The COVID-19 outbreak is a rapidly evolving situation that presents both health and business risks on a global scale. As our clients work to respond to the pandemic and deploy Business Continuity Plans (BCP), Risk Strategies is monitoring developments worldwide. Our team of specialty risk advisors and brokers is prepared to help minimize the physical, financial and reputational losses that businesses might face as a result of the virus.

In addition to keeping workforces safe, our focus is on serving clients during this time by assessing their risks and analyzing coverage to determine if their losses are covered. As a national specialty insurance firm with experts in over two dozen practice areas, we benefit from deep subject matter expertise and access to markets. We’ve compiled this resource to identify the main risks and considerations across our practice areas and to present actionable solutions.
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With the pandemic’s many project-related implications – supply chain disruption and the inability to visit job sites, to name but two -- the importance of contractual clarity, communication and documentation has probably never been more important. For example, it is imperative that you understand your contract rights and obligations on each project with respect to approval of contractor payment requests. With many constructors already reeling economically, they will be anxious to get paid, but are you able to first verify that the work has in fact been completed? If travel restrictions don’t enable site visits, might drones or Facetime Live with the contractor be used to facilitate verification? If so, owner approval of the modified process should be obtained and documented.

If you are able and have reason to visit a job site, every effort should be made to get assurances from the contractor regarding the protocols that will be in place to provide protection of your employees during the visit, and once again, memorialize those assurances in writing.

Generally speaking, each contract should be vetted with respect to force majeure or other provisions regarding extensions of time or even excusing non-performance where attributable to circumstances beyond a parties’ control that make performance impossible or impractical. We know there will be delays on projects, and where there are delays, change orders often follow. Understanding not only your, but the constructor’s, contract rights and obligations regarding excusable versus inexcusable delays will help avoid costly disputes. As respects your own services, proactive communication and documentation of how both design- and construction-phase services are affected is essential when invoking such provisions.

Understanding the parties’ rights and duties with respect to project suspensions and terminations is also important. And should a lender take over a project by assignment, be careful not to take on obligations broader than what you had initially agreed to with your original client.

Whether on these or other risk management issues that arise in these very uncertain times, please let us know how we can be of service.

In the interim, here are what we hope may be some useful references relative to the impact of Covid-19 on design firms:

- US Construction supply chain risks and effects in a disrupted marketplace
- How Architecture Firms Are Responding to COVID-19
- ACEC’s advocacy team put together a summary of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act, S 3548)
Commercial insurers are denying many claims attributable to the COVID-19 pandemic. In the case of business interruption claims, the denial is based on either the absence of physical damage to insured premises or to specific exclusions. How are captive insurance companies responding?

Group captives generally cover risks on similar policy forms to the commercial market. Indeed, policies are typically issued by fronting carriers who reinsure a layer to the captive and participate in the risk. For this reason, group captives are no more likely to be paying COVID-19 claims than commercial carriers.

On the other hand, many single parent captives that have issued policies providing broader coverage will be paying substantial claims to their insured affiliate. In some cases, those captives will make reinsurance recoveries from risk pools. Businesses that have put this type of captive solution in place will be in a better position financially to weather the COVID-19 storm than those that have not.

Approaching renewals, business owners and managers are now faced with the simultaneous challenges of increasing rates and higher deductibles combined with more restrictive policy language and communicable disease exclusions. They will need to give deep consideration to how to manage and finance risk to ensure business continuity in the future. Captive insurance is used to finance risks that are not transferred to the commercial market, whether by choice or necessity. Group captives remain unlikely to cover pandemic risks other than, perhaps, on a very limited basis. However, single parent captives provide an excellent means of multi-year funding for this type of exposure.

Advantages of a captive insurance solution may include:

- Lower total cost of risk;
- Customized coverage for hard to insure risks;
- Long-term pricing stability reducing the impact of market fluctuations;
- Enhanced loss prevention;
- Control over claims and ability to select counsel;
- Creation of a new profit centre;
- Tax-efficient risk financing;
- Access to reinsurance markets.
As anticipated at the onset of the COVID-19 pandemic the industry has seen a significant uptick in cyber fraud in the last month and a half. The FBI recently cited an average number of 3,000 to 4,000 daily complaints about online scams compared to approximately 1,000 prior to COVID-19.

