

# COVID-19: Corporate Risk and Broking Road Map

## Responding to the COVID-19 pandemic

### Overview

The COVID-19 pandemic has disrupted business globally and is a rapidly evolving event.

The pandemic has underscored:

- The impact of proactive business continuity planning
- The importance of strategic risk management and well-designed risk transfer programs
- The value of strong relationships with the insurance market

### Guiding principles




1. The global market is functioning. North America, London, Bermuda, European markets and Asian markets have been able to work remotely.
2. Be aware of market conditions. There may be impact to certain industries, tightening of terms and conditions, and some underwriters may be slow to quote new business. Stay on top of market updates to know where your risk stands.
3. The underlying theme from insurers around the world is they are handling issues 'case by case'. When it comes to coverage extensions, mid-term changes, collateral issues, etc., all carriers are considering the individual circumstance of their insureds.

### Key stages of action



Broadly speaking, the pandemic will unfold in three stages for an organization.



## Managing through the crisis: React - Adapt

	Issues	Solutions
<b>Mitigate risks</b> 	<ul style="list-style-type: none"> <li>▪ Insureds should comply with all governmental directives to reduce potential harm and mitigate potential liability.</li> <li>▪ Follow business continuity plans.</li> <li>▪ Protect employees by encouraging remote work.</li> <li>▪ Protect facilities, buildings, etc. if required to temporarily vacate or shutter.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Comply with all policy conditions. Note especially warranties, vacancy clauses, consent provisions, etc. Also, it is important to inform insurers of material changes in risk due to significant changes in operations.</li> <li>▪ Leverage <b>Ergonomics</b> to assist employees as they work from home and minimize workers' compensation exposure.</li> <li>▪ Consult a <b>Property Risk Control</b> expert regarding loss prevention in idle plants, boiler inspections, vacated buildings, etc.</li> <li>▪ <b>Supplemental healthcare coverage.</b></li> </ul>
<b>Preserving capital</b> 	<ul style="list-style-type: none"> <li>▪ The length of restrictions due to COVID-19 may make incoming revenue streams and cash flow uncertain.</li> <li>▪ Companies may be required to revisit their recent guidance to determine if outstanding liabilities will be materially impacted by COVID-19.</li> <li>▪ COVID-19 may impact the short-term financial performance of businesses.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Consider <b>Premium Financing</b> as an option to help preserve working capital during this uncertain period.</li> <li>▪ Consult with actuaries to revisit <b>Accruals</b> and revise assumptions.</li> <li>▪ <b>Plan now for 7/1 renewals</b>, remodel your exposures and determine if your insurance and risk management structure is optimized for the future and tuned to new financial realities of the business.</li> </ul>
<b>Claims</b> 	<ul style="list-style-type: none"> <li>▪ COVID-19 will undoubtedly result in the need for clients to prepare, quantify and resolve large and complex claims.</li> <li>▪ COVID-19 may result in damages sustained by entities across all industries. The resulting financial damages sustained should be addressed, captured and quantified.</li> <li>▪ Due to the declaration of a national emergency due to COVID-19, assistance for qualifying organizations (such as public entities) is available from FEMA.</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Claim Closure Solutions</b> projects should be considered for organizations in favorable cash position.</li> <li>▪ Our <b>Forensic Accounting and Complex Claims (FACC)</b> team can assist clients in quantifying the economic damages sustained from COVID-19.</li> <li>▪ Forensic Accounting and Complex Claims can provide <b>FEMA assistance</b> to help clients navigate and submit to the FEMA claims process.</li> </ul>

## Managing through the crisis: Sustain

	Issues	Solutions
<p><b>Focus on efficiency and cost reduction</b></p> 	<ul style="list-style-type: none"> <li>COVID-19 may result in prolonged uncertainty to global economic and insurance market conditions.</li> <li>The need to preserve cash and reduce costs will become more critical in difficult economic situations. As such, an integrated approach to reducing an organization's total cost of risk will be important.</li> </ul>	<ul style="list-style-type: none"> <li><b>Integrated Casualty Consulting</b> – ideally suited to assist clients improve efficiency and effectiveness of their risk processes and reduce <b>Comprehensive Cost of Risk (CCOR)</b> in a volatile market.</li> <li><b>Remodeling your exposures to loss</b> given your new operating model can reduce insurance premiums at renewal.</li> <li>Engage <b>Alternative Risk Transfer (ART) solutions</b> to spread limited capacity across multiple lines of cover and achieve limits within constrained budgets.</li> <li>Consider <b>Multi-line / Multi-year rate lock</b> programs to stabilize rate and restore financial statements.</li> </ul>
<p><b>Use advanced tools and data to drive decisions</b></p> 	<ul style="list-style-type: none"> <li>Adjusting plans and risk management strategies during COVID-19 will be important to maintain the financial flexibility and viability of companies.</li> <li>Data and analysis can help guide companies through the pandemic and enable decision-making to adjust plans as necessary to optimize the cost of risk relative to financial performance.</li> </ul>	<ul style="list-style-type: none"> <li><b>Market security reviews.</b></li> <li>Our comprehensive suite of <b>Risk and Analytics</b> capabilities can help clients leverage data wherever they are in their analytical sophistication to facilitate effective, rational, and defensible decision-making.</li> </ul>

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. The information contained herein is not intended to constitute legal or other professional advice and should not be relied upon in lieu of consultation with your own legal and/or other professional advisors. Some of the information in this publication may be compiled by third party sources we consider to be reliable, however we do not guarantee and are not responsible for the accuracy of such information. We assume no duty in contract, tort, or otherwise in connection with this publication and expressly disclaim, to the fullest extent permitted by law, any liability in connection with this publication. Willis Towers Watson offers insurance-related services through its appropriately licensed entities in each jurisdiction in which it operates. COVID-19 is a rapidly evolving situation and changes are occurring frequently. Willis Towers Watson does not undertake to update the information included herein after the date of publication. Accordingly, readers should be aware that certain content may have changed since the date of this publication. Please reach out to the author or your Willis Towers Watson contact for more information.

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