

People

So, could a world post COVID-19 in 2021 look like?

For the first time, possibly since 1957, many people will be forced to comply with seemingly draconian rules to limit the virus spread. Working from home, greater reliance on technology and coping with the new ways of working will require people to adapt their behaviour and learn to live and work in different ways. Social distancing may need to continue for some time until broader immunity is reached given that, as the Dean of Harvard Chan School of Public Health writes, “the immediate inconveniences of such restrictions are dwarfed by the positive outcomes already seen in countries such as Singapore and China”.⁵

Employers may find themselves not only having to accelerate investment in new technology but also to increase their focus on employee wellbeing. Recent research on Chinese companies⁶ carried out by Willis Towers Watson suggested that one positive impact of the outbreak and the subsequent lockdown is that employers are taking various additional measures to safeguard their employees. Government and employers are creating room for employees’ health management and insurance/protection. Procedures to support a health and wellbeing strategy, methods for emergency contingency plans, business continuity plans and employee policies and insurance arrangements will also need to be developed.

⁵ <https://www.weforum.org/agenda/2020/03/coronavirus-covid19-global-academics-insights-pandemic/>

⁶ https://www.willistowerswatson.com/en-HK/Insights/2020/03/3-ways-COVID-19-is-affecting-chinas-business-sector?utm_source=twitter&utm_medium=social&utm_term=&utm_content=wtwcorporate_d0954728-1056-4f6f-8787-a3406faaf215_&utm_campaign=Other-HCB_

“The immediate inconveniences of restrictions such as social distancing are dwarfed by the positive outcomes already seen in countries such as Singapore and China.”⁵

Michelle A. Williams,
Dean of the Harvard T.H. Chan School of
Public Health, USA

However, home working arrangements may have an invisible cost i.e. creativity, challenge and innovation may begin to wane as social interaction is reduced. Sharing ideas over a telephone call or skype meeting isn't quite the same as sparking ideas off each other in a face-to-face group setting, and it will take time to find new routines. There is also the challenge of making visible the new ideas and to affect the changes, as decision makers are challenged by a queue of people with more immediate access to their time.

Another longer-term consideration is a change in the labour pool as a result of layoffs during the crisis. This in turn offers employers the opportunity to recruit fresh talent as well as, where possible, re-employ staff whose roles may have disappeared due to immediate impacts such as lockdowns resulting in reduced consumer demand. This may prove the case most notably in the leisure, travel and hospitality sectors.

Despite this there is an opportunity for employers to think about “future work” arrangements of the 4th industrial revolution (or “the future of work”)

as it relates to their organisation and accelerate new blueprints for jobs that can use artificial intelligence (AI) and robotics, outsourcing and short-term employment models. Other examples of the future of work could include:

- Acceleration toward an agile/flexible staffing model
- Employers becoming more adaptive to virtual teams
- Moves toward e-learning/digital marketing
- Remote working/online communication
- Pools of skills made available on demand and benefitting from the intra-sector learning

It is important to remember that these lessons will be beneficial in the future to create new inclusive workplaces that are accessible to all. For example, disabled staff have had to deal with remote working issues such as technology, lack of access, and the slow adoption of agile working models. A post COVID-19 world could embrace these challenges and open new opportunities and talent pools that have been waiting to be tapped.



Investment and return

Both Goldman Sachs⁷ and JP Morgan⁸ predict a recession in the US and Europe resulting from the effects of COVID-19. Warren Buffet, on the other hand, said the recent panic that's hit markets isn't as bad as the 2008 financial crisis⁹. While economic giants may differ in their views the recent frenzied activity in the markets point to a decline of some proportion moving forwards.

Stock markets may rally once COVID-19 is under control but there are most definitely some factors which will linger and possibly haunt us for years to come. Some companies will not weather the business consequences of this event.

Recent examples include Flybe¹⁰ and Laura Ashley¹¹; but theatres, restaurants, hotels, pubs and many more could be in the firing line. The leisure sector in general and aviation in particular, are experiencing catastrophic impacts following steep falls in traffic, occupancy and patronage.

The suspension of high-profit international routes such as Asia-Pacific and many European routes is likely to result in airlines, airports and the numerous supply chains and stakeholders missing out on the summer peak travel season. It could also result in bankruptcies, for example for FlyBe; the UK regional carrier, or unsustainable financial pressures such as that being experienced by British Airways.

