

COVID-19 ADVISORY

03.16.20

Bollwerk advises its Clients as we look ahead to emerging issues that present Risk to their businesses. While businesses are usually exposed to current, typical risks, we also strive to look further ahead to identify risks before they become apparent to the business community in general. See trustbollwerk.com/covid-19-advisory for Bollwerk's initial 3-6-20 COVID-19 Advisory.

All business risks can represent an opportunity for business interruption or loss. While insurance is a common choice to transfer the losses away from the Client, Risk Management (RM) is an important part of mitigating a loss before it occurs. RM helps businesses plan for yet-to-be-realized Risk and preemptively prepare for it.

With years of commercial business and RM experience, Bollwerk offers all three degrees of planning to its Clients – Forward-looking Business Risk intelligence, proactive Risk Management, and Insurance.

CURRENT CHALLENGES

The beginning of the impact on the Hospitality industry is already apparent. However, Bollwerk is advising our Clients to consider what other impacts the Governmental and Public reaction to the virus might mean to their businesses. The first concern is whether Commercial P&C Policies will offer either virus related liability coverage, or monies for defense. The Commercial P&C Policy must be assessed for its answer to virus liability or loss of income claims, and second, whether claims based upon viral infection are excluded.

Looking ahead at the few identifiable indicators, Bollwerk continues to consider other similar examples that might give insight as to what to expect. Recent news from China and Italy of their timelines of the infection, and the responses that industry took could be helpful examples. Also, the 2003 SARS outbreak is another example to consider.

In both cases, it seems reasonable that a three month disruption of revenue could be at hand. In the SARS outbreak, the spread of the virus in each locality took about two months to run their course, but the trailing economic effects began approximately a month later and lasted about three months. This outbreak also followed the model shown in the 2001 UK Foot and Mouth Disease outbreak. Beijing Hotel occupancy dropped to as low as 10% in May 2003, and took until September to recover to pre-virus booking levels.

In the case of COVID-19, we can observe China, whose data is considered questionable, and Italy, likely more transparent. As of yesterday, Italy has already chosen a national quarantine, and France has just begun the same. The duration of this pandemic is still not decided, including the possibility of 2nd waves of infection as outlined in the US DHS Pandemic Flu National Strategy Plan.

Bollwerk is anticipating the questions surrounding two scenarios for our Clients: **Limited Operations** during the course of the pandemic of unknown length, and **Business Halted** with preparation for preservation and restart once the US comes into [Phase 6](#) of the aforementioned DHS Strategy Plan.



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The seriousness of the issues may be indicated historically (by SARS 2003-4, Italy COVID-19) as well as the Trump Administration's stated intentions of unprecedented economic measures to protect American Small Businesses. The French Finance Minister has also stated his similar intent.

WHO BOLLWERK CAN HELP

These solutions may be suitable for Hospitality Owners and for Management Companies. If either scenario develops, Limited Operations or Business Halted, Bollwerk has identified steps our Clients can begin considering to take now in preparation for scenarios not yet realized.

A commonly attempted approach to severely declining Revenue is a rewriting of the Policy off-date. However, this will not be an option as National Carriers are following the 2008/9 downturn protocol of avoiding mid-term quoting of Hospitality Risks, and when quoting, they are particularly selective.

Bollwerk's opinion is, for Hotels facing severe Revenue shortfalls, the answers lay in appropriate operational choices that take the unique Risks into consideration while virus coverage is unconfirmed (Limited Operations), or understanding longer term issues if the Hotel chooses to temporarily halt operations (Halted Operations) as we've seen with MGM Las Vegas choosing to temporarily cease operations. Both approaches can be viable Risk Management options, depending on the scenario.

PARTNER WITH BOLLWERK

Conducting business in an environment during a pandemic, and post-pandemic operations, remains fluid. Our Clients understand that Bollwerk's situational awareness, RM practices, and insurance as a (not first or only) line of defense are better than a view of insurance-only and wait-and-see.

The COVID-19 issue is one example of Bollwerk's early-awareness, forward-thinking, overall approach to Risk. Bollwerk is not offering all of the answers to the current issue, but rather is demonstrating how we approach Risk in general. While there are many Agencies offering business insurance, perhaps you see Bollwerk as a better choice. As an insurance Agency, Bollwerk is usually paid by standard commission on the Insurance Premium, but our insight, experience and resources are also included.

Our Clients have access to our COVID-19 resources, including specific preemptive operational steps to consider across several Risk classes. If you would like to discuss partnering with Bollwerk, contact us at 877-426-5593 (877-4 BOLLWERK) or visit our website [trustbollwerk.com/covid-19-advisory](https://www.trustbollwerk.com/covid-19-advisory)

Sincerely,

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