Cyber criminals are opportunistic and taking advantage of companies at their most vulnerable. This is a result of the following unique risk factors that have been heightened with the rapid shift to remote working arrangements:

- Resources from Operations & Information Security diverted elsewhere.
- Employees are using technology that they are less familiar with and there is a greater potential for unintentional errors.
- Employees are using personal devices that are less secure and potentially already compromised to connect with company systems and applications.
- Increased reliance on technology and outsourced IT vendors in particular.
- Less of a focus on everyday corporate initiatives including Cyber Security due to a shift in organizational priorities.
- Disconnected workforce makes it challenging to follow established risk management protocols.

Employees have distractions in their home environment that they do not have on premises.

The threat actors are primarily exploiting these vulnerabilities using phishing emails preying on the fears and curiosity around COVID-19. Examples of these emails include messages doctored to look like a company’s purchase order for supplies like face masks, Clorox wipes, and hand sanitizer messages manipulated to look like updates from governmental organizations like the World Health Organization.

In order to mitigate these threats we are recommending the following steps to protect your organization.

- Update information security policies and acceptable use policies to address telecommuting arrangements.
- Conduct due diligence on COVID-19 implications and the business continuity plan of key vendors providing IT services.
- Ensure that the incident response plan and reporting procedures are updated to address remote working realities.
- While employees are being inundated with communication it is more important now than ever to reinforce security awareness training by deploying training modules, sending bulletins about COVID-19 phishing campaigns, and conducting phishing simulations.
- Enable multi-factor authentication for all employees.
- Ensure all employees are using secure Wi-Fi networks and accessing company servers via a Virtual Private Network.
- Reinforce company policy that corporate files should only be saved on the company network and not locally on company issued devices or personal devices.
- Encourage all employees to mute or shut down in home smart devices.

(CONTINUED NEXT PAGE)
There are also a number of potential insurance coverage implications and long-term market ramifications that we are closely monitoring.

- Does your insurance policy have any exclusionary language that would preclude coverage for claims arising out of unencrypted devices or from employees using their own personal devices? This language should be avoided and negotiated out of Cyber policies.
- Does your policy include Contingent Network Interruption Coverage and System Failure Network Interruption coverage? These are important coverage elements given the increased reliance on outsourced IT service providers and the strain on key systems and infrastructure.
- Are current limits adequate given this dramatic shift to remote working?

Given the potential for increased claims activity and overall hardening of the insurance marketplace it is likely that there will be increased scrutiny on renewal on the following issues:

- Information Security budgets maintained in spite of any financial hardship.
- Use of multi-factor authentication widely deployed.
- Increased employee training and phishing simulations.
- Updates to information security policies to address telecommuting and use of personal devices.
COVID-19 has had an immediate impact on the entertainment industry and is causing a rapid change of its insurance market.

As measures to curb the virus have evolved from suggestions of social distancing to travel bans, to outright shelter-in-place orders around the world, film and television production has largely been suspended. Furloughs and temporary layoffs in entertainment have surged, theaters have temporarily shut their doors, and some networks have released new films digitally instead of in theaters.

With business interruption losses mounting for studios, networks, theaters and filmmakers, many are wondering how insurance policies are going to respond and what can be expected to be paid out in claims.

What’s Covered by Insurance?
While there may be other policy coverage sections that could apply, most production studios have coverage known as “Civil Authority.” The intention of this clause is to cover losses when a Civil Authority such as a municipal, state or federal government prohibits the filming of a project or temporarily halts production. Unlike Cast insurance, which typically covers up to the full production budget if a project is derailed because a Cast member becomes unable to shoot due to illness or injury, Civil Authority coverage has much lower limits.

Additionally, carriers that write insurance programs for Film & TV are concurrently being hit with claims from event cancellations. One carrier writing Event Cancellation insurance, we believe has $4B of limits exposed for potential event cancellations around the world.

A Constricting Market Ahead
As a result of claims triggered by coronavirus, carriers are starting to impose more restrictive coverage terms for film and television as well as for events. Most notably, insurers are beginning to add “COVID-19” and/or “communicable disease” exclusions in policies going forward.

Infectious disease exclusions may become an overriding exclusion. In other words, if there is a governmental order to shut down production (which would normally be covered under Civil Authority coverage), and if the order is due to a communicable disease like COVID-19, the losses would be excluded from coverage.