A greater threat may however be hiding behind the long-term fallout from the pandemic. Previous years of government policy of austerity, the potential downside of Brexit and the massive government bill for mitigating COVID-19 which is a complete unknown (the recent £330 billion rescue package for UK businesses¹² alone is equivalent to almost three times the annual UK NHS budget) may result in long term public spending cutbacks in already stretched sectors such as social care, transport etc.

From another perspective the Bank of England released a statement advising: "Temporary, but significant, disruptions to supply chains and weaker activity could challenge cash flows and increase demand for short-term credit from households and for working capital from companies. Such issues are likely to be most acute for smaller businesses. This economic shock will affect both demand and supply in the economy."¹³ This scenario may though be mitigated by holding interest lower for longer, ramped up quantitative easing measures or similar.

COVID-19 is not one-sided in the sense that only supply will suffer. Consumer demand is also likely to be hit because consumers reduce spending as a result of financial uncertainty and isolation, and businesses pull back on investment. The combined effect of a demand and supply shock on the economy limits the conventional measures, such as interest rate reductions or tax concessions, that government can take to address the circumstances.

The situation post-COVID-19 may be further exacerbated by a potential risk averse stance that governments and organisations may take in respect of removing any bans or restrictions for fear of sparking a new infection outbreak. Thus, sporting events, concerts and potentially borders may experience longer term restrictions further impacting on recovery and laying out a new set of slow burning norms.

In summary, if the COVID-19 infection trajectory continues into the year the likelihood of recession post-COVID-19 is high or as Larry Elliott, the Guardian's economics editor, concludes "The chances are that the imminent recession will be U-shaped: a steep decline followed by a period of bumping along the bottom. There will be recovery, but it will take time and only after much damage has been caused."¹⁴ Before COVID-19, many countries around the world were still recovering from years of austerity, and may not have the bank balances needed to weather the storm.

⁷ <https://fortune.com/2020/03/20/coronavirus-economic-predictions-goldman-sachs-recession-gdp-2q-2020/>

⁸ <https://markets.businessinsider.com/news/stocks/coronavirus-fuel-recession-forecast-us-europe-economic-july-market-jpmorgan-2020-3-1028994637>

⁹ <https://business.financialpost.com/investing/warren-buffett-says-coronavirus-oil-one-two-punch-still-not-as-bad-as-2008>

¹⁰ <https://news.sky.com/story/flybe-boss-tells-staff-airline-going-into-administration-11949899>

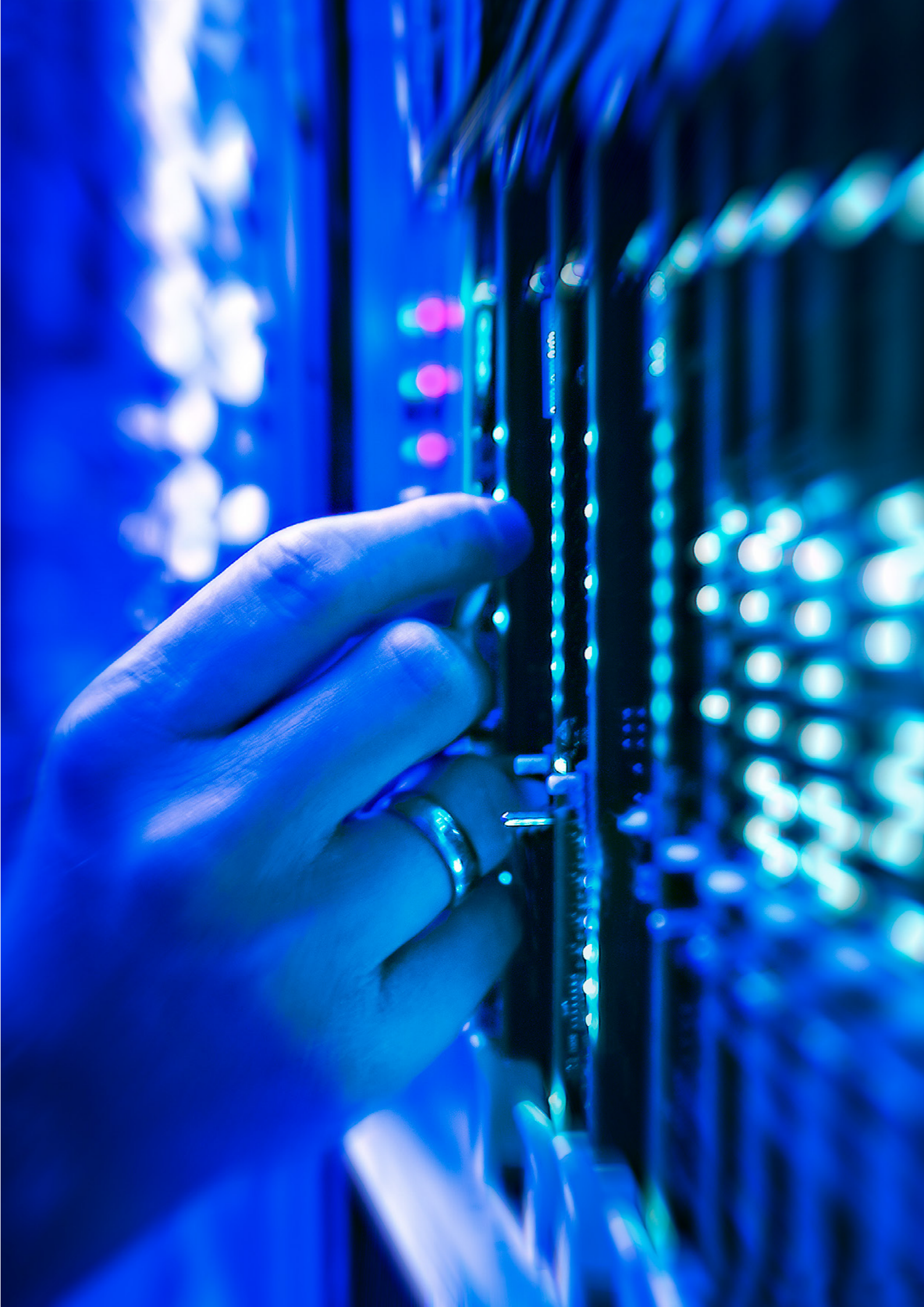
¹¹ <https://www.cityam.com/laura-ashleys-administrators-make-268-staff-redundant-and-furlough-1700/>

