

PCS Information Bulletin #43: COVID-19 Review

Wednesday, November 18, 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.

Defining “Lockdown” and Ascertaining whether It Makes Sense in Parametrics

Across the United States, the United Kingdom, and Europe, increased restrictions as a result of COVID-19 have become more common. And there’s a sense that this trend will continue. For re/insurers, it’s time to put more thought into what “lockdown” means. With the January 1, 2021, reinsurance renewal coming and the potential need for parametric instruments, this definition could take on disproportionate importance.

If you’ve been keeping up with our information-only COVID-19 bulletins, some of this will look familiar. But, it’s been a while since we’ve taken on this subject, so it’s worth at least skimming this section anyway.

1. “Lockdown” in itself doesn’t mean anything. I’ve heard a lot of talk about parametrics (or other covers) that would trigger when a lockdown is declared. There’s no such thing in the United States, from what I understand, and I don’t think it really exists anywhere.
2. Lockdown has become something of a blanket label for a wide range of business closures and other restrictions on movement as a result of civil order or some other form of government requirement. However, even in the wide range of cases covered by “lockdown,” there are exceptions and differences. They should be defined and specified in risk-transfer instruments to make sure such instruments function properly.
3. We’ve heard across the market a viewpoint that, in a second wave, lockdowns would come more quickly, based on the experiences from March and April. The PCS team has maintained that this sort of expectation isn’t reasonable, largely because of the political factors involved. The politicization of lockdowns and other restrictions on movement does not mean that governments would “do the right thing” in a resurgence or second wave. In fact, whether or not lockdowns are the right thing would likely remain a point of contention.
4. There’s also a possibility that any lockdowns enacted early (from the perspective of a lesson having been learned) wouldn’t be as severe as they were six months ago. In fact, if entered into early enough, they wouldn’t need to be. But, the constraints would still likely drive some reduction in economic impact.
5. Even outside the United States, we’ve seen that there hasn’t necessarily been a rush to lockdown in the latest resurgence of COVID-19.
6. There could still be political risk factors associated with lockdowns and other restrictions, particularly tensions between state/provincial and local/municipal governments. And any litigation resulting from them could affect covers relying on government designation of such conditions.

Also, the lack of a lockdown situation doesn't mean there wouldn't be degradation in economic activity, particularly if consumers are worried about (a) congregating in public places or (b) future income prospects and job security. As a result, the risk factors that would arise during a lockdown would still exist, although maybe not to the extent associated with a lockdown.

Testing Prevalence and Perception

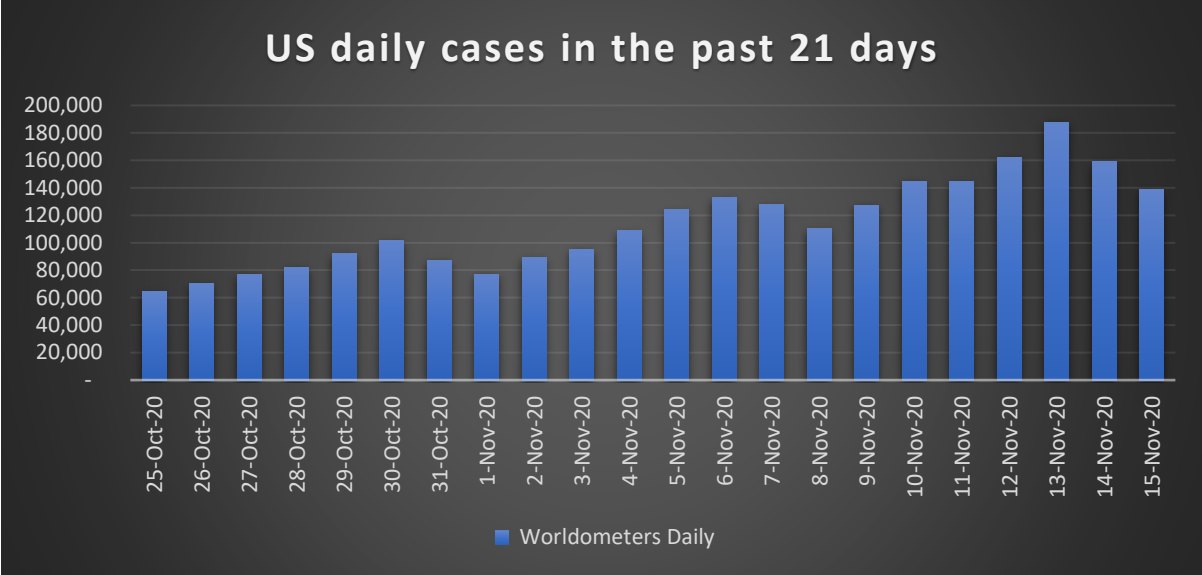
Cities, states, and countries are reporting record levels of COVID-19. The numbers are becoming as severe as they were in March, April, and May – worse, in some cases. Yet, media coverage, economic response, and human behavior seem to be different this time around. Why?

