

PANDEMIC FLU: TIME FOR PREPARATION, NOT PANIC

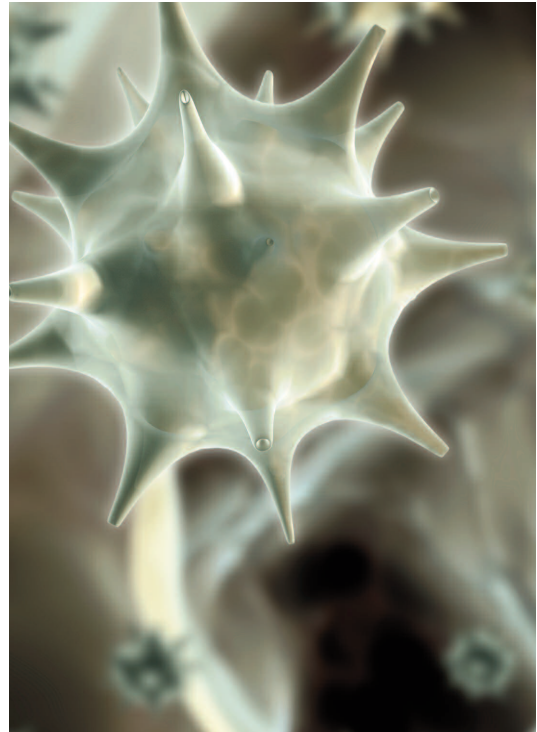
World health officials have for years been warning that a pandemic flu is inevitable, and recent reports of swine flu have revived concerns. Reports from Mexico City, the United States and Canada should, however, prompt precaution, but not panic, according to experts in loss prevention associated with pandemic flu. Despite the U.S. government declaration of a public health emergency, Washington officials said the move would be better termed a “declaration of emergency preparedness.”¹

On April 29, the World Health Organization (WHO) raised its pandemic alert level to Phase 5, meaning that there has been sustained human-to-human transmission in large clusters. WHO officials noted that “the international community should treat this as a window of opportunity to ramp up preparedness and response.”²

While the swine flu has been implicated in more than 170 deaths in Mexico, not all have been confirmed and world health officials are struggling to determine how dangerous the virus is. Few of the confirmed cases in the United States have been considered serious. Swine flu on the whole is considered less dangerous than avian flu, the source of the last pandemic scare, although viruses constantly evolve, and no one can be sure where those changes may lead. Fear is an inevitable reaction to reports of spreading illness, especially when so much uncertainty surrounds the reports. Businesses and organizations should review preparedness plans and be ready to implement precautionary steps pending the outcome of investigations by health officials.

The purpose of this report is to educate our clients and colleagues about pandemic influenza (flu) and provide them with information to help prepare for and, if necessary, manage a pandemic crisis. Information provided includes background on pandemic flu, preparation steps including planning assumptions, risk control practices, business continuity planning and insurance implications.

At Willis, we believe combined efforts in education and planning will, at a minimum, reduce the fear associated with a pandemic, make a difference if a pandemic does occur, and make all of us better prepared for any crisis in the meantime.



FLU TERMS DEFINED

Seasonal (or common) flu is a respiratory illness that can be transmitted person to person. Most people have some immunity, and a vaccine is available.³

Swine flu (A-H1N1) can be passed between pigs and humans, but human infections are not common. Most often among people with direct pig contact. Sometimes a flu virus can mutate to be more transmissible to humans. An outbreak occurred among soldiers in Fort Dix, N.J., in 1976 resulting in 200 infections, several serious illnesses and one death. Officials do not know if the seasonal flu vaccine will protect against the current strain of swine flu, but two of the most common antiviral drugs are effective against it so far.⁴

Avian (or bird) flu is caused by influenza viruses that occur naturally among wild birds. The H5N1 variant is deadly to domestic fowl and can be transmitted from birds to humans. There is no human immunity and no vaccine is available.

Pandemic flu is virulent human flu that causes a global outbreak, or pandemic, of serious illness. Because there is little natural immunity, the disease can spread easily from person to person.

PANDEMIC INFLUENZA: WHY THE CONCERN?