¹² <https://www.gov.uk/government/news/chancellor-announces-additional-support-to-protect-businesses>

¹³ <https://www.bankofengland.co.uk/news/2020/march/boe-measures-to-respond-to-the-economic-shock-from-covid-19>

¹⁴ <https://www.theguardian.com/business/2020/mar/15/prepare-for-the-coronavirus-global-recession>





Cyber

Most would agree that COVID-19 presents a serious risk in many different ways, but to some it also presents a great opportunity.

As worldwide measures are being put in place to mitigate the spread of COVID-19, the working effectiveness of many companies is being tested in unprecedented ways. At the heart of many responses is a huge 'work-from-home' campaign that has put the corporate technology operational framework at the centre of the strategic response to the crisis. The simple step of allowing employees to dial in to their companies' networks en-masse has led to unprecedented levels of traffic across networks.

The unprecedented shift to remote practices may pave the way for companies to review their working practices and continue with a greater level of remote working. This in turn creates a more complex – and potentially more vulnerable – IT environment, which is fertile ground for phishing attacks and critically ransomware threats. Cybercrime is one element where we are already seeing examples of bogus tax refund offers or donation requests¹⁵.

At a business level there have also been examples of fake virus tracking map or medical advice links which, once opened, deliver well-known malware.

Companies may need to review their outsourcing policy in respect of IT support and services. Some third parties may have failed as a business or simply not been able to step up to the new challenge. Either way, dependency on third party services may be financially attractive but potentially operationally fatal.

The resilience of companies will depend on how quickly they can redeploy and reskill talent, and how effectively they can blend technology with a plurality of work options (full-time employees, part-time employees, contractors, gig talent, staffing agencies, consultants and so on). The pace of change and the evolution and emergence of new technology offerings is a point of pride for many. The pandemic is reconfirming the need for data security and the adoption of Artificial Intelligence (AI) for many organizations.

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Over the coming months, technological solutions for keeping services running, business working and people healthy will be key to our collective response. Technology's ability to provide innovative solutions quickly and efficiently is at the heart of many operational plans across the business landscape. However, those companies with a strategic view on the role of technology may well find themselves with a bigger advantage in the challenging times ahead as we navigate new ways of working. Greater dependency in digital communication at scale also requires a rethink in business continuity plans and ways of building capacity and providing secondary and tertiary facilities in the event of compromise or failure.

