

## PCS Information Bulletin #19: COVID-19 Review

**Wednesday, June 3, 2020**

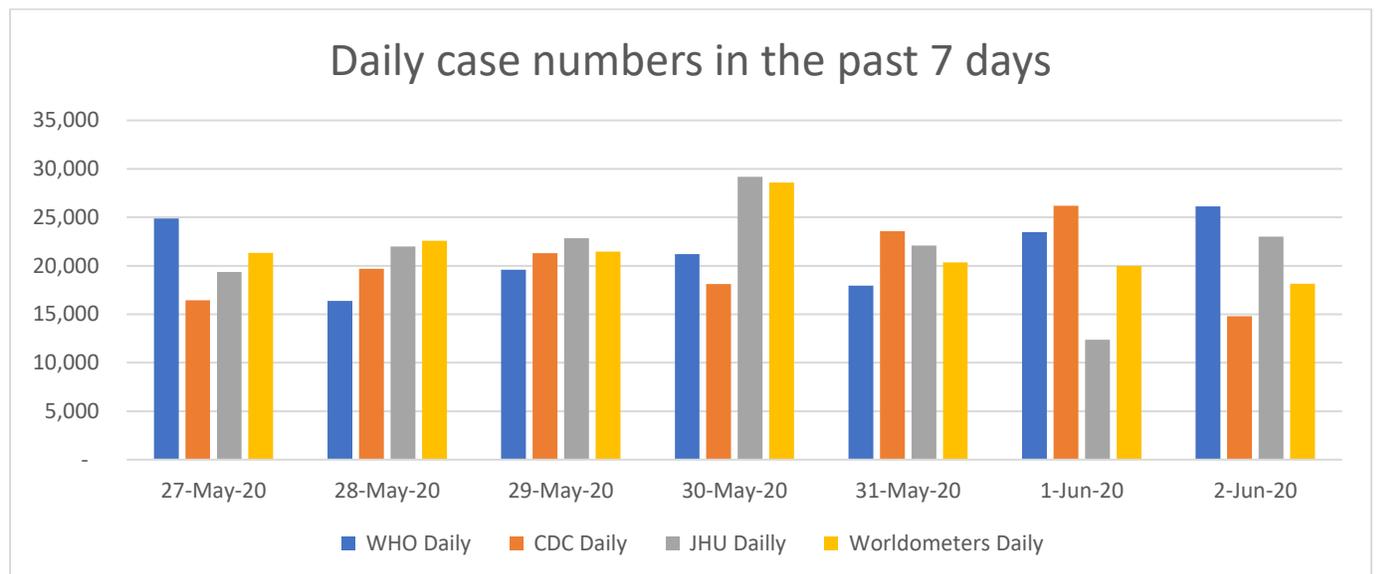
As always, please remember that **this report is for informational purposes only** and does not constitute the designation of a PCS event. We have decided to provide this report simply to help the market understand the COVID-19 situation and to provide access to some of the resources our team uses daily for intelligence on this event.

### Analysis; Daily New COVID-19 Cases

As measures for reopening businesses begin to take effect, there's a sense that the world is at least trying to shift back to something more normal – or at least less restrictive. Of course, Covid-19 remains a global presence, and due to the incubation periods noticed over the past few months, it could take at least several weeks to know if gradual efforts to loosen restrictions will lead to a secondary spike in infections. Because of this, we're shifting our weekly analysis of cases from aggregate to newly reported by day.

*Note: PCS has been keeping track of the daily cases recording them at 4pm EST time through the various sources and provides a consolidated analysis at regular times.*