While rare, influenza pandemics strike the human population at a rate of approximately three per century. In fact, in the twentieth century, there were three:

- Spanish Flu in 1918-1919
- Asian Flu in 1957
- Hong Kong Flu in 1968

So far this century, there have been no flu pandemics. While the most recent pandemics in 1968 and in 1957 were relatively mild and contained geographically, researchers estimate that the 1918 pandemic killed as many as 40 million to 50 million people worldwide. In 2006 and 2007, outbreaks of avian flu in isolated human populations prompted widespread fears of a deadly pandemic. Avian flu, while less transmissible than swine flu, is usually more lethal. No pandemic occurred, but concern by governments and public health officials worldwide was adopted, and with good reason, by the business community. The Spanish Flu outbreak was caused by an avian flu. The central issue for pandemic flu is how the viruses may mutate. If they become both more dangerous to humans and more transmissible, the chance of pandemic becomes serious.

DEFINING A PANDEMIC

An outbreak of pandemic flu is not the same as seasonal flu, which the worldwide human population is regularly exposed to and for which vaccines do exist. In addition, significant segments of the population have developed immunity to the various pre-existing subtypes of seasonal flu. No such immunity will exist in the case of pandemic flu. According to the WHO, an influenza pandemic may occur if three criteria are met:

1. A new viral subtype emerges
2. The viral subtype is capable of infecting humans
3. The spread of the virus can be sustained within the human population

WON'T THERE BE A VACCINE?

There is a very low likelihood that a vaccine will be available during the beginning of a pandemic, and one might not be available until a pandemic has naturally run its course, due to the time it takes to develop and produce the vaccine once the virus has been isolated and

identified. Existing antiviral drugs may be able to reduce the severity of symptoms once they start, but it is unlikely that there will be enough medication for all of those who may need it.

THE IMPACT OF A PANDEMIC

It is impossible to predict specifically how a pandemic would impact the world. However, the recent SARS (Severe Acute Respiratory Syndrome) outbreak indicates the types of problems we would most likely face in a pandemic, as well as the potential economic consequences. After the outbreak of SARS, a number of industries were significantly affected, including tourism, mass transportation, retail, hotels and restaurants. Organizations also became extremely hesitant to send employees overseas. Interestingly, the cost of SARS was primarily a result of the fear associated with catching the virus versus the cost of treating or preventing the actual infection. Similarly, if a flu pandemic occurs, the associated fear could have a greater impact than the actual outbreak. Due to our global economy, however, the disruption to businesses would most likely be unprecedented and inevitably impact commerce worldwide.

The general challenges we are likely to face in a pandemic are easier for experts to predict. Here's what the Centers for Disease Control (CDC) believes we can expect during an outbreak of pandemic influenza:

- Rapid worldwide spread
 - When a pandemic influenza virus emerges, its global spread is considered inevitable.
 - Preparedness activities should assume that the entire world population would be susceptible.
 - Countries might, through measures such as border closures and travel restrictions, delay arrival of the virus but would not be able to stop it

- Overloaded healthcare systems
 - Because most people have little or no immunity to a pandemic virus, infection and illness rates soar, and a substantial percentage of the world's population would require some form of medical care.
 - Nations are unlikely to have the staff, facilities, equipment and hospital beds needed to cope with large numbers of people who suddenly fall ill.
 - Death rates in pandemics are high, largely determined by four factors:
 1. The number of people who become infected
 2. The virulence of the virus
 3. The underlying characteristics and vulnerability of affected populations
 4. The effectiveness of preventive measures
 - Past pandemics have spread globally in two and sometimes three waves.
- Inadequate medical supplies
 - The need for vaccine would likely outstrip supply.
 - The need for antiviral drugs would also likely be inadequate early in a pandemic.
 - A pandemic can create a shortage of hospital beds, ventilators and other supplies, though surge capacity at nontraditional sites such as schools may be created to cope with demand.
 - Difficult decisions would need to be made regarding who gets antiviral drugs and vaccines.
- Economic and social disruption
 - Travel bans and the closings of schools and businesses and cancellations of events could have a major impact on communities and citizens.
 - Care for sick family members and fear of exposure could result in significant worker absenteeism.

THE 1918 FLU PANDEMIC: A SNAPSHOT

It's 1918 at the height of World War I. The entire United States, including the bustling city of Philadelphia (population 1.7 million), is heavily immersed in supporting the war campaign. The rapid outbreak in October of Spanish flu — a true flu pandemic — causes absolute chaos and fear.

