

For China virus insurance, check the small print

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While some Chinese were able to return home over the weekend, travel restrictions are tightening and many are seeking whether they can be reimbursed for travel disruptions

Companies and tourists out of pocket from the global disruption caused

by the virus epidemic in China risk meeting a cold shoulder from insurers, industry experts warn.

Basic travel insurance policies are unlikely to cover epidemics. Instead, individuals are being advised initially to consult their credit card or travel providers to get refunded for cancelled bookings, and for [medical costs](#).

For companies such as airlines that are now ripping up their China plans, there may be no recourse from their insurers, according to Clarissa Franks, risk management placement leader at insurance broker Marsh in London.

"The devil really is in the details because business interruption policies, contingency policies, can cover [communicable diseases](#). However, policy language will quite often exclude this type of disease," she told AFP.

Ripple effects

China has now suffered more deaths from the new strain of coronavirus than during the Severe Acute Respiratory Syndrome (SARS) outbreak in 2002-03, and cases are cropping up around the world.

The reinsurance market at Lloyd's of London has not seen any untoward activity from traditional insurers looking to hedge their exposure to risks arising from this outbreak, two sources in the underwriting trade said.

But in China itself, the outbreak "will likely weigh on Chinese insurers' earnings and revenues in 2020", S&P Global Ratings said, pointing to factors such as volatility on financial markets and reduced face-to-face meetings with customers.

Even if they are not covered for communicable diseases specifically,

companies will be checking the fine print as ripple effects flow through their China operations and global supply chains, following Beijing's decision to quarantine entire cities.

As with SARS and other pandemics of recent years such as swine flu, Zika and Middle East Respiratory Syndrome (MERS), the industry will be "paying very close attention to this", Association of British Insurers spokesman Malcolm Tarling said.

He cautioned individuals and companies: "If someone travels (to China) against government advice, then most policies will be invalidated. If you believe your trip is essential, you need to talk to your insurer first."

Risk calculus

The closest analogy is SARS, which first broke out in China in 2002 and led to a slew of disputes between companies and their insurance providers.

For the travel industry alone, the impact of SARS was estimated by the World Travel and Tourism Council at \$30-50 billion.

But China's economy accounted for five percent of global gross domestic product then, compared to nearly a fifth today, according to World Bank data.

More Chinese now travel abroad than any other nationality, and they spend the most on average while away.

The number of infections from the new virus stands at more than 20,000, and the World Health Organization has declared a public health emergency.

But health experts stress its mortality rate among patients is lower than for SARS.

In a blog, Risk Management Solutions noted that several sporting and cultural events have already been cancelled in China, "and all risk stakeholders will be anxious over the number of months before 2019-nCoV (the novel coronavirus) is contained".

Specialist coverage

Leading British insurer Aviva said customers need to have specific coverage for "travel disruption" as part of their policy to be sure of reimbursement for changes to their plans.

"We're monitoring the situation closely, but so far the overwhelming majority of claims relate to customers who are travelling to and from China," an Aviva spokeswoman said.

Allianz of Germany said the first port of call for individuals suffering disruption should be their airline or travel agency, rather than their insurer.

The company said the outbreak was "clearly a very urgent alert" but at this stage, normal terms and conditions of insurance contracts applied.

For airlines and other companies in the firing line, communicable diseases will typically only be covered if they have taken out specialist coverage.

But that would come at a cost that probably outweighs the risk-benefit return.

"Traditional insurance can't cover everything and non-traditional

insurance will tend to carry a significant cost and require a thorough process to determine what an individual [company](#) needs," Franks at Marsh said.

"It will be a very bespoke product."

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