



Respond and Recover

Addressing business disruptions due to
COVID-19 - Insurance considerations

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Impact of COVID-19

Impact of the disruption on businesses



- The COVID-19 pandemic has led to major disruptions in business operations.
- Businesses must estimate the financial impact of the pandemic and develop strategies to recover the resultant business losses.

- An important tool of loss recovery could be insurance reimbursements.
- Insurance coverage not being available, corporates may seek other potential sources of recovery, such as relief funds or government programmes.
- The issues and impact may vary within **industries and type of insurance** .



Consumer products and manufacturing

- Increased costs due to the pandemic's impact on the supply chain
- Extended lockdowns leading to raw material spoilage, product expiration, inventory obsolescence, and loss of business/profits
- Impact of product recalls



Healthcare

- Determined by the trade-off between a decrease in elective procedures (non-emergency) and an increase in number of patients due to COVID-19
- Increased costs, such as decontamination of expenses, personal protective equipment purchases, overtime pay, etc



Hospitality

- Revenue losses for businesses, such as airlines, cruise ships, and hotels due to very low demand for these services
- Lost ability of mitigation by diverting services to other locations due to the global nature of the pandemic



Oil and gas

- Impact due to severe demand contractions, the Organization of the Petroleum Exporting Countries (OPEC)'s production decisions and commodity price declines
- Impact aggravated by reduced driving, aviation and shipping, idle facilities, shifting fuel mix, purchase deferrals, etc.

What can you do?

Take proactive steps to respond to and recover from the outbreak and mitigate risks



Analyse business impacts

- Identify and isolate business impacts between clearly recoverable and non-recoverable through insurance.
- Focus on achieving an efficient and effective recovery using fact-based, data-driven analyses of business impacts.
- Deploy technology and analytics to identify changes in customer buying activities, premises exposures, and location-related impact on supply chains, operations, workforces, and financial performance



Determine admissibility of claims

- Take assistance of experienced legal counsel to interpret insurance contracts; and experts specialised in valuing organisational impacts.
- Collect and preserve supporting documentation related to mitigation charges, refunds, cancellations, as well as budget and forecasted earnings analysis for substantial relief.



Preparation and quantification of claims

- Losses may not be readily quantifiable and claim preparation may not be straightforward like in a typical disaster, such as fire or an earthquake.
- Determine the anticipated versus actual earnings to substantiate revenue and margin losses. Lost margin may arise not only from direct losses but also from incremental and extraordinary expenses.
- Loss periods due to pandemic presents thorny issues as no one can know how long disruption will continue.

Lost revenue and margin

Loss period



Continue the recovery process

- As losses may continue to mount, new methods of mitigating them such as innovations in supply chains and business models may also quickly emerge affecting the viability of claims over time.
- Organisations need to establish an ongoing loss documentation, evaluation, and monitoring process against performance that was anticipated pre-COVID-19.

Key Takeaways

Organisations with specialised knowledge, experience, and analytical horsepower can actively establish policies and procedures, gather internal and external data, monitor finances and operations, identify causes and effects, track and forecast business impacts, and ultimately, prepare valuations that are accurate, organised, and well-supported.

Such efforts can make the entire process more cordial, efficient, and beneficial for both the source of recovery and the recipient.



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