

# Coronavirus update

## What should your business consider?



Our highly qualified team of loss adjusters, designated accountants, valuation specialists and fraud examiners provide economic loss quantification, forensic accounting, financial analysis and valuation services to insurance, legal, corporate and public sector clients.

# Coronavirus outbreak

## What businesses should know regarding coverage



The new coronavirus (2019-nCoV) outbreak, originating in Wuhan in China, has resulted in more than 18,000 reported cases globally, with the World Health Organization declaring the coronavirus outbreak a public-health emergency of international concern on 30 January 2020.

Already there are predictions of negative effects on tourism and other sectors from the new coronavirus outbreak. The Chinese Government has currently banned all overseas travel by tour groups and all sectors of the tourism industry are likely to feel the effect. The impact will not only be on hotels, but also on domestic flights, tourism activities and restaurants. Further, companies that sell into China might find that a reduction in demand occurs over the next several months, causing a loss of revenue.

All of this activity may or may not lead to a flood of BI claims. As with every widespread event, each claim will need to be dealt with on the merits of specific policy wording.

### When a disease becomes notifiable

In 2003, the Severe Acute Respiratory Syndrome (SARS) outbreak caused significant damage to the economy of Hong Kong.

Businesses had seen a downturn in trade from February, some time before SARS became notifiable on 27 March – and further deterioration followed.

The New World Harbourview Hotel in Hong Kong sought to recover its losses from insurers, resulting in an important legal case. In 2012, the appeal judges on the case found that the insurance trigger was 27 March, the date that the disease became notifiable, and that the claimants should base their expected turnover on their reduced performance from February 2003, not on the anticipated unaffected turnover, had there been no outbreak.

In other words, claims should be dealt with on the basis that turnover would have been impacted by SARS even if it had not become a notifiable disease.

### Notifiable disease cover

While some policies list the specific diseases that are covered, obviously that won't include diseases that were unknown at inception. Other policies provide wider cover by allowing diseases which are notifiable at the point that a claim is submitted.

Typically, policies require a specific outbreak of (rather than a general fear of) a notifiable disease, and will also specify a distance within which the outbreak must occur.

General economic downturn, caused either by fear before a disease is declared notifiable, or by the impact of outbreaks beyond the specified distance, is not covered.

This was also the case in the 1980s and 1990s during the outbreaks of 'mad cow disease' in the U.K. The government had discouraged the public from going into the countryside – which had already negatively impacted some businesses – before notifiable outbreaks subsequently occurred. Only the exacerbation of loss caused by the latter was covered.

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### Force Majeure cover

China's Belt and Road Initiative (BRI), sometimes referred to as the New Silk Road, involves infrastructure development and investments in nearly 70 countries across Asia, Europe, the Middle East and Africa.

The ongoing travel restrictions in the current outbreak and quarantine orders are affecting Chinese labour from returning to their work posts. In addition, there is a possibility of production delays by Chinese manufacturers.

These may result in project delays, potentially triggering policy coverage in Force Majeure; Delay in Start-up and Difference in Conditions.

Almost by definition, the damages resulting from a force majeure can be disastrous. Types of losses covered include continued debt servicing, loss of income, ongoing fixed costs, spoilage, and related contingencies.

### Act of competent authority (non-damage denial of access)

Policies don't tend to cover business interruption losses merely because the police (or other agency) restrict access to (or hinder the use of) their premises.

Wordings usually require these restrictions to be due to some other occurrence – typically a disturbance, commotion, emergency or danger in the vicinity. Each wording should be considered on its merits.

Wordings usually require physical prevention, not just hindrance or advisory guidance, for a claim to succeed.

### Supplier/customer extensions

Wordings in these extensions are sometimes poorly defined, with a particular challenge around the terms 'customer' and 'supplier.' Whilst these may intend to apply only to the entity that a policyholder trades with, they sometimes inadvertently include more of the supply chain than intended.

Cover requires 'damage' at the supplier or customer premises, as opposed to 'damage' as defined, at the premises. Outbreaks causing hospital closures, which require deep cleaning / disinfecting, may constitute damage. Laundries and other service providers might be covered too.

Most of these extensions do not require the customer or supplier themselves to be covered for their own losses.

It's worth noting that injury or loss of health to people will not trigger cover, as damage to assets is required.