### U.S. Daily Reported Cases

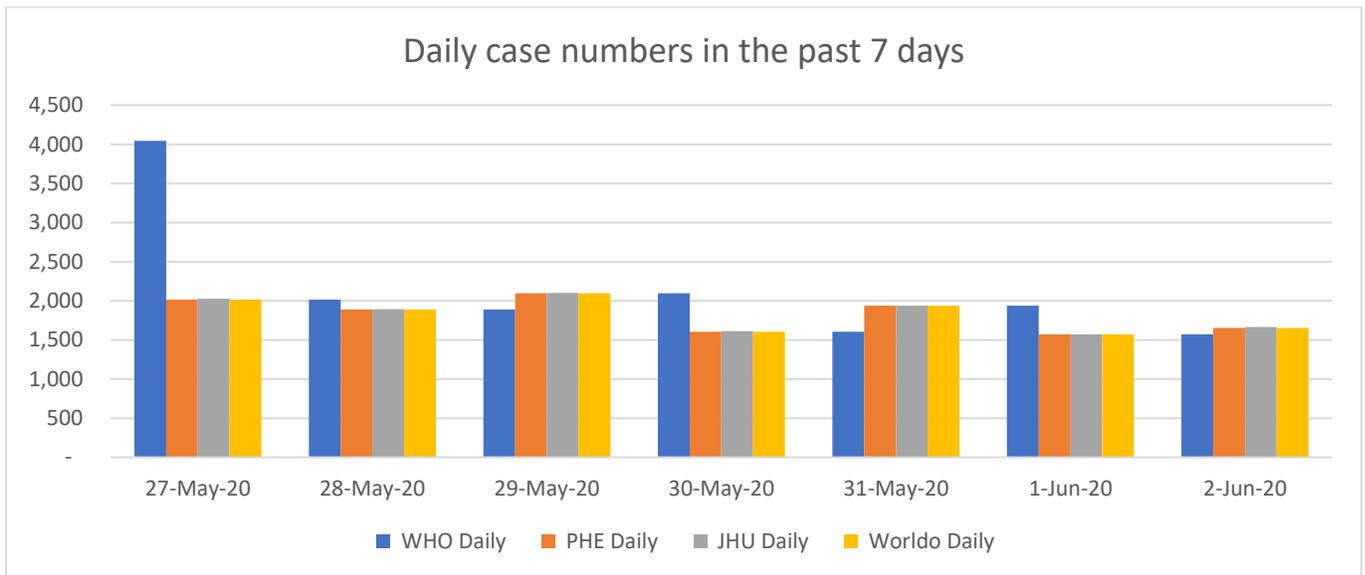


1. The most up-to-date case counts will come from states, according to CDC officials.
2. CNN's tally relies on state totals and won't always match the CDC's count as they take them from the JHU at various times of the day
3. John's Hopkins dashboard thus far has been found to update several times a day  
<https://coronavirus.jhu.edu/map.html>
4. Worldometers.info – web scraping tool -  
<https://www.worldometers.info/coronavirus/country/us/>

Daily new cases reported in the United States highlights the ongoing disparity we've seen among authoritative data sources going back to the earliest days of the pandemic. The lumpiness in WHO data may result from the fact that it's at the end of the reporting chain, and it can take time for all new cases to work through the system (which does affect its utility in pandemic parametric ILW transactions). However, other sources show outlier spikes on different days, suggesting that, overall, the granularity of daily new case reporting shows more noise than it does impact.

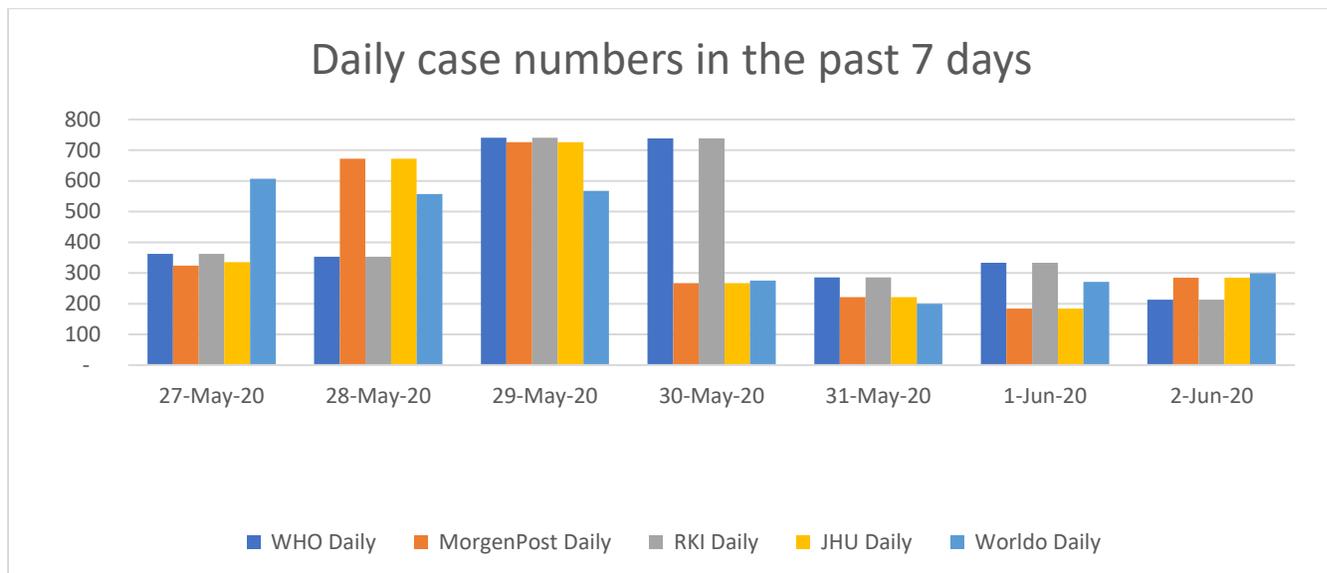
For risk-transfer transactions contemplating the inclusion of daily reported cases rather than aggregates, one- or two-week averages may make more sense. Additionally, analysis regarding the effectiveness of loosened restrictions and other measures may benefit from a similar average over lookback period.