¹⁵ <https://serocu.police.uk/covid-19-pandemic-fraud-cybercrime/>

Business resilience

A common concern within the context of COVID-19 is supply chain continuity.

South-east Asia is especially vulnerable to the economic risks associated with COVID-19 mainly because the region's supply chains, labour flows and tourism industries depend so heavily on China, where the virus originated. Meanwhile, the threat to public health from the spread of the virus brings political risks for the region's governments, and countries with weak healthcare systems, would struggle to deal with severe COVID-19 outbreaks.

As supply chains are curtailed and labour flows are interrupted, GDP growth across South-east Asia is forecast to slow. Wealthier states are likely to resort to costly fiscal stimulus to mitigate the economic effects of COVID-19. However, the region's tourism industries will likely take a significant hit.

Exposure to global supply chains could be crucial to how long it takes sectors and countries to recover. Supply chains may be slower than many domestic sectors to recover because they are more likely to encounter bottlenecks as different countries remove travel and business restrictions at different rates. Countries reliant on trade will be vulnerable to disruption long after the virus passes.

Supply chain impacts will linger longer than the COVID-19 outbreak, and this implies that equity market volatility will remain high. Emerging Market (EM) assets and commodity markets initially bore the brunt of the fallout from the outbreak of the COVID-19 virus, but since the last week of February developed markets have also been hit by the selloff. Markets are almost pricing in a global recession but if the outbreak ends by April-June, there is a high chance that this the impact will be reduced.

Investor sentiment will hinge on the magnitude of the damage to activity in China and to global supply chains, as well as when cases of the virus peak outside China. Amid worldwide fears about the impact of the COVID-19 outbreak, the US Federal Reserve (Fed) cut its main fed funds rate by 50 basis points, but Fed Chair Jerome Powell warned – perhaps unnecessarily – that while the cut should reduce the cost of capital and prevent a further tightening of financial conditions, it would not “reduce the rate of infection” or “fix” supply chains¹⁶.

In the next few months, the phased restart of plants outside Hubei (and the slower progress of plants within Hubei) is likely to lead to challenges in securing critical parts. As inventories are run down faster, parts shortages are likely to become the new reason why plants in China cannot operate

at full capacity. Moreover, plants that depend on Chinese output (which is to say, most factories around the world) have not yet experienced the brunt of the initial Chinese shutdown and could likely experience inventory “whiplash” in the coming weeks. One clothing factory that is in the process of starting back up relies on fabric from Italy and the company believes it has enough stock to last until April if they reduce production¹⁷ – we are seeing incredibly complex supply chain dynamics reveal themselves, and this will be one of the greatest slow burn risks.

What effect will COVID-19 have on the Korean economy? Even prior to the virus' spread to South Korea, Korean companies such as Hyundai were temporarily shuttering domestic production of automobiles due to the unavailability of auto parts made in China and used in production in South Korean plants¹⁸. Such supply chain disruptions, along with slowing domestic economic activity resulting from self-protection measures and reduced public dining and social activities, will drive the domestic economic impact of COVID-19. In response to the COVID-19 outbreak, on March 4 the South Korean Ministry of Finance introduced an 11.7 trillion won stimulus package for approval at

the National Assembly¹⁹. It remains to be seen whether this supplementary budget will provide a sufficient cushion for the businesses and local economies affected by the outbreak.

Perhaps the biggest uncertainty for supply-chain managers and production heads is customer demand. Customers that have pre-booked logistics capacity may not use it; customers may compete for prioritisation in receiving a factory's output; and the unpredictability of the timing and extent of demand rebound will mean confusing signals for several weeks.

The immediate, if indirect, consequences of the supply chain issues may be clear, but a further consideration is that in some cases the effect may be felt several years later as Boeing found out after the 9/11 terrorist attack. In this instance when Boeing's orders for a new plane started to roll in - six years after the attack - they found out that their principal supplier of specialised nuts and bolts had laid off half its workers and could not keep up with demand²⁰. From a supply chain perspective, the 9/11 terrorist attack, whilst vastly different in terms of event, impacted four American companies in three different industries across different timeframes and in different ways²¹.

When the global system gets up and running – whenever that may be – who will be left standing, who is going to disappear, and who will need time to warm back up?