1. The most interesting contributing factor to the change in sentiment may be testing (<https://www.cnn.com/2020/11/15/politics/coronavirus-poll-analysis/index.html>). There's a view that testing capabilities are much more broadly available now than they were in the early days of the pandemic. As a result, there's less approximation (and guesswork) going into the spread of the virus. There's also a belief that infection rates now may not be as bad as they actually were earlier in the year, on the assumption that the numbers we saw back then underrepresented the true spread of COVID-19 at the time. So, essentially, the actual infection rate now isn't as bad as it *really* was earlier in the year. That said, current rates of transmission are still alarming and could continue to rise sharply in the coming weeks, particularly with cold weather and the holiday season coming.
2. Experience may also make a difference. We've been living with COVID-19 since roughly the beginning of the year, and as a pandemic since February/early March. The risk may still exist, but there's a sense that a certain numbness has set in.
3. Competition within the news cycle, which has kept COVID-19 from dominating headlines. The U.S. presidential election took some focus off the pandemic, even as the resurgence became significant. Now, there are still competing news items, which shapes how intense the pandemic is presented.
4. The concentration of record-setting cases has been different from what we saw in March and April, which shapes how the spread of the virus is perceived. That does leave concerns about whether there will be a large, broad spike if conditions worsen.

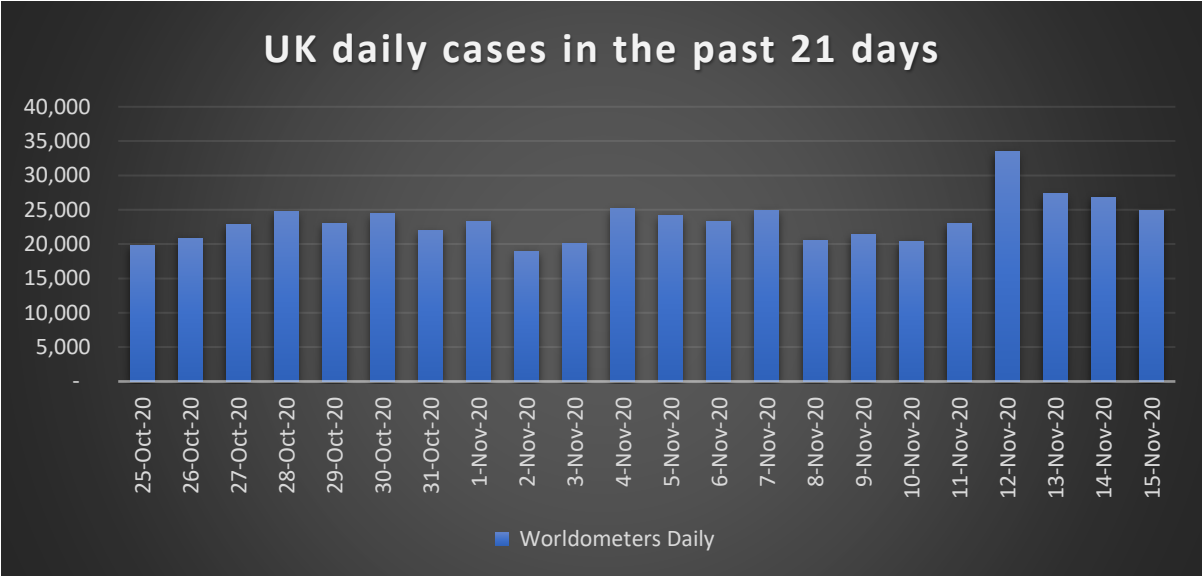
Hospitalizations could become an important metric in the coming weeks, as the use of ICU beds, for example, is more tangible than estimated rates of unconfirmed infection.