### UK Daily Reported Cases



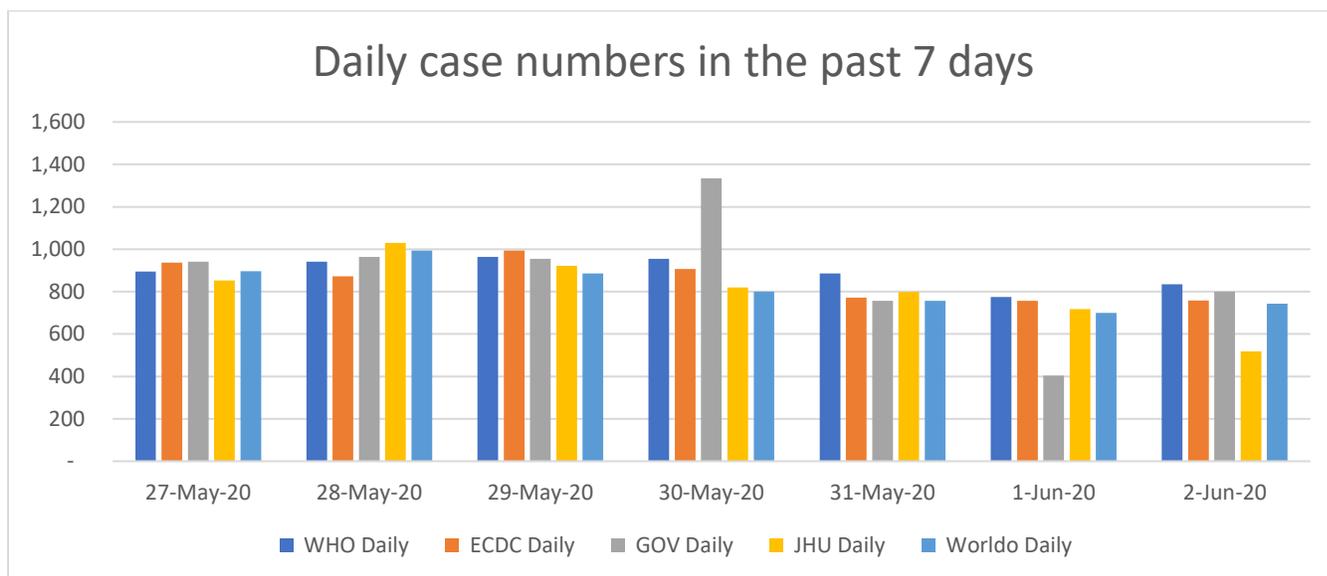
Data from United Kingdom tends to be more consistent and orderly, although some of that may result from the fact that there's one authoritative government data source – unlike in the United States, which has more than 50. Again, WHO data seems a bit noisier, but that may be because of where it falls in the reporting chain.

### Germany Daily Reported Cases



Germany was one of the first countries to implement reopening measures. While the number of newly reported cases is in the low hundreds per day, some days show significant spikes. Further, data consistency across authoritative data sources remains problematic.

### Canada Daily Reported Cases



The daily number of new Covid-19 cases reported daily in Canada has slowly dropped below the one thousand mark and appears to be trending downward. Measures implemented seem to be having an effect and PCS will continue to monitor for further updates.

## A Riot within a Pandemic

Over the weekend, PCS designated our thirteenth riot and civil disorder catastrophe event since 1965. It has since become the first riot catastrophe to include multiple states. While the Covid-19 wasn't the cause, the virus clearly played a role in the lead-up to the cause, and it's likely to have a significant impact on how claims from the catastrophe are handled.

In past information-only bulletins related to Covid-19, PCS has provided sufficient context as to the impact the pandemic has had on the U.S. economy and workforce. More in-depth analysis can be found over at Verisk Maplecroft ([www.maplecroft.com](http://www.maplecroft.com)). Unemployment has grown significantly and rapidly. Many businesses – including retail and restaurants – are either closed or operating at a significantly reduced capacity. Retail spending plummeted in March and then even more in April. While the economic malaise and attendant uncertainty for the future from Covid-19 were not yet enough to cause a riot, those conditions were certainly sufficient to act as an accelerant if a riot were to occur (as we've seen).