¹⁶ <https://www.nytimes.com/2020/03/03/business/economy/fed-rate-cut.html>

¹⁷ <https://www.thejakartapost.com/news/2020/03/26/chinas-factories-reopen-only-to-fire-workers-as-virus-shreds-global-trade.html>

¹⁸ <https://www.nytimes.com/2020/02/04/business/hyundai-south-korea-coronavirus.html>

¹⁹ <https://www.cfr.org/blog/long-term-impacts-coronavirus-south-korea>

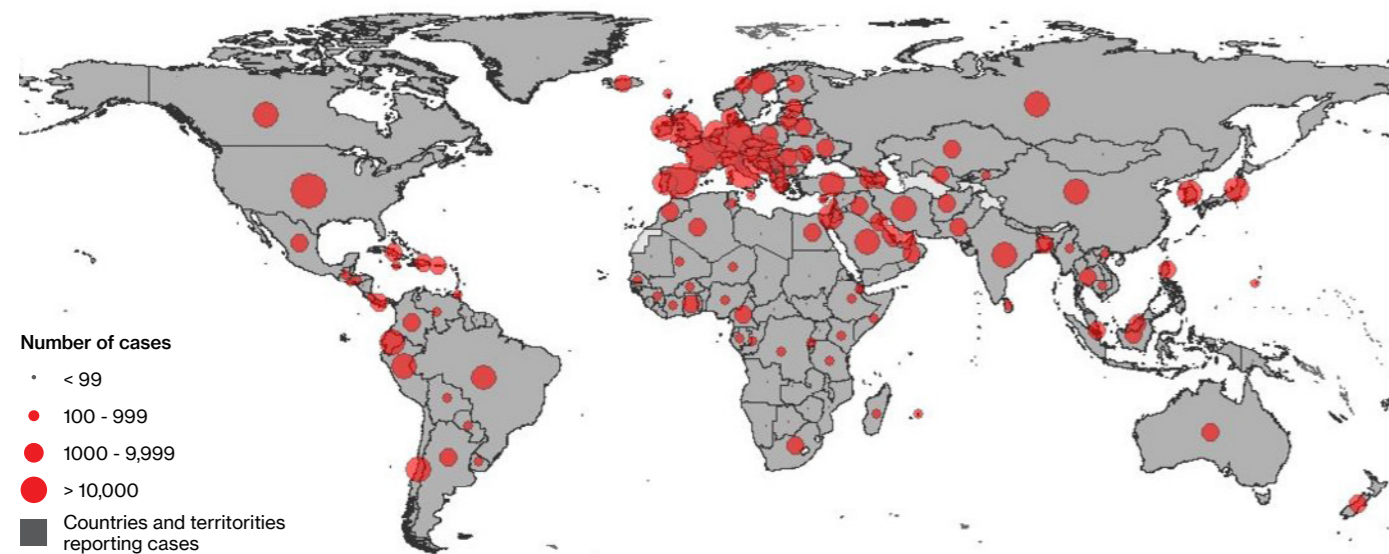
²⁰ <https://www.coursehero.com/file/p8fdqj/He-said-Boeing-is-already-seeing-improvements-but-expects-the-supplies-to-be/>

²¹ <https://www.amazon.co.uk/Political-Risk-Businesses-Organizations-Anticipate/dp/1474609821>

Climate and environment

The current and reported geographic spread of COVID-19 offers an interesting perspective in terms of a correlation between territories in the southern hemisphere, with a markedly lower number of cases, compared to those in the northern hemisphere. It is of course too early to say and possibly also influenced by other factors such as population density, reporting capability and travel patterns.