On top of that, we may see more restrictive limits. Instead of $1M or $2M in Civil Authority coverage, we will likely see limits closer to $250,000. We predict that premiums will increase by as much as 25% and certain markets may stop writing coverage for film production altogether.

While the pandemic situation is still evolving and insurers are figuring out if and how claims will be paid, it will become more challenging to secure coverage at renewal periods. The bottom line is: the market is hardening so we can expect to pay more and get less.

Turn to Brokers for Help
Although insurance brokers cannot guarantee their clients have coverage, they can act as partners in working through the claims process and will be available throughout the crisis. Brokers can provide help with business continuity planning and advice on contingency planning for working remotely.

We are also keeping our eye on the federal stimulus package to see how legislators are putting pressure on major insurance bodies to come up with plans for business interruption losses, and whether any sort of government backstop contingency plans will kick in to relieve losses akin to the response to 9/11.

As a whole, Hollywood wants to get back to work. But they want to do it safely for cast and crew. The industry is viewing the pandemic as temporary, with many expecting to get productions back on track later this year.
As a follow up to our original environmental emergency briefing, we commented on what carriers have offered in the way of disinfection activities and how carriers have addressed communicable disease.

**Claims**

It is worth revisiting environmental claims reporting since environmental insurance policies are unique and very different from conventional insurance products, it is important to understand the reporting requirements. All environmental policies are manuscripted and may have time element reporting requirements as well as special provisions on how coverage applies. Every policy and every carrier can be very different on how they respond to claims. The environmental practice is available to assist addressing the reporting requirements.

**Changes in State Insurance Regulations**

Individual states across the country have also taken action on how insurance carriers are responding to the pandemic. For example, New York recently issued an amendment to their regulations that carriers cannot cancel, non-renew or issue a conditional renewal for a period of 60 days for businesses under 200 employees. This amendment however does not apply to surplus lines business. Many of the forms used for specialty lines of coverage like environmental utilize surplus line carriers in order to manuscript language that is specific to address the risks in a firms business. A policy review is recommended to determine whether the policy is written on an admitted policy form or on a surplus lines form.

**Environmental Protection Agency and State Regulators**

The EPA has issued interim guidance documents under Resource Conservation and Recovery Act (RCRA), Comprehensive Environmental Response, Compensation and Liability (CERCLA), Toxic Substance Control Act (TOSCA), Underground Storage Tank and Oil Pollution Act to respond to Covid-19 remediation protocols.

Environmental consulting firms looking to expand their services to include clean-up operation for COVID-19 should review their policies to ensure that their coverage’s will respond to the addition of their scope of services.

The EPA has also amended their guidelines to allow disinfectant manufacturing companies to utilize other suppliers without going through the standard pre-approval requirements. This is a significant shift in their approach in the hopes that it relieves any supply chain issues due to the high demand of cleaning agents during this crisis. However, there is a requirement for manufacturers to report the change to the EPA.

The EPA’s softening of some of these regulations does not change the risks as essential businesses continue to operate across the United States. Businesses should be mindful that all inherent environmental risks within their operations are still responsible for any impacts to the environment.

**PFAS**

In recent news reports, we have seen tractor trailer and fixed facility operational accidents involving significant environmental contamination. These events will lead to long term clean-up obligations with very expensive price tags.

In one of these accidents firefighting foam containing PFOA (Per- and Polyfluoralkyl) substances were used in the scene to contain the spill.

Lost in all the recent pandemic news, The EPA recently made some moves toward establishing regulations to address PFAS. This a clear sample that environmental culpability remains in effect through all types of global events.

The Environmental Practice remains here to help assist in navigating through complex issues. It may be review of existing coverage’s, claims reporting or addressing changes to a firms operations as they implement new services to aid in the fight against COVID-19. Contact our environmental professionals to assist in your environmental concerns.
COVID-19 has had a dramatic impact on all event organizers. The virus has caused cancellation and postponement of public and trade events, conferences and exhibitions the world over.

“Meetings Mean Business” is the exhibition industry’s slogan. As of March 15th, 50 US B2B tradeshows have been cancelled and the Center for Exhibition Industry Research (CEIR) estimates that means a $318m revenue loss to organizers and a loss to the economy of approx. $1.8b.