The impact of the riot in Minneapolis alone was sufficient to warrant PCS event designation, and the riots that spread to other cities have warranted extensions to our initial designation. Currently, PCS has 21 states named for this event, and we're actively monitoring the situation across the United States. Historically, riot and civil disorder catastrophes (PCS's category for SRCC) have not had high industrywide insured losses. Of the twelve historical events (excluding the current event, for which we haven't published an estimate yet), only one exceeded US\$100 million. Almost half were below US\$10 million (not adjusted for inflation).

A lot has changed, though. And not just the fact that all twelve prior riot catastrophes were single-state events.

Right now, PCS is taking a closer look at the impact national and large regional insurance programs could have on the industrywide insured loss from the riots. Target's closure of 9 percent of its stores gives a sense of the potential scale involved. Also, with multiple cities feeling the effects of the riots simultaneously, large original insureds could accumulate more physical damage from a single event (depending on how their covers work), and there could be significant business interruption to follow. With riot events tending to have lower numbers of estimated claims, a few large losses (like national retailers or restaurant chains) could push the loss disproportionately higher. The 2019 riots in Chile may be instructive, as more than a third of the estimated insured loss so far comes from a handful of large retailers. Additionally, some large energy losses contributed to the 2016 event in Turkey, which became the 5<sup>th</sup> largest catastrophe on record with PCS Turkey (which goes back to 1999).

In particular, the likelihood that the riots will likely consist largely of commercial insured losses leaves the event somewhat sensitive to catastrophe claim-handling issues related to Covid-19. In some ways, many of the issues that PCS has discussed about hurricane season claim handling during Covid-19 are relevant to riot and civil disorder as well. The industry may get a sense of claim-related issues that could come to bear in the event of a major hurricane or tropical storm this season.

Claim leakage is probably the most important claims consideration for the intersection of the riots and Covid-19. There's a possibility that claimants will seek to move some losses from the pandemic into a claim related to physical damage from the riots. And in other cases, it may be difficult to discern

between pandemic-related impact and riot-related impact. As a result, there could be some ambiguity that enters into the adjusting process. Further, the business interruption component could be frustrated by the need for benchmarks for ascertaining lost revenue – with prior year results having questionable value after months of quarantine and other restrictions on movement and commerce. Of course, this could be balanced by the fact that some businesses were beginning to reopen, which means there may have been greater revenue at stake in the coming months than there was in the past few during the various lockdowns that were in place.

Additionally, there could be difficulties associated with site inspections, in-person meetings to review and audit materials, and other aspects of the commercial claim lifecycle. Commercial claims, being more complex than their personal lines counterparts, may see an extended time to close as a result of Covid-19. For larger regional and national companies, the problem could be exacerbated by the need to address losses at different sites across the United States.

Our team has maintained constant contact with primary insurers, TPCs and independent adjusting firms regarding COVID-19, the riots and challenges being faced with these losses thus far. Due to the speed in which the escalation of tensions occurred in many areas, many business owners may not have had ample time to enact mitigation efforts to prevent extensive damage to their businesses with efforts such as boarding up windows and transferring inventory to secure locations.

We have been advised while adjusters are ready to deploy with PPE equipment and safety protocols to begin the inspection and adjustment process, in many cases the handling of these claims will continue to be delayed for at least several more days until the civil unrest fully subsides in most areas as a precautionary measure for the adjusters safety. Furthermore, the potential for additional damage exists to these structures as well as to their contents and inventory from continued damage and looting.

The riot catastrophe is still developing, and as a result of the potential for a significant amount of commercial losses, it could take some time for the industry to fully understand the scope and nature of the event. And that process could be impeded by challenges related to the pandemic. PCS will continue to monitor the event closely – along with the Covid-19 implications – and maintain regular contact with our clients.

*For more information on insured losses on the 2019 riots in Chile or how Covid-19 could affect catastrophe claim handling, please contact PCS directly. We have some materials on these issues that we'd be happy to share with you.*

### **PCS Friday Webinar: Trade Credit and Surety**

We're all making assumption on how particular LOBs will be impacted from COVID-19 – Business Insurance and Physical Damage come to mind, but let's also take a moment and talk about Trade Credit & Surety, which we know they're designed to pay out in situations of crisis. 9/11 and the 2008 global financial crisis have been moments that impacted these lines and have set precedents for the industry so it's time to take a quick look back in time and see what we've learn from the past. Should be a very interesting discussion, so join us on Friday the 5th at 10am for the next PCS webinar.

You can register at <https://attendee.gotowebinar.com/register/6304649558860392459>, and we encourage you to share the link with colleagues and clients.