Geographic distribution of COVID-19 cases worldwide, as of 20 April 2020

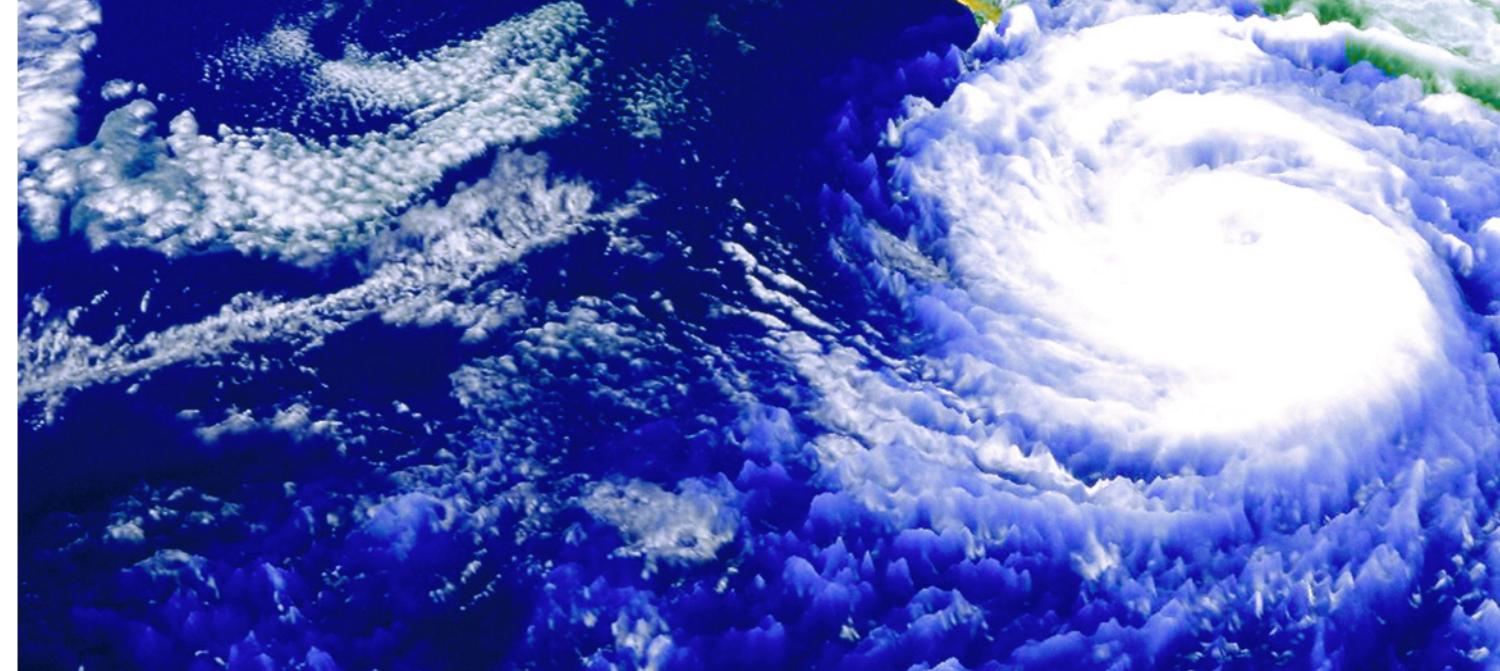


Source: European Centre for Disease Prevention and Control²²

It has also led to some suggestions that regions with hotter climates may be more resistant to the virus. The important thing to note is that it is too early to make any assumptions around this, and the WHO has added two 'myth buster' infographic cards to their website around these topics²³:

- From the evidence so far, the COVID-19 virus can be transmitted in ALL AREAS, including areas with hot and humid weather. Regardless of climate, adopt protective measures if you live in, or travel to an area reporting COVID-19. The best way to protect yourself against COVID-19 is by frequently cleaning your hands.
- There is no reason to believe that cold weather can kill the new coronavirus or other diseases. The normal human body temperature remains around 36.5°C to 37°C, regardless of the external temperature or weather. The most effective way to protect yourself against the new coronavirus is by frequently cleaning your hands with alcohol-based hand rub or washing them with soap and water.

²² <https://www.ecdc.europa.eu/en/geographical-distribution-2019-ncov-cases>
²³ <https://www.who.int/emergencies/diseases/novel-coronavirus-2019/advice-for-public/myth-busters>



The scientific community is actively collaborating to share insights, and as more data emerges this will help to refine assumptions and build up pandemic models that reflect the characteristics of this virus.

This is leading to a communication challenge, where efforts to open up models to help coordinate within the scientific community, are resulting in these outputs making their way to audiences they were not intended for – the general public.

What it does flag is the importance of modelling environmental effects on your business model and having access to experts who can translate those effects into business insights. This is reflected in the broad people, capital and risk expertise that makes up our Climate Quantified™ proposition.²⁴

This is incredibly relevant for climate risks and considering pandemic risks. Outbreaks of new communicable diseases are typically seen as a rare, one-off events. The interconnected

elements of climate change, global travel patterns, technology advances, animal-borne diseases and the rise of multi-drug resistant organisms all significantly impact the frequency and scale of events²⁵.

The 'Minsky Moment' described by the Bank of England for climate risks²⁶ – mixing economic disruption, policy responses, and overnight shift in market sentiment – is happening now, at scale, for COVID-19. We are also starting to see stress test examples emerge from various groups that will continue to be improved as the event unfolds, such as the six scenarios from the 2 Degrees Investing Initiative²⁷.

