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Captive Insurance Services

## COVID-19 Is Interrupting Your Business

Is COVID-19 interrupting your business? Every passing day makes this more and more a rhetorical question as everyone and every business is now affected by the coronavirus.

I hope no person gets COVID-19, and I hope a cure or remedy is quickly found. Millions of people are now affected indirectly whether they want to be or not. The fact is, billions of dollars are being lost as a result, both directly and indirectly.

“Under Armour last week indicated it expects to lose between \$50 million and \$60 million in sales as a result of the outbreak. Ralph Lauren, similarly, projected losses as high as \$70 million, while executives from travel and hospitality companies such as Hilton, Royal Caribbean Cruises, TripAdvisor and Expedia have issued statements in recent days predicting varying degrees of business slowdowns” <sup>1</sup>.

“But nearly 4 in 5 American companies with operations in China say they don't currently have sufficient staff available to run a full production line, according to a survey published earlier this week by the American Chamber of Commerce in Shanghai. Nearly 3 in 5 companies say they believe demand for their products will be lower than normal in the months ahead.”

“Coronavirus Could Cost the Global Economy \$2.7 Trillion. Here's How” <sup>2</sup>.

\$2.7 Trillion is relevant. However, the amount of money that your business loses is more than relevant, it's personal and the loss of production, the loss of revenue is real.

There is insurance for this situation. Will everyone run out and buy it? Probably not. Should they? It depends on your business. What may cause business interruption in your business now and in the future? How much is COVID-19 costing you each day, week, or month?

**Insure it.** Insurance doesn't get your workforce back in action, but insurance does make you whole.

It's not just the travel industry, but every industry is being affected both literally and figuratively. Does your business depend on parts from China which you are NOT receiving now?

Those companies with coverage are now filing claims from their insurance carrier, their own Captive Insurance company. Claims may be made under a variety of written lines of coverage such as supply chain interruption, pandemic loss, or business interruption – Civil Authority / Emergency Response Risk, or loss of a key employee.

One of these exposures isn't the only line of coverage within a captive insurance policy, however the interruption we are all experiencing is a perfect example of low frequency – high severity coverage that may be purchased for an event just like today.

I hope this is the last pandemic (or situation) we ever face, and I hope it is quickly resolved. However, in reality it isn't. This COVID-19 situation is a low frequency – high severity situation. History says another interruption will occur in the future. Are you insured?

Preventative, proactive measures can and should be taken.

- Wash your hands often with soap and water for at least 20 seconds, especially after going to the bathroom; before eating; and after blowing your nose, coughing, or sneezing. If soap and water are not readily available, use hand sanitizer.
- Avoid close contact with people who are sick.
- Avoid touching your eyes, nose, and mouth with unwashed hands.
- Stay home when you are sick, and keep your children at home when they are sick, please do not bring them to the office under any circumstance.
- Cover your cough or sneeze with your elbow or sleeve. If you use a tissue, throw the tissue in the trash and wash your hands.
- Clean and disinfect frequently touched objects and surfaces using a regular household cleaning spray or wipe.

**Insure it!** Your business is too valuable not too.

Act or be acted upon. We can control the insurance, but we can't control the frequency and how long that frequency event will last. Insurance does provide protection, both specific and aggregate.

YOUR lines of coverage, in YOUR Captive insurance company protecting YOUR business, and creating

## **YOUR Link to Security!**

**Rich Ericson, President**

ALINK Captive Insurance Services

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1. <https://www.bloomberg.com/graphics/2020-coronavirus-pandemic-global-economic-risk/>
2. <https://www.usnews.com/news/the-report/articles/2020-02-21/the-economic-cost-of-the-coronavirus> From U.S.News & World Report: