

PCS Information Bulletin #36: COVID-19 Review

Wednesday, September 30, 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.

COVID-19 Fatalities Top 1 Million

The world crossed a tragic milestone since our last information-only COVID-19 bulletin: 1 million fatalities (https://www.washingtonpost.com/graphics/2020/world/coronavirus-deaths-1-million/?itid=hp-top-table-low&itid=lk_inline_manual_21&itid=lk_inline_manual_3). And this comes in addition to nearly 34 million worldwide cases of the virus, according to data from Worldometers.info. In the United States alone – the country worst affected by both total cases and total fatalities, we've seen more than 7 million cases and 200,000 fatalities, with the threat of resurgence looming and flu season right around the corner.

Latin America dominates the ten countries with the highest number of cases. While this wasn't the case when PCS started tracking COVID-19 developments six months ago, we certainly identified Latin America early on as a region that seemed likely to sustain a significant number of cases and fatalities. Russia and South Africa weren't top of mind back in March and April. Spain, however, was the focus of considerable attention back then, and it remains among the top ten in the world by number of cases.

| Country | COVID-19 Cases | COVID-19 Deaths | Notes |
|---------------|----------------|-----------------|---|
| United States | 7.4 million | 210,000 | Consistently the hardest hit country in the world and unlikely to change in the near future, it seems; increasing concerns about data reliability as a result of political risk |
| India | 6.2 million | 98,000 | COVID-19 appears to be spreading aggressively still |
| Brazil | 4.8 million | 142,000 | Largest population in Latin America, concerns about data reliability as a result of political risk |
| Russia | 1.2 million | 21,000 | |
| Colombia | 818,000 | 26,000 | Population of only ~50 million |
| Peru | 810,000 | 32,000 | Population of only ~33 million |
| Spain | 760,000 | 32,000 | Could be facing a resurgence |
| Mexico | 730,000 | 77,000 | |

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|--------------|---------|--------|--------------------------------|
| Argentina | 720,000 | 16,000 | Population of only ~45 million |
| South Africa | 670,000 | 17,000 | |

Source: Estimates based on Worldometers.info

France, Chile, and the United Kingdom – historically impacted significantly by COVID-19 – aren’t far outside the list above, with signs of resurgence emerging.

Reviewing the Q4 Risk Environment

Over the past six months or so, the PCS team has commented frequently and at length about the risks that could come to bear on the global re/insurance market in the fourth quarter of 2020. With the fourth quarter set to begin tomorrow, we’ll offer a brief review of these risks so they remain top of mind.

1. *COVID-19*: There are signs of resurgence or a second wave in several key regions. In some parts of the world, the first wave rages on (and could conceivably clash with a second wave). Conventional flu season is coming, as well. And for the northern hemisphere, home to 90 percent of the world’s population (<https://inshorts.com/en/news/90-of-earths-population-lives-in-northern-hemisphere-1487235613826>), winter is coming. In addition to virus transmission issues, cold weather will also impede some of the workaround’s consumer businesses have used to offset threats to continued sales.

2. *SRCC*: The George Floyd riots from this past spring resulted in the highest insured losses from a U.S. riot and civil disorder event in PCS history, and there’s still room for upward development. The highest PCS estimate for a riot and civil disorder event remains the loss in Chile a year ago. As a result of both social and economic strain either caused or exacerbated by COVID-19, the potential for unrest in both regions persists. While the PCS catastrophe designation for the U.S. riots ended on June 8, 2020, there have been instances of rioting since then – just not with enough insured loss to call for catastrophe designation. There are several ongoing issues that could cause riot catastrophes in the United States in the fourth quarter of 2020, including the November presidential election.

3. *Cyber*: Cyber attacks seem to become a greater threat during periods of chaos and instability. Ransomware attacks have spiked recently, although some have gone to smaller insurance programs or not had insured losses associated with them at all (strictly economic losses).

4. *Supply chain*: Social distancing in the workplace, backups at ports, and access to inputs and raw materials have caused plenty of supply chain disruption this year, made worse by the fact that forecasting tools have struggled to meet the challenge posed by the pandemic. While essential – and even most nonessential – goods are still flowing, there are pockets of demand that can’t be met. And even where the supply chain has shown resilience, points of vulnerability have become more noticeable.

5. *Consumer spending*: Frankly, this is just a broad economic threat, as consumer spending is estimated to account for as much as 70 percent of economic activity. If people stop spending, everything else is affected. Pandemic risks should at least slow the crowding of retailers and restaurants, even if government restrictions aren't enacted or enforced. Personal economic uncertainty as a result of layoffs and increased saving activity in the face of uncertainty could further contribute to a broader economic slowdown. Supply chain issues could reduce some discretionary consumption. And in general, it could just become even harder for consumers to spend the way they used to (e.g., if restaurants don't offer ample indoor seating in colder parts of the world).

6. *Political*: The U.S. presidential election is extremely likely to have global implications – from economic policy to the nuts and bolts of COVID-19 handling in a cross-border environment. Further, the election carries a heightened risk of SRCC. While many focus on the risks of SRCC as a result of election outcome, please keep in mind that uncertainty of outcome could increase SRCC risk, as well.

This is just worth reading: <https://www.cnn.com/2020/09/29/health/how-to-stay-safe-covid-fall-autumn-wellness-trnd/index.html>. “COVID-19 fatigue” is perhaps the greatest risk associated with the virus, aside from the virus itself. It can be exhausting to focus on protecting yourself and your family – and to sacrifice the normalcy you used to enjoy. Just keep in mind that you can't unilaterally declare victory against a pandemic. Stay safe. Stay sane. If you need a pep talk, call one of the PCS team members. We're always ready to help.