Hospitals and other medical providers are literally overrun. People rush family members to hospitals but have difficulty even getting within the doors, while pharmacies quickly empty shelves full of medicine. The fear changes our culture. Spitting on sidewalks becomes taboo and people risk being called "slackers" if they don't wear masks while riding public transit or walking the streets. At the same time, horse-drawn wagons travel down city streets and neighborhoods to collect the dead. In some cases, entire households are lost.

The number of deaths attributed to the 1918 pandemic is staggering. More Americans died from pandemic flu in 1918 and 1919 than U.S. soldiers died during combat in the 20th century. World War I, and the accompanying trench warfare going on in Europe at the time, played a huge role in spreading the disease. The virus spread quickly in the trenches and was carried back home as troops cycled out. An interesting parallel exists today because if a pandemic broke out, air travel across national borders could play the same role in spreading the disease that the trenches of Europe and traveling soldiers did during the 1918 pandemic.

PLANNING FOR A FLU PANDEMIC

WHEN TO ACT: PANDEMIC RISK PHASE SYSTEM

To help governments and public health officials in their planning, the World Health Organization (WHO) has established a Pandemic Risk Phase System. In late April, WHO raised its alert level to Phase 5. It is important for each business to plan now for a pandemic in anticipation that a further increase may occur. This will forestall potential employee concerns and help mitigate risks to the company.

WHO Pandemic Risk Phase System

Inter-Pandemic Period	Phase 1	No new influenza virus subtypes have been detected in humans. An influenza virus subtype that has caused human infection may be present in animals. If present in animals, the risk of human infection or disease is considered to be low.
	Phase 2	No new influenza virus subtypes have been detected in humans. However, a circulating animal influenza virus subtype poses a substantial risk of human disease.
Pandemic Alert Period	Phase 3	Human infection(s) with a new subtype but no human-to-human spread, or at most rare instances of spread to a close contact.
	Phase 4	Small cluster(s) with limited human-to-human transmission but spread is highly localized, suggesting that the virus is not well adapted to humans.
	Phase 5 (current status)	Larger cluster(s) but human-to-human spread still localized, suggesting that the virus is becoming increasingly better adapted to humans but may not yet be fully transmissible (substantial pandemic risk).
Pandemic Period	Phase 6	Pandemic increased and sustained transmission in general population.

PLANNING ASSUMPTIONS

In order to help companies plan for a flu pandemic, the U.S. Department of Homeland Security and the Centers for Disease Control have established a list of 12 assumptions companies should consider when developing a pandemic plan. The U.S. government used these assumptions to develop its own plans:

12 ASSUMPTIONS FOR PANDEMIC PLANNING

1. Susceptibility to the pandemic influenza virus will be universal.
2. Efficient and sustained person-to-person transmission signals an imminent pandemic.
3. The clinical disease attack rate will likely be 30% or higher in the overall population during the pandemic. Illness rates will be highest among school-aged children (about 40%) and decline with age. Among working adults, an average of 20% will become ill during a community outbreak.
4. Some persons will become infected but not develop clinically significant symptoms. Asymptomatic or minimally symptomatic individuals can transmit infection and develop immunity to subsequent infection.
5. Of those who become ill with influenza, 50% will seek outpatient medical care. With the availability of effective antiviral drugs for treatment, this proportion may be higher in the next pandemic.
6. The number of hospitalizations and deaths will depend on the virulence of the pandemic virus. Estimates differ about 10-fold between more and less severe scenarios. Risk groups for severe and fatal infection cannot be predicted with certainty but are likely to include infants, the elderly, pregnant women, and persons with chronic medical conditions.
7. Rates of absenteeism will depend on the severity of the pandemic. In a severe pandemic, absenteeism attributable to illness, the need to care for ill family members, and fear of infection may reach 40% during the peak weeks of a community outbreak, with lower rates of absenteeism during the weeks before and after the peak. Certain publichealth measures (closing schools, quarantining household contacts of infected individuals, “snow days”) are likely to increase rates of absenteeism.
8. The typical incubation period (interval between infection and onset of symptoms) for influenza is approximately two days.
9. Persons who become ill may shed virus and can transmit infection for up to one day before the onset of illness. Viral shedding and the risk of transmission will be greatest during the first two days of illness. Children usually shed the greatest amount of virus and therefore are likely to pose the greatest risk for transmission.
10. On average, infected persons will transmit infection to approximately two other people.
11. In an affected community, a pandemic outbreak will last about six to eight weeks.
12. Multiple waves (periods during which community outbreaks occur across the country) of illness could occur with each wave lasting 2-3 months. Historically, the largest waves have occurred in the fall and winter, but the seasonality of a pandemic cannot be predicted with certainty.