The Cambridge Centre for Risk Studies at the Judge Business School, University of Cambridge, is a partner of the Willis Research Network that produces an annual study – the Cambridge Global Risk Index – that has seen pandemic risks consistently in the top five threats since the index began. Their pandemic threat estimates a potential \$48.6

billion of GDP@Risk* in part due to the potential infection vector provided by airports and international travel and trade²⁸. The Cambridge Centre for Risk Studies has made a range of scenarios accessible at varying levels of severity for stress testing potential business impacts, and has started a new hub dedicated to COVID-19 analysis.

In a post-COVID-19 world, it will be critical to maintain momentum and interest in this area, especially as this could accelerate the broader appetite towards environmental, social and corporate governance. Climate risks act as a threat multiplier²⁹, and should be considered across all business operations – and we should remember that we can respond to stresses, and think about how to make changes to move to a more resilient state while we have the opportunity. For example, future climate scenarios may change disease spread and again this should be factored in when considering investment/territorial strategies, risk appetite, strategic business model developments.

²⁴ <https://www.willistowerswatson.com/en-GB/Insights/trending-topics/climate-risk-and-resilience>
²⁵ <https://www.willistowerswatson.com/en-GB/Insights/2020/02/geopolitics-of-pandemics-diagnosing-threats-to-organizational-resilience>
²⁶ <https://www.bankofengland.co.uk/-/media/boe/files/speech/2018/a-transition-in-thinking-and-action-speech-by-mark-carney.pdf>
²⁷ <https://2degrees-investing.org/wp-content/uploads/2020/03/Stress-testing-COVID-19.pdf>
²⁸ https://cambridgebusinessriskhub.com/erm/auth/linkedin?next=%2Ferm%2Fportal%2Fpublication%2Fcgri_2020_exec_summary
²⁹ https://www.acq.osd.mil/eie/downloads/CCARprint_wForward_e.pdf

*GDP@Risk is the average annual loss (also known as the "expected loss") to a selected location's economic output from each threat or threat category. Another way of thinking about GDP@Risk is the amount a city would have to save each year to pay for the costs of the disruptive events in the long run, averaged out over time.



Reputation and trust

COVID-19 will produce winners and losers. The larger impacts on the aviation, leisure and hospitality industries have already been touched on in this paper but food retailers may see an actual increase as people exaggerate their buying patterns for fear of supply drought. It has been reported that in the UK consumers spent an extra £1.9bn on 'contingency buying' in the run up to the Coronavirus restrictions³⁰.

Pharma companies, especially COVID-19 testing kit and pain relief manufacturers, are likely to boom during this period but also engineering companies and consortia whose normal production has been substituted by emergency medical equipment such as ventilators.

The media, as one would expect, is fully engaged and providing 24/7 news. A golden thread linking all this activity is reputation. When some form of normality is restored governments and organisations will be judged according to how well they managed under pressure.

Companies may be viewed through the lens of social and moral responsibility and as such how policies in areas such as employment, pay, pricing and supply are established and communicated may define how perceptions are shaped in the future. False media should be anticipated, and will require extra mitigation and attention during such information rich scenarios.

Geopolitical implications

We started 2020 in a world where areas that were once regarded as predictable and stable became volatile, and changes in international policy were bringing new uncertainty to long running conflicts. In the release of their '10 Conflicts to watch in 2020' report, President and CEO of Crisis Group, Robert Malley, summed up the challenge; "the understandings and balance of power on which the global order had once been predicated – imperfect, unfair, and problematic as they were – are no longer operative."³¹ COVID-19 brings new dynamics and the global ripples are continually happening.

A post-COVID-19 world could see the formation of a new geopolitical landscape. Despite the huge impact COVID-19 has had on major economies some countries have moved quickly to support stricken

nations like Italy by providing vital equipment such as ventilators, Personal Protective Equipment (PPE) and blood.

This kind of collaboration sets the scene for closer trading and political links over time. Conversely, actions such as offers for exclusive rights to a COVID-19 antivaccine to be used only for a particular country exacerbates³² relations both within and between geographies.

Currently, the WHO global case numbers at 19 April 2020 suggest that over 87% of the world's confirmed cases are now in Europe and the Americas, with 7% in the Western Pacific and SE Asia regions. WHO recorded deaths across the world suggest that 91% of deaths have occurred in Europe and the America's, whilst 4% have occurred

in the Western Pacific and SE Asia³³. Although the inference may be clear, there are many nuances such as reporting protocols, average population ages and different strategic responses by countries, so comparisons need to be put in their contexts and time, and international cooperation will be needed to understand the full picture.