Speaking of “fatigue” risk, don't forget about deal fatigue. With the January 1, 2020, reinsurance renewal coming, there's a lot of talk about negotiations potentially being more challenging than usual. And that's based on a similar dynamic at past renewal milestones this year. Remember the classic thoughts of journalist Robert Strauss: “Success is a little like wrestling a gorilla. You don't quit when you're tired. You quit when the gorilla is tired.”

Restrictions for travelers coming into the United States

Following up on last week's piece on U.S. citizens travelling abroad, we wanted to take a look around the world and see what countries have restrictions imposed to travel to the United States. The main announcement for border closure was issued middle of March 2020 and it addressed the Schengen Area, which is comprised of 26 European states and several other individual countries. The neighboring countries, Canada and Mexico have announced multiple extensions for land border closure since mid-March, currently being in effect until October 21, 2020. All three countries have seen a rise in cases since August, but Canada lags far behind the U.S. and Mexico in both new infections and deaths, while case counts continue to raise in the United States.

The latest update from the CDC was released on September 14, 2020 and maintained the below countries in the table on the list of travelers prohibited from entry to the United States. The rest of the world does not have particular measures set in place for travelling to U.S. except for the fact that they are recommended to pass through one of the seven major airports that have been specifically designated for enhanced COVID-19 screening:

- Los Angeles International
- San Francisco International
- John F. Kennedy International
- Hartsfield-Jackson Atlanta International
- Honolulu International
- Chicago's O'Hare International
- Seattle-Tacoma International

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| European Schengen area 26 European countries | Austria, Belgium, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, and Switzerland – may not enter the U.S. if you have been in the country within previous 14 days |
| China | May not enter the U.S. if you have been in the country within previous 14 days |
| Iran | May not enter the U.S. if you have been in the country within previous 14 days |
| United Kingdom | May not enter the U.S. if you have been in the country within previous 14 days |
| Republic of Ireland | May not enter the U.S. if you have been in the country within previous 14 days |
| Brazil | May not enter the U.S. if you have been in the country within previous 14 days |
| Canada | Border remains closed to all but essential traffic through Oct. 21 |
| Mexico | Border remains closed to all but essential traffic through Oct. 21 |

The U.S. territories have different jurisdictions and thus have in effect separate rules. Puerto Rico officially reopened to all international travelers on September 12, 2020. You will need to bring a negative COVID-19 PCR test taken within 72 hours of arrival and you could be asked to self-quarantine for 14 days when going through the health screening measures. The U.S. Virgin Islands, which includes St. Thomas and St. Croix, has reopened to tourists starting September 19, but will require a negative coronavirus PCR test for all visitors taken within five days of arrival on the islands. The Northern Mariana Islands does not have entry restrictions as of beginning of July, but travelers are subject to quarantine on arrival.

West Coast Fires, is the worst is yet to come?

Two weeks ago in our PCS Informational Bulletin number 35 we addressed the state of the outbreak of wildfires in the U.S. Since then, the situation has proceeded to get worse, not better. As a result of the devastating number of wildfires, many of which have encroached into more densely populated areas, PCS has issued a historic 14 wildfire catastrophe designations, all in Q3 2020.

California has been challenged for weeks by rounds of extreme weather. Last month, a record-breaking heat wave triggered the state's first rotating power outages since the 2001 energy crisis and was followed just three weeks later by another one. More than 8,000 wildfires have burned a record 3.7 million acres this year killing at least 26 people while damaging and destroying thousands of structures. On Monday, more than 18,000 firefighters were battling 27 major blazes across the state. Also in the midst of the fires, California Governor Gavin Newsom warned on Monday the 28th that the rate of transmission of the coronavirus was creeping back up in the most populous regions of the state, putting at risk the decline in new cases that California has seen in recent weeks.

While the fires that occurred, many of which are still ongoing, from prior weeks are bad the latest new wildfire, the Glass Fire, may eventually be the worst of all from an insured loss standpoint. The Glass Fire, which has received the 14th PCS wildfire catastrophe designation and our 30th catastrophe designation in the U.S. this quarter, broke out in the early hours of Sunday the 27th near St Helena, in the Napa Valley, 15 miles north of Napa which is famed for its wineries. Within 12 hours 2,500 acres had burned and at least one winery, the Chateau Boswell was on fire. The Chateau Boswell, private family-owned winery, established in 1979, is located along the popular Silverado Trail, an area that came under mandatory evacuation orders on Sunday as the Glass Fire grew from a relatively small 20-acre vegetation fire to burn 11,000 acres. In addition, The Black Rock Inn, a boutique bed-and-breakfast near downtown St. Helena, was also destroyed.

As of the morning of Tuesday the 29th, 42,560 acres were burned from this fire according to CalFire's incident report. Also, it is completely uncontained, officials say, and has destroyed 113 structures. A multitude of residences and commercial buildings, including multiple wineries have been damaged or completely lost. Restaurants, resorts, and wineries affected by the fire include:

- **Castello di Amorosa:** a 13th-century–style winery in Calistoga known for its unique “castle” building. Its castle remains safe, however the huge storage building holding millions of dollars of bottled wine is reported to be ruined.
- **Davis Winery:** The heat from the flames prompted a 1,000-gallon propane tank on the property to explode according to owner Mike Davis. Reportedly everything surrounding the winery burned, however the winery, itself, was saved.
- **Fairwinds Estate Winery:** On its website, [Fairwinds says that](#) “Most of the Fairwinds Winery and its Tasting Room has been very seriously damaged by the recent Napa Valley fires.

The Glass Fire, and the majority of the fires receiving PCS catastrophe designations are still ongoing. Our daily extension bulletins available to access in our ISOnet portal, chronicle each daily providing updates on the status of each event.