

Epidemic and pandemic risks

# Financial protection from catastrophic disease outbreaks

## Epidemic and pandemic risk is increasing

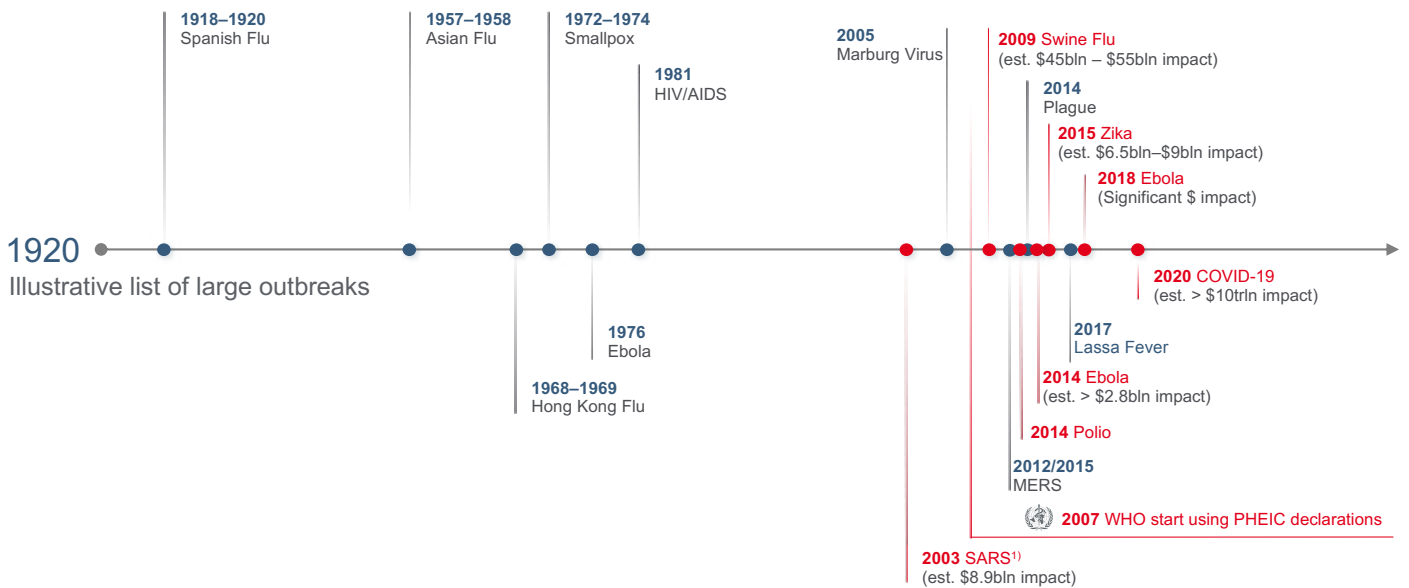
The trend of outbreaks per year has been increasing over the last six decades. On average, 200 epidemic outbreaks and five emerging infectious diseases are reported per year. Between 2010 and 2018 the World Health Organization (WHO) notified of 1,483 epidemic outbreak events in 174 countries.

Epidemics and Pandemics cause severe economic impact to all business sectors. The estimated financial impact of previous pandemics range from single-digit US\$ bn to over US\$ 10trln for COVID-19 and rising.

## Frequency and severity of outbreaks are increasing

Since 2007 the WHO declares outbreaks with the greatest potential negative impact as Public Health Emergencies of International Concern (PHEIC). PHEICs are marked in red below.

Outbreaks with wider impact are occurring more frequently. The economic impact varies but is always significant. Social, political, demographic and climate factors contribute to the scale of loss.