New Lockdowns could show early signs of COVID-19 second wave case slowing

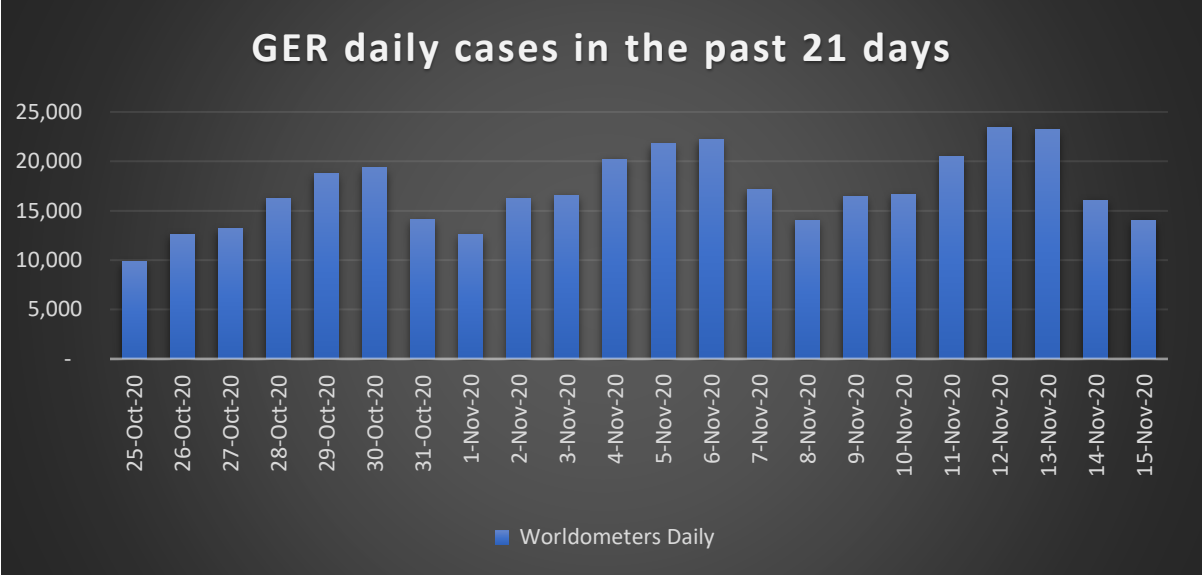
New lockdowns and tough social restrictions were reintroduced across numerous European countries in October in an effort to contain the second wave and the latest numbers suggest these steps seem to be working. Numbers show a stabilization in new cases in Germany, Spain and Italy, and a decline in Belgium, France and the Netherlands however this is early reports and coming somewhat slow.