When a client sees a potential cancellation or other disruption to their event, we get a call. We have many years’ experience placing Event Cancellation Insurance – and settling losses, for events of all types.

Things to consider when your event is impacted:

- Review vendor contracts and venue license agreements to see how broad your “act of God” or force majeure clause is.
- Check the cancellation clauses in exhibitor and sponsorship agreements. Each need a section to address the “what-if” should cancellation occur.
- Note the latest possible exhibitor equipment shipping date and make your go/no-go decision with that date in mind.
- Know if your show can be rescheduled and what date options are available at appropriate venues.
- Get in front of rumors with timely attendee and exhibitor communications using show’s website, social media tools, etc.
- Know what government issued orders could impact your event. Are there travel restrictions to your venue? Or, is travel restricted from countries where a large number of exhibitors or attendees must travel.
- Mitigate your loss as much as possible. Early cancellation may save hall or vendor deposits, shipping expense, show set up and decoration charges, etc.
- Prior to cancelling an event, have a plan for refund requests from exhibitors or attendees who do not want to attend.
- Should you cancel the event, know whether you will issue refunds or give credits for the next show.
- Train your staff to address crisis questions; they should have limits and have a supervisor available for more detailed questions.

While, not all hospitality contract cancellation clauses are ‘perfect’, often weaknesses in such clauses can be negotiated with venues and large contractors based on an organizer’s long business relationship with key providers.

Event Cancellation Insurance is both the show manager’s ‘best sleep insurance’ and - in the words of a large show owner, the best form of customer service. The reasons are the policy’s three benefits …

- pays anticipated net profit
- pays the return of fees for exhibiting, attending or sponsorship
- pays incurred expenses

Experience shows the best guide for organizers while awaiting coverage determination is to do what is necessary to protect their business and let us advocate for insurer support.

The settlement of a cancellation or postponement loss involves many people – including show financial and operations staff, special type of loss adjusters and forensic accountants.

To speed any settlement process and prior to every show, organizers should have access to their event’s revenue and attendance history, the most recent budget, the venue contract and a space sales agreement.

As with any insurance, Event Cancellation policies play a critical role in protecting the show organizer’s financial future. We understand that and we are well positioned to secure our client’s most valuable assets – their events.
Art collectors, dealers, artist-endowed foundations and museums could potentially face risks stemming from virus-related museum and gallery closures and disruptions revolving around artwork that is out on loan or consignment, or even in their gallery or museum.

Works on Loan or Consignment

Galleries and museums worldwide are closed due to COVID-19. Anyone with artwork out on loan should ask about borrowers’ contingency measures and make decisions accordingly. Other questions clients should be asking are:

- With regard to a museum or gallery that is closed due to the virus and currently housing your artwork, will there be security staff at the museum or gallery? Will all climate systems be maintained? Will the museum or gallery be doing “wellness” checks on the facility to ensure all systems are operating as usual?
- Will it be possible to recall artwork out on loan because of the virus? This will likely depend on availability of museum staff and shippers, both of which are in limited supply currently.

If loans or consignments are going to be extended due to virus disruptions, we advise clients to make sure extensions are provided for the following:

- Loan/consignment agreements
- Certificates of Insurance
- Exhibitions policies or endorsements providing coverage specific to the works in question

If your loan is extended past June 1st and the Borrower is located in a hurricane-prone zone, ask for confirmation of their disaster plan. Have they evaluated their regular disaster plan in light of the currently reduced workforce? How will your loaned items be protected from hurricanes? Does the Borrower have any special policy limitations or deductibles with regard to windstorm, hurricane or flooding?

For any item out on consignment, ensure a UCC (Uniform Commercial Code) filing is in place. This will protect your interest in the item should the consignee declare bankruptcy while your artwork is in their care. UCC filings are state-specific and can be executed on-line or through your lawyer.

While your Business Is Closed

If your gallery or museum is closed, it is imperative that you have a contingency plan in place to respond to emergencies on site and to maintain alarm continuity. Should you be aware of a disruption in your alarm system, please notify us immediately as we must relay this information to your insurance company in order to ensure we do not prejudice coverage for your artwork.
Health care organizations like hospitals are uniquely prepared to deal with the risks involved with infectious diseases. We anticipate that Property and Casualty (P&C) insurance portfolios for health care organizations should respond to the losses associated with COVID-19 in much the same way they have responded to other common communicable disease outbreaks in the past, such as SARS, Ebola and H1N1.