Whatever the case, post COVID-19 nations may retreat to a more protectionist stance, especially as a potential global recession begins to bite. Multinational businesses with many operations centres, multiple markets and complex supply lines are going to need to be vigilant to finance, economic and trade risks that area going to emerge as a result.

³⁰ <http://news.sky.com/story/coronavirus-16319bn-grocery-stockpiling-spree-ahead-of-lockdown-11966036>

³¹ <https://foreignpolicy.com/2019/12/26/10-conflicts-to-watch-2020/>

³² <https://www.businessinsider.com/coronavirus-germany-covid-19-vaccine-not-for-sale-donald-trump-2020-3?r=US&IR=T>

³³ https://www.who.int/docs/default-source/coronaviruse/situation-reports/20200419-sitrep-90-covid-19.pdf?sfvrsn=551d47fd_4

What should organisations be doing given this new reality?

Current events and their future implications could present a seismic change in the geopolitical landscape as well as business and societal environments. The experience of COVID-19 underlines the need to improve detection and warning and to prevent crises from happening, or at least minimise the impact if they do occur. Crisis management and business continuity planning should be integrated with specialist insurances to support organisations' risk appetites and reduce their total cost of risk.

In the short-term, Willis Towers Watson has established a dedicated [COVID-19 Insights hub](#) where you will find thinking from all our teams to help with your response. For example:

- **Impact on hourly workers:** COVID-19 is impacting all industries, and companies must act quickly to address how to compensate their hourly workers. As part of a series of pulse surveys related to COVID-19 (coronavirus), we are seeing a shift in attitudes toward the potential impact on business³⁴.
- **Employee perspective:** This is a time when compassion and careful listening are at their most necessary. Many clients are rapidly pivoting to regular COVID-19 Pulse Surveys. We have designed a COVID-19 Pulse Survey that is available now to all our clients³⁵.

- **Mental health:** Never has it been more important for managers to know their teams to support mental wellbeing and increase workplace resilience in this time of crisis³⁶

As the situation continues to unfold, Boards and their risk managers should be proactive and review their risk profiles and appetites, and ask themselves where they consider the tipping points to be. Decisions around strategy, investment, growth and expansion will at the very least need to be reviewed in the cold light of a harsher and more challenging environment.

Interconnected risks require integrated solutions that must be tailored and address insurable and non-insurable risks seamlessly. To do this effectively they need to:

- Understand their new environment through relevant intelligence, assessment and quantification to comprehend the drivers and impacts on a business. Boards must look beyond the most obvious, and work with stakeholders across their business to identify interconnected risks; examining everything from complex supply chains through to human capital policies and reputational damage, to help protect the company and fulfil its duty of care.

- **Identify and assess:** They should employ all the tools available to enable them to collate and interpret the information and then deploy subjective (depth of experience, industry insight, research and analysis) and objective (using analytical tools) assessment to inform the organisations' decision making.

- **Prevent and Protect:** As the geopolitical landscape changes, so must the way in which risk leaders protect their businesses. A thorough understanding of the interlinked geopolitical risk drivers and their impacts provides a strong foundation for prevention and protection against them.

However, it may not be all gloom and doom. The COVID-19 experience may bring opportunities such as different and more cost-effective ways of working, a more resilient society, larger home markets and more reliable supply chains. Either way boards need to be ready and able to seize the moment and adjust their course appropriately.

Are we learning from previous experiences at this scale and should we re-think what is most likely and what is most dangerous to our business and our well-being? All to be explored in our subsequent articles.

³⁴ <https://www.willistowerswatson.com/en-GB/Insights/2020/03/covid-19-coronavirus-impact-on-hourly-workers>

³⁵ <https://www.willistowerswatson.com/en-GB/Insights/2020/03/covid-19-how-should-we-approach-employee-listening>

³⁶ <https://www.willistowerswatson.com/en-GB/Insights/2020/03/COVID-19-and-mental-health>

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Each applicable policy of insurance must be reviewed to determine the extent, if any, of coverage for COVID-19. Coverage may vary depending on the jurisdiction and circumstances. For global client programs it is critical to consider all local operations and how policies may or may not include COVID-19 coverage.

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