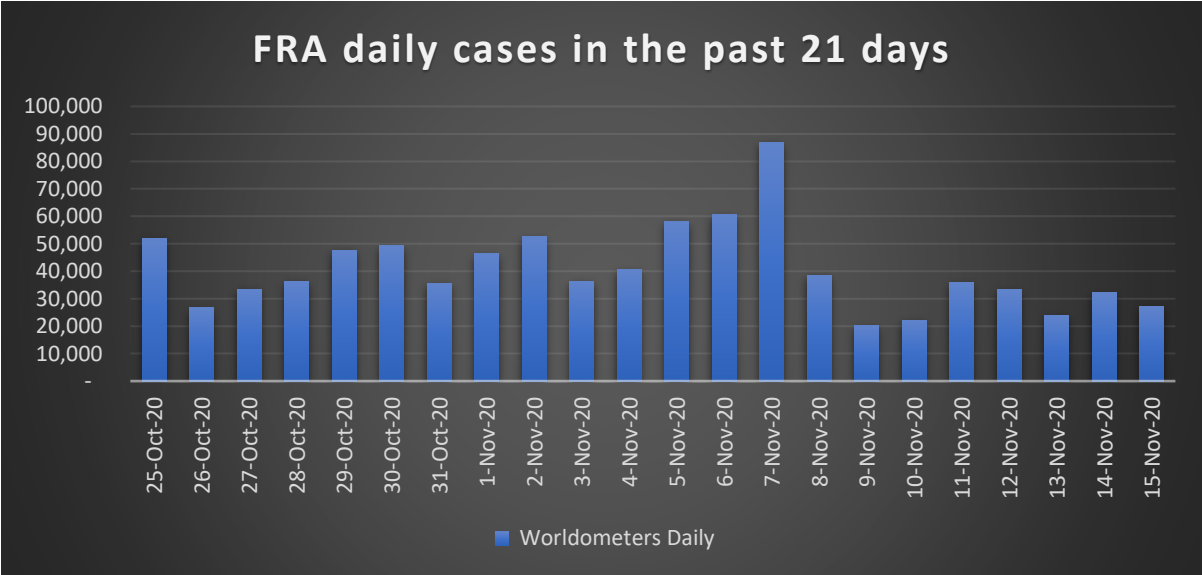
More than 180,000 new cases of COVID-19 were recorded in the United States on Friday November 13, 2020, the highest number in a single day ever reported since the pandemic started. As of November 16, more than 11 million cases have been confirmed in the U.S. with counting more than 100,000 cases a day consistently since the beginning of November. The most important factor is that the spread of cases is consistent throughout the country in both rural counties and major cities compared to localized areas at the beginning of the pandemic.



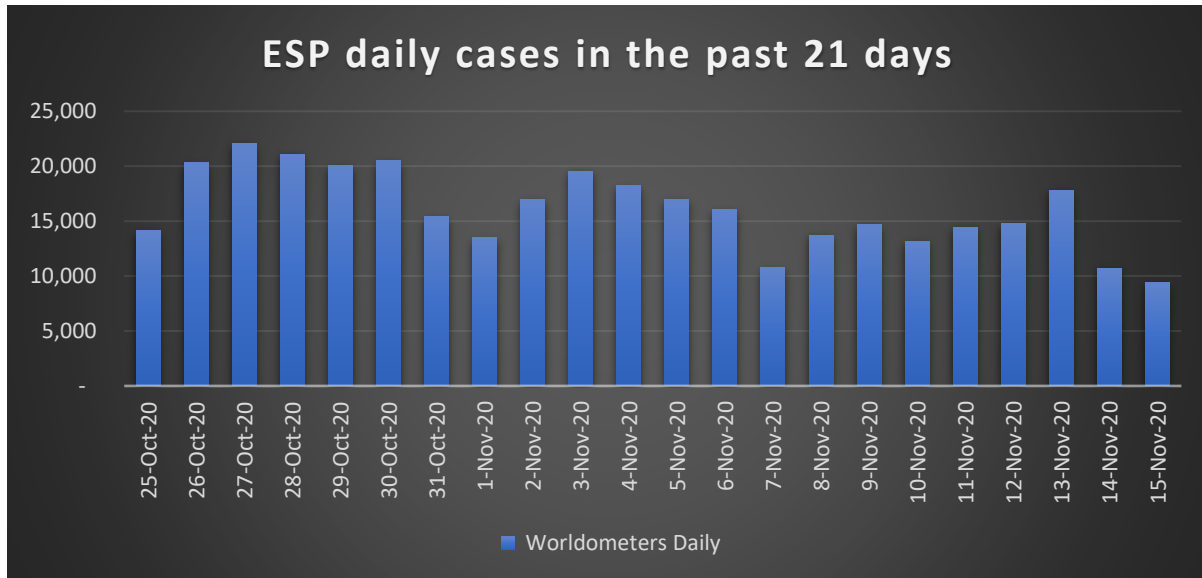
There have been at least 1,390,600 confirmed cases of coronavirus in the United Kingdom, according to Public Health England. As of Tuesday morning, more than 52,000 people had died. With still around 20,000 reported cases per day, the country has the biggest official death toll in Europe from COVID-19. The second wave of the coronavirus in Europe has started to show signs of slowing, but experts have warned that it's too early to get complacent as cases are not spiking up but there are not slowing down fast enough.