Large hospital systems have additional exposure in the wake of large-scale outbreaks because most have emergency protocols that convert them from normal operations to triage facilities. As a result, elective surgeries which are typically significant income generators may have to be canceled as part of emergency enablement.

Below are infectious disease risk management process and procedures that health care providers should implement in their COVID-19 response planning:

- Prevent the spread of respiratory diseases including COVID-19 within the facility
- Promptly identify and isolate patients with possible COVID-19
- Inform the correct facility staff and public health authorities
- Care for a limited number of patients with confirmed or suspected COVID-19 as part of routine operations
- Potentially care for a larger number of patients in the context of an escalating outbreak
- Monitor and manage any health care personnel that might be exposed to COVID-19
- Communicate effectively within the facility and plan for appropriate external communication related to COVID-19

Helpful Links (resources hyper-linked):

- ASHRM’s COVID-19 Page
- LeadingAge COVID-19 Page
- Key Strategies to Prepare for COVID-19 in Long-term Care Facilities (LTCFs)
- American Telemedicine Association
- National Association for Home Care & Hospice
- Centers for Medicare and Medicaid Services (CMS)
- Kaiser Family Foundation
COVID-19 is clearly an evolving exposure for educational institutions. Colleges and K-12 schools can face numerous losses from closures, declining enrollment, event cancellations, employee health issues and liability claims, among other exposures. Risk Strategies is diligently following this issue to ensure we provide our Higher Education and K-12 clients with up-to-date advice and guidance during these tumultuous times.

The following insurance policies could potentially be triggered by COVID-19 claims:

- Property & Business Interruption
- Commercial General Liability
- Workers’ Compensation
- Foreign DIC
- Environmental
- Educators Legal Liability
- Event Cancellation
- Malpractice Liability
- Student Health
- Employee Health
- Group Life Insurance
- Short- and Long-Term Disability
- Business, Travel and Accident
- Trip Interruption/Cancellation
- Foreign Emergency Medical

Despite the hardening insurance market, we encourage our clients to explore increasing policy limits and adding infectious and communicable disease coverage to policies where applicable and available. Although claims relating to COVID-19 would be excluded, coverage will apply to other infectious and communicable disease related events.

Since no two schools or insurance policies are exactly the same, general information will only go so far. Please contact your Risk Strategies team with any questions to ensure you have the correct answers and guidance for your institution. We will continue to send out periodic updates and add information to our website.

Below please find a list of federal and other resources applicable to K-12 and Higher Education. Please be sure to check your state and local government resources for additional information. (resources hyper-linked)

**US Federal Government COVID-19 Resources**

- Centers for Disease Control
- Occupational Safety & Health Administration
- Department of Education
- Federal Student Aid
- Department of State
- Environmental Protection Agency
- Department of Homeland Security

**Other COVID-19 Resources**

- National Association of College and University Business Officers
- American Council on Education
- Disaster Resilient Universities Network
- American College Health Association
- Johns Hopkins Global Cases Map
- University Risk Management & Insurance Association
- World Health Organization
In the COVID-19 environment, management and boards must make quick decisions and pivot in ways that will affect the short term results of the company, with long-term ripple effects. Clients and management look to their insurance portfolio for help in this COVID-19 environment. Most of the attention concentrates on the First Party coverages, like Business Interruption with Extra Expense and Civil Authority protection.

Management Liability policies may offer some protection to the boards, management and the companies, depending on the allegations and the actual terms of the policies. Coverages that may all offer some protection in COVID-19 cases include Directors & Officers Liability (D&O), Employment Practices Liability Insurance (EPLI), and Fiduciary Liability.

**Directors & Officers Liability**
Management and boards face a variety of claims in their respective capacities. Plaintiffs frequently sue for results, but defenses are built around practices and procedures. Whether a board considered and put in place adequate protections is critical. Defenses will rely on the Business Judgment Rule on many of these matters.

