

Swine Flu

Just six days after an outbreak of Swine flu in Mexico the World Health Organisation has put nations on alert of a global flu pandemic by raising its alert level to 5- imminent (Level 6 is the highest).

Swine flu is a respiratory disease, caused by influenza type A which infects pigs. There are many types, and the infection is constantly changing. Until now it has not normally infected humans, but the latest form clearly does, and there is confirmed evidence of transmission from person to person - probably through coughing and sneezing.

Flu viruses have the ability to swap genetic components with each other, and it seems likely that the new version resulted from a mixing of different versions of the virus, probably developing in farming communities where pigs and poultry are reared together. Pigs provide an excellent vessel for these viruses to mix and match with each other. In an attempt to control the spread a number of countries are implementing a pig culling programme.

Symptoms of swine flu in humans appear to be similar to those produced by standard, seasonal flu including fever, cough, sore throat, body aches, chills and fatigue. It is worth remembering that seasonal flu often poses a serious threat to public health: each year it kills 250,000 - 500,000 around the world. So far, most cases of swine flu appear to be mild. But lives have been lost in Mexico.

Even if the pandemic does not materialise in the UK now, there is a high possibility that the virus could mutate and return in our winter.

Recognising the potential effects on the pig meat industry, pressure is mounting to change the name of the pandemic to 'novel' or 'Mexican flu'

Pre-planning

Being prepared for an outbreak and risk managing the potential impact should be high on managements' agenda.

Many organisations have business continuity plans that deal with unspecified events causing a disruption to the business but how many include specific reference to plans to handle significant medium-term staff absenteeism not only in their business but also that of suppliers?

Organisations should consider:

- How an outbreak can be identified
- What procedures need examining to avoid the spread of disease
- The health and safety implications
- How absence is reported
- How to operate on 75% staff or less
- Remote working
- Effect on staff ability to get to work because the transport infrastructure is disrupted
- How to manage the message from the product viewpoint particularly in the food industry
- Involving suppliers in the planning process and even friendly competitors
- PR and communication not forgetting that there might be a need to communicate with staff at home



Insurance

There are 4 main areas to consider when thinking about the insurance angles:

1. The workforce
2. Customers and their customers
3. Premises contamination
4. Prevention of access to premises

The workforce

Employers Liability

If the disease is contracted at work in the UK, and *the employer is proved to be negligent*, then the employer's liability policy will provide compensation for any award and claimants costs and expenses. The problem for both parties would be to prove or disprove that the infection was contracted during the course of employment.

Nowadays many firms have employees on secondment overseas where employer's liability insurance may or may not apply depending on the amount of time spent in the UK. UK employees seconded overseas and overseas employees will be subject to local workers compensation legislation which should provide compensation for lost wages provided again that the illness was arising out of and in the course of employment and the employer is culpable.

Travel

Most travel policies will cover cancellation costs due to illness occurring in the country where the individual is resident. Medical expenses incurred overseas and, in the event of serious illness, repatriation costs should also be covered by a standard travel policy.

Cancellation and curtailment costs are not so clear-cut. Policy wordings should be closely examined as some will give cover if government advice is not to travel, some will not. Many policies will exclude disinclination to travel. Recovery of booking costs might have to be pursued through the travel agent or tour operator.

Customers

Public and products liability policies give cover against negligent acts of the insured which result in death or bodily injury to third parties or damage to their property. A similar problem to employer's liability arises under these covers - proof that the infection was contracted from the negligent actions of the insured.

Also, most policies will either contain a full pollution and contamination exclusion or restriction to sudden accidental and identifiable incidents which is likely to keep many lawyers happy whilst they debate the merits of the exclusion.

Property Damage- Contamination

Clean-up of contaminated premises is likely to be the main cost consequence of an outbreak. The standard market policy will usually have a contamination exclusion unless it then results in damage by a defined peril (fire, storm etc) which is improbable. Contamination is not defined but insurers would undoubtedly interpret virus as a contaminant and therefore exclude those costs.

Business Interruption

Other than for some very specific cover extensions, the standard business interruption policy pays for a reduction in turnover following insured property damage. So if the property policy doesn't cover the risk, generally speaking the business interruption policy won't either.

Prevention of Access

Social distancing is happening and venues where people gather are being forced to close temporarily. It is customary for retail outlets, restaurants and hotels to have an extension to the business interruption insurance to cover reduction in turnover following closure of the premises

by the relevant authority. Cover triggers after detection of a human notifiable disease manifested by any person at the premises or within a specified radius, often up to 25 miles. Some policies include the cover for all businesses. The disease has to be notifiable; interestingly flu isn't one of them.

Policy limits are often comparatively small, commonly £100,000 with a short indemnity period of up to 3 months:

More Information

For more information on this topic please contact your local client service team or alternatively:

- For insurance queries Bob Powell on 0115 9371218 or e-mail robert.powell@theovalgroup.com
- For Risk Management and Business Continuity Neil Hodgson on 01484 411121 or e-mail neil.hodgson@theovalgroup.com

Useful links:

Department of Health
www.dh.gov.uk

World Health Organisation
www.who.int/en

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