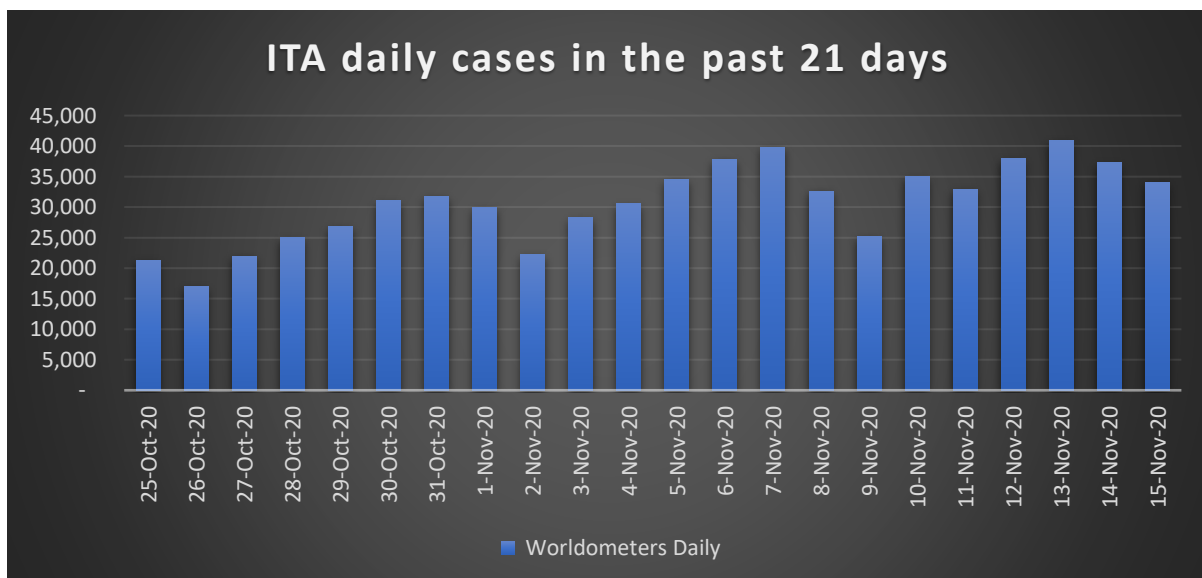
520,000 COVID-19 cases were detected in Germany by the end of October, but numbers spiked by 50% to 780,000 cases in the first two weeks of November. In the same period, the number of intensive care patients in German hospitals increased by 70%, leading to regional bottlenecks. 10,824 new cases were reported on Monday, compared to 16,947 the previous day. With the imposed measures this month, numbers of new infections are no longer growing exponentially, but a decrease of infection numbers is not yet foreseeable according to official sources. Merkel admitted that case numbers in Germany "were stabilizing, but too slowly" and has urged stricter rules on households' meetings.



Two weeks before the scheduled end of France’s second coronavirus lockdown, signs are already mounting that the return to normal will be slow as the government seeks to avoid a resurgence of the pandemic during the holiday season. There have been almost 2 million confirmed cases of coronavirus in France, with less than 10,000 cases reported in the last few days. Now, with the number of cases declining, some shop owners are pushing the government to allow them to reopen the weekend of Friday, Nov. 27, which in the U.S. is the Black Friday kickoff of the Christmas shopping season, a tradition that increasingly has been embraced in France.



