

COVID-19 CORONAVIRUS RISK BULLETIN FOR BUSINESS OWNERS PREPARING FOR CHANGES IN OPERATIONS

ALLIANZ RISK CONSULTING

Are you planning to implement changes in any operations during the COVID-19 Coronavirus pandemic? If so, the following best practices provide a high quality risk management approach.

During this period, there may be opportunities to transform the occupancy at a premises to meet current market demand or to support community needs. This can result in new exposures to a location that was not previously considered and/or evaluated.

Consult with legal counsel, brokers and risk management staff to properly consider and address any changes in operations and the resulting change in risk exposure. Some impacts from changes in operations could include shifts in responsibility for the care/custody/control of the property/operations (managing hazards, preventative maintenance, site security, monitoring), risk transfer with third parties involved in new operations, waivers of liability, and changes in revenue/business interruption exposure.

LOSS PREVENTION MEASURES

All of the recommendations are technical advisory in nature from a risk management perspective and may not apply to your specific operations. Please review recommendations carefully and determine how they can best apply to your specific needs prior to implementation. Any queries relating to insurance cover should be made with your local contact in underwriting, agent and/or broker.

EXAMPLES

As an example, a hotel owner might be asked by authorities to lease the premises for the operation of a temporary medical facility to actively treat coronavirus patients, involving temporary storage and use of compressed oxygen cylinders which introduces new risks and hazards including the storage of medical gases and oxygen-rich environments. Such changes in hazard would require reconsideration of controls and protection.

A second example might be the owner of a local warehouse who is asked to lease their premises to another organization to make temporary use of their facilities for the purpose of convalescing coronavirus patients. This change in operations and property use could represent a material change in risk. Risk considerations associated with the change in operations include, among others: responsibility for ongoing maintenance and cleaning of restroom facilities; responsibility for maintaining and monitoring all fire protection and life safety systems; responsibility for emergency response coordination; and responsibility for cleaning and disinfecting facility premises upon completion of temporary operations (and to a certain standard of care). These risk considerations should be memorialized to ensure all hazards and controls are adequately addressed.

TYPES OF CHANGES IN OPERATIONS

- Will operations remain similar or change (or example, the same business but with a different end-product. such as a metalworker still producing metal products, or a distiller producing ethanol for hand sanitation rather than for a beverage)?
- Will your operations change in some or many dimensions (for example, a hotel converted to a care facility)?
- Will there be storage of new materials or products to support new operations or an increase in existing production levels? Will there be a change in the storage arrangements (palletized or rack) including storage height or location of storage within the facility?
- For example, a paper manufacturer whose current operations use die-cutters to produce paper packaging products converts the operation using the same tool configuration to cut synthetic nonwoven materials to manufacture respirator protective face masks. The introduction of the new nonwoven materials into the production environment might create a much greater fire hazard not previously considered and could render the existing fire protection ineffective.

- Or a gin manufacturer who agrees to change distilling operations to produce hand sanitizer lotion. The increased alcohol content specified by the World Health Organization (WHO) requires changes to the distillation process, including operational parameters (additional processes, temperatures and pressures) and equipment (different transfer pumps due to change in viscosity). The increased hazard associated with manufacturing and storing high alcohol liquids creates an environment more susceptible to flammable liquids and explosive flashpoint vapors.
- Other examples of changes to risk profiles include surge protection on critical or sensitive equipment/ electronics; electrical load changes from new/different equipment exceeding existing load requirements; equipment susceptible to water/moisture intrusion; increased volumes or variety of flammable liquids storage; storage of medical supplies (gauze bandages) and other cloth materials in suitable racks.

CHANGES IN OPERATIONS

Notify Broker and Allianz of pending or planned changes in operations.

Allianz Risk Consulting (ARC) is available to review and consult surrounding proposed changes in operations and to evaluate new potential hazards and controls.

Implement best practices as appropriate to adequately address new hazards and controls.

BASIC OPERATIONS REMAIN THE SAME:

Continue to follow current business practices to protect property and employees, if basic operations remain the same.

Ensure all protection features remain in place and operational, such as sprinkler systems, alarm systems.

RISK TRANSFER

With conversion to alternate operations, ensure that proper risk transfer management practices are implemented. A well structured risk transfer framework ensures business owner interests are protected.

MATERIAL CHANGES IN CONDITIONS

Business owners need to understand the obligations to notify the carrier and accurately represent material changes in conditions. Coverage implications may result from a failure to disclose/ notify material changes in operations or conditions.

QUESTIONS OR COMMENTS?

PLEASE CONTACT

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Available resources:*

The US Government's "Ready Campaign" is designed to educate about preparation, response and mitigation of emergencies - natural or man-made.
<https://www.ready.gov/>

Official website of the US Federal Emergency Management Agency (FEMA)
<https://www.fema.gov/>

Resources from the US Center for Disease Control (CDC) related to pandemics
<https://www.cdc.gov/flu/pandemic-resources/pdf/businesschecklist.pdf>

Resources about influenza from WHO
<https://www.who.int/influenza/resources/documents/FluCheck6web.pdf>

Other ARC coronavirus risk bulletins
<https://www.agcs.allianz.com/news-and-insights/expert-risk-articles/coronavirus-bi.html>

<https://www.agcs.allianz.com/news-and-insights/expert-risk-articles/coronavirus-safety-measures-shutdown.html>

<https://www.agcs.allianz.com/news-and-insights/expert-risk-articles/coronavirus-loss-prevention-construction.html>

Coronavirus resources of the Canadian Government's Public Health Services
<https://www.canada.ca/en/public-health/services/diseases/2019-novel-coronavirus-infection/being-prepared.html>

Canadian Government resources for businesses
<https://www.canada.ca/en/services/business/maintaingrowimprovebusiness/resources-for-canadian-businesses.html>

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