Another point for consideration is how territorial limits apply in terms of these extensions. For example, policies for U.K. businesses affected by customer or supplier damage in the Far East may not respond, as many policies have territorial limits that would apply.

Certainly, coverage concerns will continue to evolve along with this situation. As always, we will stay ahead of the issue and our team of business interruption specialists and forensic accountants is ready to assist with any questions you might have.

For more information on how we can help you, please contact:

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# Business Interruption Capability

## Specialists in Adjusting and Forensic Accounting for insurance claims



We provide loss adjusting and forensic accounting expertise to insurance professionals undertaking assignments for claims managers, insurance adjusters and lawyers from the initial notification through to claim finalization.

When you engage us, you are using a team of highly experienced professionals.

Each of our senior staff have a minimum of 10 years' experience, so you can be confident we have the right person for the job.

We are a global team that has extensive experience and specialist expertise handling large and complex losses across a broad range of industries.

We adopt a flexible, commercial approach and will work closely with you to develop claim resolution and settlement strategies to avoid disputes and reduce overall settlement times and costs.

### Approach

Our specialist insurance and claims support services include:

- Business interruption
- Stock loss quantification and valuation
- Product liability and product recall
- Subrogation
- Contract disputes
- Litigation services
- Pre-loss reviews

### Key benefits of working with us

We are trusted advisers to leading captives, insurers, reinsurers and individuals. You can rely on our financial expertise, because:

- We are recognised as experts in quantifying claims made under insurance policies
- We thoroughly investigate the basis of each claim, and work closely with other experts to provide the information insurance and legal professionals need
- Our analysis and reports can be relied upon in litigation or subrogation

We tailor our approach to the needs of each assignment and engage appropriate skilled and experienced personnel taking account of the required expertise and experience.

### Industry Experience

Our team has experience across a wide range of industries – especially managing large (and complex) losses arising from Energy and Power generation claims, Manufacturing, Professional Services, Food & Beverage and Retail & Property.

Other industry sectors in which we regularly work in include Telecommunications, Warehousing & Distribution, Hospital and Medical facilities, Hospitality and Leisure and many more.

We are happy to accept work from any sector.

### Business interruption claims

We specialise in business interruption claims. Claims Managers, captives, reinsurers and other insurance professionals rely on our expertise and experience to:

- Investigate the financial basis of a claim
- Quantify the loss of profit
- Identify and quantify increased costs and savings
- Provide concise reports on our findings, which are used as the basis to settle claims and assist with any subsequent recovery actions

## Biographies



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Stephen joined Legacy Cunningham Lindsey in 2010.

Recognised internationally as an industry leading expert, Stephen is a regular contributor to technical forums and industry conferences around the world.

With more than 30 years' adjusting experience, Stephen has worked on significant major and complex technical losses on a global basis.

Adopting a strategic loss management approach, Stephen specialises in claims arising from the mining, resources and power sectors.



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Jenny has been involved in forensic accounting investigations since 2002. She has worked on numerous business interruption and fidelity losses for lawyers and insurers in the Asia Pacific region.

Recent examples of her work include, but are not limited to, stock losses in Indonesia, Sri Lanka and Vietnam, and hotel losses throughout Asia.

Her practice also includes commercial litigation disputes and arbitration work measuring economic losses/ damages in breach of contract/tort and fraud investigations as well as analytical reviews of financial information, financial data mining, reconstruction of accounting records and reconciliatory processes.

She has acted as expert in a commercial litigation dispute and submitted expert reports on the measurement of economic losses/damages. She has also assisted in mediation and settlement negotiations between parties.



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Nick is a chartered engineer with specialist knowledge of dealing with large scale coal, gas and nuclear power generation losses on both Contractor's All Risk (CAR), Erection All Risk (EAR) and operational policies. He has more than 20 years' experience in the power generation, downstream petrochemical and heavy engineering sectors.

Following a degree and PhD in engineering and materials science, he worked as a research engineer conducting failure analyses of gas turbines for a turbine manufacturer and the ministry of defence. Nick then spent a number of years working as a consultant specialising in failure investigation and remaining life assessment of power stations, process plant and downstream petrochemical plant for owners, operators and insurers.

Nick is now based in the United Arab Emirates and deals primarily with power generation losses involving all types of equipment: including gas turbine and steam turbine generation plant, nuclear, hydroelectric, diesel and solar power installations throughout the Middle East, as well as North Africa and Asia.



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