Spain’s national coronavirus incidence rate remains high but has been on a downward trend for the past week. Coronavirus infections rose by 38,000 on Monday from Friday’s levels to hit a cumulative total of nearly 1,500,000 in a new retreat from a weekend peak of over 55,000 reported on Nov. 2. The director of the Health Ministry’s Coordination Center for Health Alerts (CCAES), warned that the situation in Spain is “still very complicated,” with the country far from reaching its goal of 25 cases per 100,000 inhabitants. “But the evolution indicates a stabilization and a fall in some regions”.



Italy stepped up restrictions earlier this month, but they're not yet as severe as in the first wave when schools and universities were also closed. The day-to-day new caseload of confirmed coronavirus infections decreased by a few thousand on Sunday, but roughly 32,000 fewer swab tests to detect the virus were conducted over the previous 24 hours. With almost 34,000 new cases, Italy's total of confirmed infections during the pandemic rose to nearly 1,180,000, according to Health Ministry figures. Weekends frequently see smaller numbers of tests performed. Two more regions, which include the cities of Naples and Florence, on Sunday joined several other "red zones" in Italy, beginning at least 15 days of restrictions, including a ban on leaving one's town and the shuttering of non-essential shops.

Tropical Storm Eta and COVID-19

As the 10th U.S. tropical event to receive a PCS catastrophe designation, Tropical Storm Eta could potentially be another catalyst toward the surge in COVID-19 infection and transmission in Florida. Eta is the 28th named storm of the Atlantic hurricane season, tying a record set in 2005. It is also the fifth to reach major hurricane status, having initially hit Nicaragua as a category 4 hurricane. While the effects of Eta in Central America did not meet the criteria for a PCS Latin America catastrophe designation, Eta earned the 66th PCS U.S. catastrophe designation of the year.

All of the testing sites in Miami-Dade, Broward and Palm Beach counties managed by the state government closed on early last week due to the tropical storm.

In the Florida Keys, the mayor ordered mandatory evacuations for mobile home parks, campgrounds and RV parks and those in low-lying areas. Several school districts closed, saying the roads were already too flooded and the winds could be too gusty for buses to transport students. Several shelters also opened in Miami and the Florida Keys.

Samantha Bequer, spokeswoman for the Florida Division of Emergency Management, said parts of the Hard Rock Stadium's site were trapped beneath 16 inches of rain. Throughout the pandemic, it has been one of the state's busiest places for people to get a coronavirus diagnosis. The testing location at Tropicana Field in St. Petersburg was closed briefly due to Tropical Storm Eta.

Florida Gov. Ron DeSantis issued [Executive Order 20-277](#) on Nov. 7, 2020, declaring a state of emergency due to Tropical Storm Eta for the following counties:

- Broward
- Collier
- Hendry
- Lee
- Martin
- Miami-Dade
- Monroe
- Palm Beach

Miami-Dade (204k COVID-19 cases), Broward (nearly 100k cases) and Palm Beach (nearly 60k cases) counties are the three most populous counties in Florida with over six million residents and nearly 400k recorded COVID-19 cases. With Eta's passing and the approach of the Thanksgiving holiday, Florida could potentially experience a surge in COVID-19 beyond what the experts have previously anticipated. Our PCS Preliminary Estimate for Eta will be released for our subscribers in approximately two weeks.

PCS Thought Leadership

Tom Johansmeyer and PCS were recently featured in an article published by the World Economic Forum in the piece "**5 ways political risk has changed natural catastrophe risk**". We are sure this topic has broad relevance across the industry, and it is a worthwhile read! Please feel free to share this link with colleagues and clients!

<https://www.weforum.org/agenda/2020/11/5-ways-political-risk-changed-natural-catastrophe-risk>