There are already two COVID-19-related Securities Claims filed:

- Norwegian Cruise Line Holdings, Ltd. – Alleges that the company made misleading statements to Securities Holders regarding their client sales tactics related to the outbreak.
- Inovio Pharmaceuticals – Alleges the Company and its CEO made misleading statements and misrepresentations about the company’s research and development of a COVID-19 vaccine.

Other areas may lead to D&O claims for all types of companies include, but are not limited to:

- Failure to develop or utilize an adequate Crisis Management Plan to mitigate the damage;
- Failure to have adequate succession planning for key talent affected by COVID-19;
- Failure to protect supply chains, and the economic damage resulting from disruption;
- Failure to adequately protect the Information Technology and privacy of the company and its clients, or to disclose a data breach (even if they buy Cyber-Liability);
- Creditor complaints from covenant defaults or bankruptcies; and
- Perversion of corporate credit through the misuse of loan proceeds to buy back stock.

As the crisis evolves, so will the potential for D&O claims. Boards and management that do not learn valuable lessons from this event may expose themselves to future Claims.

We recommend reviewing the policies with the Risk Strategies Management Liability team, and give particular attention to the Bodily Injury/Property Damage Exclusions wording, and to consider an Excess Side-A, Drop Down, Difference-in-Condition policy for additional protection on non-indemnifiable D&O Claims.

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Employment Practices Liability
Many companies will take drastic steps to survive this COVID-19 crisis. Many of these will affect their employees, and may lead to a variety of EPLI claims, including:

• Allegations of discrimination or retaliation, based on Coronavirus and national origin, race, creed, health, etc.;
• Fair Labor Standards Act claims from non-exempt employees working remotely;
• Claims pertaining to layoffs or furloughs employees due to the drop in business as a result of the pandemic;
• Failure to protect the confidentiality of their employees in the event an individual is diagnosed with COVID-19; and
• Americans with Disabilities Acts and reasonable accommodations in a remote workplace environment.

Fiduciary Liability
Benefit Plans and Retirement Plans are also subject to COVID-19 complaints, including, but not limited to:

• Failure to adequately explain the risks in 401(k) investment vehicles;
• Errors in the ordered or self-directed transfer of assets in investment vehicles in a 401(k) plan prior to the stock market plunge;
• Inadequate or unclear coverage for COVID-19 testing or care on the Health plan; and
• Failure to adequately review the financial strength of a Healthcare provider.

The effects of the COVID-19 crisis will linger long after the end of the crisis. The economic models will continue to affect companies, clients, employees and stakeholders. It does not matter if there was any actual wrong-doing. Stakeholders in Companies and Benefit Plans can allege a variety of issues. Management still has to defend itself, regardless of merit. Management Liability coverages may protect these matters, and bring focus to a variety of issues.
Disruptions caused by the COVID-19 outbreak may impact personal lines of insurance specifically around travel and personal liability.

- Personal and Excess Liability. These lines would likely respond to a lawsuit alleging a client negligently congregated with others while knowingly infected and therefore infected others. Defense costs would typically be paid outside of the liability limit for both personal and umbrella liability with our preferred insurance companies.

- Travel Insurance. Most standard travel insurance policies will not reimburse you for cancellation based on the fear of becoming infected. If you or a family member becomes ill with the virus, that is generally a valid reason for cancellation and in that situation the insurance company may reimburse you. Some policies have a “cancel for any reason” clause for an additional premium that would reimburse up to 75% of your costs. However, that option is going away in the current environment created by COVID-19.

The spread of the virus is significantly impacting domestic and international travel and intervention by governmental agencies is rapidly evolving. Be sure to check with your broker and travel agent on coverage that’s available state-by-state.

- Auto Insurance Carriers have been voluntarily offering premium refunds based on reduced auto usage while clients remain in their homes as they comply with the “stay at home” directives in each state. The amount of the credit, which months it will apply to, and whether it is a mid-term refund vs. a renewal credit all differ by Carrier and all of this activity is subject to Regulatory approval. Please see the list on the next page that we will keep up updated as we receive the information from the Insurance Companies. You should be receiving direct communications from your auto insurance provider as well.
PERSONAL AUTO COVID-19 RESPONSE
By carrier as of 4/20/2020