STEPS TO TAKE TO MITIGATE A PANDEMIC

There are steps businesses can take to mitigate a pandemic. Due to the limitations on available insurance products that address a pandemic, Willis recommends risk mitigation procedures that focus on pandemic education and wellness and proper business continuity planning. Developing a pandemic plan should just be an extension of existing risk reduction programs and tools. Basic tips follow below on major areas of concern. In addition, a Business Pandemic Influenza Planning Checklist for large businesses produced by the U.S. Department of Health and Human Services (HHS) and the CDC is reproduced below for your use and reference. Willis also provides pandemic planning and business continuity planning services for businesses of all sizes.

BASIC TIPS

EDUCATION AND WELLNESS

A company can plan for and reduce risk by educating employees about the threat a pandemic may pose, along with initiating an employee health and wellness program. Valuable first steps for all include:

1. Regular hand washing
2. Maintaining a clean work environment
3. Healthy eating, sleeping and exercise routines
4. Proper cough and sneezing etiquette
5. Instructing employees on how to prepare their homes and families should a pandemic occur. (See <http://www.pandemicflu.gov/health/#families> for information on preparing homes and families.)

These initiatives have the added bonus of helping maintain a healthier workforce, which may also cut down on the amount of employee absenteeism during the regular cold and flu season.

HUMAN RESOURCES

It is important that your company's human resource specialists look into developing new and/or more flexible policies, especially for acceptable leaves of absence due to sickness, paid time off, vacation and disabilities. In addition, health care benefit plans should be reviewed to ensure medical carriers have developed business continuity strategies that include timely claims processing, customer service and adequate network access to hospitals and providers.

Employee assistance programs and mental health resources will be especially crucial to support employees during this crisis. Employers should review these plans to ensure the benefits will provide adequate coverage to members.

SOCIAL DISTANCING PROCEDURES

Should a pandemic occur, your company should plan for and be prepared to initiate social distancing procedures such as:

- Limiting employee face-to-face contact (especially within a 1-meter radius)
- Creating allowances for staggered breaks/meals/shifts
- Investigating the possibility of allowing employees to work from home or have flexible work schedules
- Ensuring that employees who feel ill leave the work environment and remain home until fully recovered

COMMUNICATIONS

Any pandemic plan should include comprehensive internal and external corporate communication plans. Such plans are key to educating your employees about your company's pandemic preparations and the potential pandemic threat. In addition, communicating your pandemic planning with clients and vendors helps them to develop a measure of confidence in your ability to maintain some business functioning and operations during an outbreak.

STRATEGIC PARTNERS

When planning for a pandemic, it is important to involve and properly integrate your organization's strategic partners, especially those involved in insurance, law, finance/accounting, and information technology. Why? In the case of insurance, your insurance broker can help you to develop business continuity plans, review your existing insurance policies, look for pandemic-related insurance coverages, and help you to access and implement pandemic preparedness policies. Law professionals should be enlisted to review human resource policies that address telecommuting; ensure corporate compliance with any federal, state, and local laws pertaining to pandemics; and review corporate communications about the pandemic. Your finance/accounting partners can assist you in budgeting for pandemic costs, projecting losses from the pandemic, and assessing critical areas of your business continuity plan. Lastly, your information technology partners will be invaluable in keeping your information systems functioning and ensuring that telecommuting employees can perform their job functions at home.

BUSINESS PANDEMIC INFLUENZA PLANNING CHECKLIST

In the event of pandemic influenza, businesses will play a key role in protecting employees' health and safety, as well as limiting the negative impact to the economy and society. Planning for pandemic influenza is critical. To assist you in your efforts, the Department of Health and Human Services (HHS) and the CDC have developed the following checklist for large businesses. It identifies important, specific activities large businesses can do now to prepare, many of which will also help you in other emergencies. Further information can be found at <http://www.pandemicflu.gov> and <http://www.cdc.gov/business>.