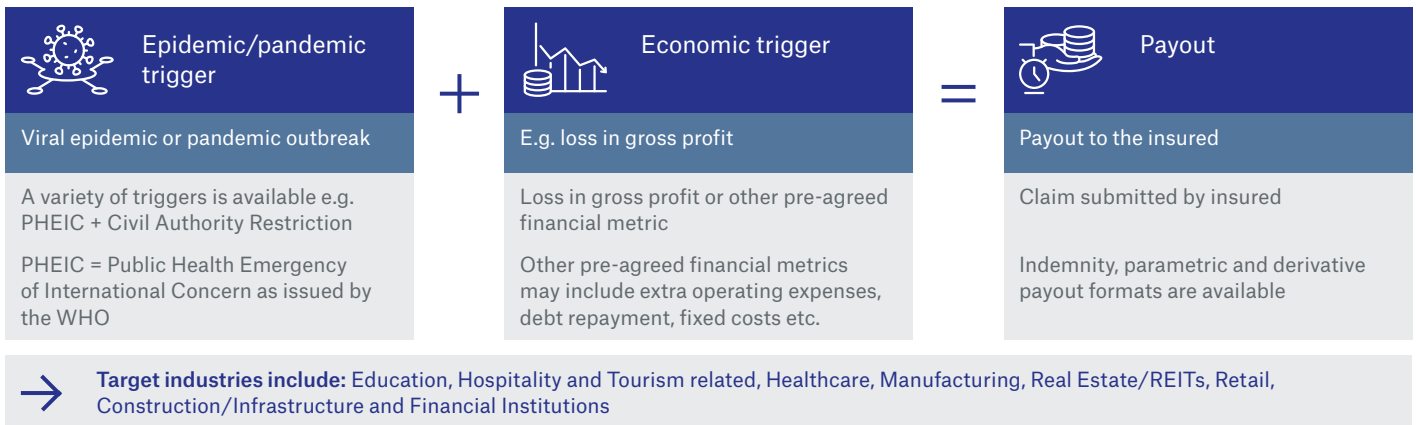
<sup>1)</sup> Triggered development of PHEIC instrument, would most likely have been declared as a PHEIC.

## Worldwide and regional covers

We design the policy depending on the individual exposure of the client. The geographical scope of the coverage is individually adapted to fit the client’s risk exposure. For example, a construction company building a dam in Western Africa might be mainly interested in covering a delay in start-up caused by

a regional epidemic outbreak of Ebola, while an international corporation with worldwide dependencies might rather be interested in a cover for a pandemic global event similar to COVID-19.

## The risk transfer solution – insured event



### Capacity varies while market is forming

Epidemic/pandemic insurance is a structured solution that requires the transformation of risk in order to offer significant capacity to the marketplace. In a period where the risk transfer market for epidemic and pandemic solutions is nascent, the current aggregate capacity available for the product is limited. Therefore, despite constantly working to make more epidemic/pandemic risk insurance capacity available via the Epidemic Risk Markets platform, an early understanding of client interest is important, specifically the likelihood and timing of offer acceptance. This allows us to manage remaining aggregate capacity and avoid constraints in capacity deployable at any given point in time.

### Premium range

The premium greatly depends on the client's individual exposure. The premium is typically in the range of 3–8% of the sum insured.

### Risk sharing to ensure alignment of interest

A co-insurance or a deductible held by the client is required.

### Different types of outbreaks can be covered

The policy covers both known and unknown diseases and can be structured to trigger at different levels of outbreak severity. The current outbreak of COVID-19 and future waves are not insurable but comparable future outbreaks are.

### Possible coverage extension – Affidavit Proof of Loss (APL) approach

The APL approach bypasses the “traditional” (and lengthy) business interruption claims handling process to provide the insured with near instant liquidity. The APL approach only requires a statutory declaration, signed by two senior members of the insured, to inform Munich Re about the quantum of loss suffered.

### Possible coverage extension – Crisis management: Financial support and expert advice

Should a client's business be threatened by an outbreak, we provide expert advice to better understand the exposure and support mitigation measures. Additionally, we can provide financial support at a very early stage of an outbreak to support loss reduction efforts.

### Do you want to know more?

This flyer serves as a general introduction to the product only. To facilitate the underwriting process, please provide a proposal form and last completed business interruption calculations. It is vital for the underwriting process to directly speak to the client (CFO and/or Risk Manager) to better understand the needs and offer a product that suits the risk requirements.

### Whom to contact

In case you have further questions or an interested client, please contact us.

Your team from  
Epidemic Risk Solutions  
ERS@munichre.com

### Disclaimer

This flyer is for information only. Any types of disputes have to be regulated according to the wording.

© 2021  
Münchener Rückversicherungs-Gesellschaft  
Königinstrasse 107, 80802 München, Germany

Picture credits: Scanderbeg Sauer

Münchener Rückversicherungs-Gesellschaft (Munich Reinsurance Company) is a reinsurance company organised under the laws of Germany. In some countries, including in the United States, Munich Reinsurance Company holds the status of an unauthorised reinsurer. Policies are underwritten by Munich Reinsurance Company or its affiliated insurance and reinsurance subsidiaries. Certain coverages are not available in all jurisdictions.

Any description in this document is for general information purposes only and does not constitute an offer to sell or a solicitation of an offer to buy any product.