<table>
<thead>
<tr>
<th>Market</th>
<th>Refunding</th>
<th>Process</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHUBB LIMITED</td>
<td>35% of April &amp; May premiums</td>
<td>Applied at renewal</td>
</tr>
<tr>
<td>PROGRESSIVE CORPORATION</td>
<td>20% of April and May premiums</td>
<td>Premium credit the following month</td>
</tr>
<tr>
<td>LIBERTY MUTUAL/Safeco</td>
<td>15% credit on April &amp; May premiums</td>
<td>Refunded to insd automatically</td>
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<tr>
<td>AMERICAN INTERNATIONAL GROUP</td>
<td>Unknown</td>
<td>Unknown</td>
</tr>
<tr>
<td>PURE</td>
<td>15% credit during SIP order</td>
<td>Credit applied to account once order is lifted</td>
</tr>
<tr>
<td>TRAVELERS COMPANIES INC</td>
<td>15% credit on April &amp; May premiums</td>
<td>automatic credit on future bills/PIF will be refunded</td>
</tr>
<tr>
<td>SAFETY INSURANCE GROUP INC</td>
<td>15% credit on April &amp; May premiums</td>
<td>applied automatically in May, PIF will be refunded</td>
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<tr>
<td>NATIONWIDE</td>
<td>one-time credit of $50/PAPs active as of 3/31/20</td>
<td>Credits will automatically be applied w/in 30 days expect to issue credits in June/PIF will be refunded</td>
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<td>CINCINNATI FINANCIAL CORPORATION</td>
<td>15% credit on April &amp; May premiums</td>
<td>Premium credit the following month/PIF refunded</td>
</tr>
<tr>
<td>HANOVER INSURANCE GROUP INC</td>
<td>15% credit on April &amp; May premiums</td>
<td>Refund issued on May 16th</td>
</tr>
<tr>
<td>VERMONT MUTUAL INSURANCE</td>
<td>20% of their auto premium for 3 months</td>
<td>Refunded to insd automatically</td>
</tr>
<tr>
<td>ALLSTATE CORPORATION</td>
<td>15% credit on April &amp; May premiums</td>
<td>Varies by state, applied on following invoice</td>
</tr>
<tr>
<td>MERCURY GENERAL CORPORATION</td>
<td>15% credits on 2 month period</td>
<td>Credit automatically applied w/in 60 days/PIF refunded</td>
</tr>
<tr>
<td>ARBELLA MUTUAL</td>
<td>20% credit on April - June premiums</td>
<td>apply a future credit to the customer’s account</td>
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<td>METLIFE INC</td>
<td>15% credit on April &amp; May premiums</td>
<td>Premium credit the following month/PIF refunded</td>
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<td>KEMPER CORPORATION</td>
<td>15% credit on April &amp; May premiums</td>
<td>automatically applied monthly</td>
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<td>PLYMOUTH CORPORATION</td>
<td>25% premium credit on Liability &amp; PIP during SIP</td>
<td>Credit applied automatically in June/PIF refunded</td>
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<td>AUTO OWNERS INSURANCE COMPANY</td>
<td>15% credit on April &amp; May premiums</td>
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<td>NATIONAL GENERAL HOLDINGS CORP</td>
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<td>mailed to m/a on the policy in the coming weeks</td>
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<td>MARKEL/Hagerty CORPORATION</td>
<td>15% credit on April &amp; May premiums</td>
<td>Refunds issued over the next 2 months</td>
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<td>NEW YORK CENTRAL MUTUAL FIRE</td>
<td>15% credit on April &amp; May premiums</td>
<td>Credit applied automatically in June/PIF refunded</td>
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<td>HARTFORD</td>
<td>20% refund on April and May premiums</td>
<td>Echeck by 6/30 and paper checks for those w/out e-mail</td>
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<tr>
<td>BERKELEY ONE</td>
<td>15% credit on April and May premiums</td>
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<td>VAULT</td>
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While public health and safety is the main concern of the COVID-19 outbreak, we are starting to see its ripple effects on the private equity market. Specifically, the Representations and Warranties insurance markets are starting to add virus-related claims and/or supply chain issues to either heighten risks or outright exclusions. The due diligence process has been expanded greatly to address client and finance sources’ concerns and questions. Finally, new deal flow has slowed dramatically as a result of the pandemic. In the current climate, buyers are in no hurry to close without greater visibility, so the pace of deal closings has also slowed.