PLAN FOR THE IMPACT OF A PANDEMIC ON YOUR BUSINESS

- Identify a pandemic coordinator and/or team with defined roles and responsibilities for preparedness and response planning. The planning process should include input from labor representatives.
- Identify essential employees and other critical inputs (e.g. raw materials, suppliers, sub-contractor services/products, and logistics) required to maintain business operations by location and function during a pandemic.
- Train and prepare ancillary workforce (e.g. contractors, employees in other job titles/descriptions, retirees).
- Develop and plan for scenarios likely to result in an increase or decrease in demand for your products and/or services during a pandemic (e.g. effect of restriction on mass gatherings, need for hygiene supplies).
- Determine potential impact of a pandemic on company business financials using multiple possible scenarios that affect different product lines and/or production sites.
- Determine potential impact of a pandemic on business-related domestic and international travel (e.g. quarantines, border closures).
- Find up-to-date, reliable pandemic information from community public health, emergency management, and other sources and make sustainable links.
- Establish an emergency communications plan and revise periodically. This plan includes identification of key contacts (with back-ups), chain of communications (including suppliers and customers), and processes for tracking and communicating business and employee status.
- Implement an exercise/drill to test your plan, and revise periodically.

PLAN FOR THE IMPACT OF A PANDEMIC ON YOUR EMPLOYEES AND CUSTOMERS

- Forecast and allow for employee absences during a pandemic due to factors such as personal illness, family member illness, community containment measures and quarantines, school and/or business closures, and public transportation closures.
- Implement guidelines to modify the frequency and type of face-to-face contact (e.g. hand-shaking and other accepted forms of greeting, seating in meetings, office layout, shared workstations) among employees and between employees and customers (refer to local health ministry recommendations).
- Encourage and track annual influenza vaccination for employees.
- Evaluate employee access to and availability of health care services during a pandemic, and improve services as needed.

- Evaluate employee access to and availability of mental health and social services during a pandemic, including corporate, community, and faith-based resources, and improve services as needed.
- Identify employees and key customers with special needs, and incorporate the requirements of such persons into your preparedness plan.

ESTABLISH POLICIES TO BE IMPLEMENTED DURING A PANDEMIC

- Establish policies for employee compensation and sick-leave absences unique to a pandemic (e.g. non-punitive, liberal leave), including policies on when a previously ill person is no longer infectious and can return to work after illness.
- Establish policies for flexible worksite (e.g. telecommuting) and flexible work hours (e.g. staggered shifts).
- Establish policies for preventing influenza spread at the worksite (e.g. promoting respiratory hygiene/cough etiquette, and prompt exclusion of people with influenza symptoms).
- Establish policies for employees who have been exposed to pandemic influenza, are suspected to be ill, or become ill at the worksite (e.g. infection control response, immediate mandatory sick leave).
- Establish policies for restricting travel to affected geographic areas (consider both domestic and international sites), evacuating employees working in or near an affected area when an outbreak begins, and guidance for employees returning from affected areas (refer to local health ministry travel recommendations).
- Set up authorities, triggers, and procedures for activating and terminating the company's response plan, altering business operations (e.g. shutting down operations in affected areas), and transferring business knowledge to key employees.

ALLOCATE RESOURCES TO PROTECT YOUR EMPLOYEES AND CUSTOMERS DURING A PANDEMIC

- Provide sufficient and accessible infection control supplies (e.g. hand-hygiene products, tissues and receptacles for their disposal) in all business locations.
- Enhance communications and information technology infrastructures as needed to support employee telecommuting and remote customer access.
- Ensure availability of medical consultation and advice for emergency response.

