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ARTICLE

# The Future of Pandemic Insurance: Safeguarding Against Uncertainty

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## ARTICLE

# The Future of Pandemic Insurance: Safeguarding Against Uncertainty

## THIS ARTICLE INCLUDES:

- The likelihood of the next pandemic – ‘when, not if’
- The World Health Organisation’s recent announcement around Mpox
- How organisations should review their exposure to future pandemics given the lack of Government / public funds that are likely to be available
- The Pandemic Insurance Protection that is available to protect against future financial

In an increasingly interconnected world, the COVID-19 pandemic has reinforced the critical need for better preparedness against future global health crises. While the immediate focus during a pandemic is the protection of public health, and maintaining healthcare systems, the financial repercussions can be just as devastating. It is estimated that the financial impact of COVID-19 is in excess of \$13,000bn.

In the UK Government Risk Register published in August 2023, it was stated that a future pandemic is the most likely and most catastrophic risk to the UK in the next 5 years.

Indeed, two separate organisations, Metabiota and Airfinity, have both estimated a 28% probability of another pandemic occurring within the next 10 years that could be as severe or worse than COVID-19.

Both organisations base their estimates on an analysis of historical data, ongoing changes in human interaction with the environment, wild animals and the increasing likelihood of zoonotic\*\* spillovers alongside the potential for rapid global spread due to our highly interconnected world.

Businesses, governments, and individuals alike faced unprecedented economic challenges during the pandemic, leading to a significant re-evaluation of risk management strategies.

\*\* Zoonotic diseases are infections that are spread between people and animals



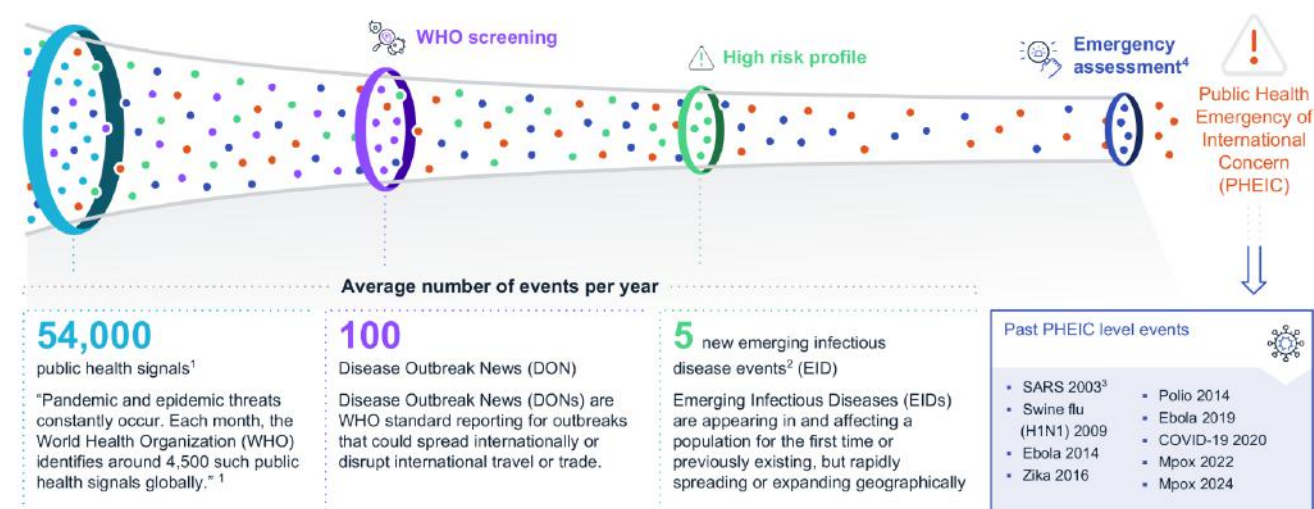


# MPOX AND THE NEXT PANDEMIC

The World Health Organisation’s announcement of the upsurge of Mpox in Africa in 2024 as being a PHEIC (Public Health Emergency of International Concern) reminds us of how vulnerable we are to outbreaks spreading globally and future pandemics. This is a ‘when not if’ scenario and an insurance solution is available.

Since 2001 we have had several global infectious disease emergencies, SARS, the 2009 influenza pandemic (H1N1) ‘swine flu’, Zika, Ebola, COVID-19 pandemic, the 2022 MonkeyPox outbreak and now Mpox again, and it is clear there will be more. Climate change, deforestation, urbanisation and increased worldwide travel are all significant factors that lead us to believe this is the case.

We feel it is imperative to make everyone aware of the need for a measured and informed decision on their future financial protection with the understanding that specific Pandemic Insurance is available.



Source: Munich Re



# THE EMERGENCE OF PANDEMIC INSURANCE AND HOW IT WORKS PANDEMIC

Before the COVID-19 pandemic, insurance products for pandemics were virtually non-existent or severely limited, often requiring evidence of physical damage to company assets. Traditional insurance models, like a business interruption or event cancellation insurance, often excluded pandemics due to their unpredictable and global nature. However, the massive economic losses experienced during COVID-19 have made it clear that new insurance products tailored specifically to pandemics are necessary.

It is highly unlikely the same level of Government support (if any) will be available in the next pandemic, so it is essential organisations consider the need for insurance cover, even if it is just a very low level, to cover their fixed costs, unexpected extra expenses and the servicing of any banking arrangements they need to make an allowance for.

Unlike traditional insurance, which pays out based on actual losses incurred, Pandemic Insurance provides payouts based on predefined triggers, such as the declaration of a PHEIC by the World Health Organisation (WHO) dovetailed with Civil Authority restrictions (not necessarily a full lockdown).

This model allows the Policyholder to set a limit required to 'keep the lights on' in the event of a pandemic and receive faster payouts through a simpler claims process. InEvexco have been working closely with a specialist Insurer to deliver suitable cover to meet what is an undeniable need. Cover is available currently on either a 'ground up' basis or a lower cost option with a self-insured sum (excess layer).

For larger corporates Insurers are offering a 'risk financing participation' element to the policy so if there has been no pandemic after a period of time (5 years) a portion of the premium will be paid back to the Policyholder.

Capacity is available currently, but this could be limited in the future. It is imperative people start to look at their requirements now to secure cover for the exposed years to come.



Source: Munich Reinsurance Company UK Branch ("MRUKB")



## LOOKING AHEAD

As the world continues to recover from the COVID-19 pandemic, the need for better financial safeguards against future pandemics has never been clearer. Pandemic insurance represents a promising tool in the global risk management arsenal.

In the future, Pandemic Insurance could become as commonplace as Property, Terrorism or Cyber coverage. As we look ahead, the lessons learned from COVID-19 will be invaluable in shaping a more resilient global economy—one that is better equipped to withstand the shocks of future pandemics.

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