The Directors and Officers (D&O) market for both public and private companies is focused on the fiduciary responsibility of D&Os. As such, the expectation of the underwriters at this time is that companies understand and can articulate the operational impact or governmental response which can shut down a business as well as how long the companies could be impacted.

The Private Equity firms are mostly inwardly focused on portfolio company liquidity issues and cost reductions. While we see new deal flow, there is very little sense of urgency to accelerate closing as they await greater visibility and opening of debt markets. While we of course also see greater due diligence on COVID-19 related issues, we have seen increased awareness on our modeling of future employee benefit costs and the impact of deal valuations.

The issues of the day have also renewed the need for improved Management Liability programs across the portfolio and highlighted the inconsistency in coverage if they do not have a portfolio program coordinated with the firms GPL policy. LP’s have asked tons of questions on each of the businesses in a portfolio and GP’s that haven’t resolved the inconsistencies in coverage between each investment are now scrambling to address the issue. Given our industry leading /recognized focus on this work stream, we have seen a lot of inbound inquiries on this topic.
Colleges and universities are taking immediate measures to protect the health and safety of students. Institutions are canceling on campus classes and moving to an all online format for the remainder of the Spring semester. Some have already made the decision to host Summer semester classes online, and we expect this to be a growing trend. Study abroad programs are being cancelled, and students studying abroad are being repatriated. Some International students have returned to their home countries, and this has caused raised the question of premium refunds. So far, we have seen very few related request, which have been handled by each carrier on a case by case basis.

Previously, on campus health and safety were a key concern, however, since students are no longer on campus and health centers are closing, colleges and universities are focused on finding ways to keep their students covered while they are at home. A key concern is that students have access to free COVID-19 testing and treatment. Some institutions have even requested a Special Enrollment Period allowing for additional students and dependents to gain coverage throughout the remainder of the Plan year. Additionally, there are many requests for telemedicine services for behavioral and physical health to be available to all students, not just those on the student health insurance plan. Digital tools and apps offered by behavioral health vendors will become more prevalent in response to the growing demand for services – which has been exacerbated by the current crisis.

Heading into the 2020 Fall semester, we expect to see a drop in International students’ enrollment – especially those from affected areas. At this time, it is unknown whether institutions will return to regular on campus study in the Fall.

In addition, we expect that total matriculation will go down for both domestic and international students. This change will impact the renewal proposals for next year, as carriers become more conservative due to the potential for adverse selection. This will lead to higher rates and the likelihood that some institution may decide to drop coverage.”
SURETY BONDS AND CONSTRUCTION

While the construction industry is traditionally a tailing indicator, the impacts of COVID-19 on the Surety Bond and Construction insurance marketplace are already being felt in significant ways.

As of 4/20/20, a total of 3,499 large construction projects are delayed or cancelled throughout the country, including over 330 in New York, 300 in California, and more than 200 in both Texas and Florida. The great majority of these delays are showing in the pre-construction/bid phase, which indicates downstream effects that will be felt into Q3, Q4 and early 2021.

States, counties and municipalities have been split over whether construction is an essential or non-essential business. The deferment of funds to combat the virus at all levels of government will likely reduce public budgets for construction projects going forward. How much of a hit these budgets will take has yet to be seen.

On the private side, wealth reduction through market decline and real estate uncertainty have led banks to pull back lending and private developers holding onto cash in the near term, rather than continuing to spend on new projects.

While clients with healthy backlog positions that are unaffected by “stay at home” orders are not yet feeling the full brunt of the virus, almost every contractor will likely find the virus adversely effects their balance sheet, which is the leading prequalifier for bond-ed work. As more clarity is gained on the effectiveness of the PPP loans, the industry should have a better handle on the overall consequences of COVID-19. To date, 177,905 construction companies have received PPP assistance, totaling just under $45 billion. The average loan size is $206,000.

Contractor’s P&C programs will be affected by reductions in payroll and revenue estimates, both in the current term, at audit and at renewal. Significant premium reductions for carriers may play into a further hardening in the overall construction insurance marketplace. Various carriers have taken proactive steps to support our clients, including premium payment extensions, allowing for mid-term exposure adjustments and lay-up coverage on the Automobile lines.