COMMUNICATE TO AND EDUCATE YOUR EMPLOYEES

- Develop and disseminate programs and materials covering pandemic fundamentals (e.g. signs and symptoms of influenza, modes of transmission), personal and family protection and response strategies (e.g. hand hygiene, coughing/sneezing etiquette, contingency plans).
- Anticipate employee fear and anxiety, rumors and misinformation and plan communications accordingly.
- Ensure that communications are culturally and linguistically appropriate.
- Disseminate information to employees about your pandemic preparedness and response plan.
- Provide information for the at-home care of ill employees and family members.
- Develop platforms (e.g. hotlines, dedicated websites) for communicating pandemic status and actions to employees, vendors, suppliers, and customers inside and outside the worksite in a consistent and timely way, including redundancies in the emergency contact system.
- Identify community sources for timely and accurate pandemic information (domestic and international) and resources for obtaining counter-measures (e.g., vaccines and antivirals).

COORDINATE WITH EXTERNAL ORGANIZATIONS AND HELP YOUR COMMUNITY

- Collaborate with insurers, health plans, and major local health care facilities to share your pandemic plans and understand their capabilities and plans.
- Collaborate with federal, state, and local public health agencies and/or emergency responders to participate in their planning processes, share your pandemic plans, and understand their capabilities and plans.
- Communicate with local and/or state public health agencies and/or emergency responders about the assets and/or services your business could contribute to the community.

- Share best practices with other businesses in your communities, chambers of commerce, and associations to improve community response efforts.

PANDEMIC INFLUENZA AND INSURANCE COVERAGE

SPECIAL PRODUCTS

At this time, there are very few products available in the marketplace designed specifically to cover exposures associated with pandemic flu. Some carriers are just beginning to offer various types of pandemic extra expense coverage. The coverage is designed to indemnify businesses for the extra expenses they would incur due to a prolonged business interruption as a result of a pandemic. The coverage's limits and scope are narrow. In addition, underwriters in London have had discussions with specific individual risks but to date there is no evidence of wide scale coverage being available. Underwriters have indicated that before offering coverage, they would require stringent underwriting, including risk quantification and discussion of exposures. If offered, coverage would have large deductibles and significant premiums. As a result of these requirements, in general, businesses and other organizations are not pursuing coverage.

Since insurance protection varies around the world, it would be difficult to comment on the protection that may or may not be afforded in your policies. We recommend you consult with your broker.

AWARENESS AND READINESS

At Willis, we believe that from a risk management perspective companies should monitor the threat posed by a potential pandemic influenza outbreak closely, while staying aware of two facts:

- Pandemics, although rare and highly disruptive, are also a natural facet of human life.
- The fear associated with a flu pandemic may far exceed the actual impact.

No one can predict the future. Understandably, many risk managers and companies are hesitant to dedicate vast resources to address a pandemic that may not occur. In addition, if one dedicates an exorbitant amount of resources and the pandemic does not materialize, one risks being labeled reactionary and, perhaps, hysterical. Conversely, if a full scale pandemic occurs with high absenteeism and fatalities, there are no preparations that will completely protect individuals and companies from being affected — directly or indirectly. To some, it can seem like a no-win situation.

Due to the limited number and scope of insurance products available to address a pandemic, Willis recommends that companies follow risk mitigation procedures that focus on wellness, pandemic education, and proper business continuity planning. If organizations revamp their wellness plans, educate employees about the pandemic, and review and update their business continuity plans, they will benefit even if the pandemic ultimately does not occur. The result of their efforts, at the minimum, will be healthier employees, reduced absenteeism, increased camaraderie, and business continuity plans that can be implemented, and perhaps save the day, in other crises.

MORE INFORMATION

You can find more information on swine flu and pandemic influenza at:

- The Centers for Disease Control and Prevention: <http://www.cdc.gov>
- Official U.S. government website for pandemic flu and pandemic information: <http://www.pandemicflu.gov>
- U.S. Department of Health and Human Services: <http://www.dhhs.gov>
- United Nations: <http://www.un.int>
- World Health Organization: <http://www.who.int>

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The observations, comments and suggestions we have made in this report are advisory and are not intended nor should they be taken as legal advice. Please contact your own legal advisor for an analysis of your specific facts and circumstances.

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- ¹ “U.S. Declares Health Emergency in Swine Flu Cases,” *The New York Times*, April 27, 2009.
 - ² Statement by WHO Director-General, April 29, 2009.
 - ³ All definitions from pandemicflu.gov except as noted.
 - ⁴ “Understanding Swine Flu,” *The New York Times*, April 27, 2009.