

## Preparing for the unknown

### What will we face from pandemics?

**THE AIRPLAY MAY HAVE DIMINISHED**, but the influenza pandemic discussion is more significant now than it was two years ago when public debate on the subject was at its height. In 2005 the avian flu virus H5N1 had been identified in 12 countries. A year later it was confirmed in 55 countries. In 2005, there were approximately 32 identified strains of H5N1; currently, there are more than 1,600 identified. Scientific studies of H5N1 have shown it to be remarkably similar to the Spanish influenza virus of 1918.

Accurate data from past pandemics are few, as epidemiology is a relatively new science. What we do know is:

- Records of influenza pandemics only go back about 300 years, during which time there appears to have been 10 influenza pandemics, with a few additional events which may have been influenza pandemics.
- More detailed statistical records are only available for the three pandemics which occurred in the 20<sup>th</sup> century (1918, 1957 and 1968).
- High morbidity and low mortality, with most deaths among infants and the elderly, were characteristics of the pandemics, with the exception of 1918.
- The 1918 pandemic was a singular event in terms of the high death rates among young adults.

It is the similarity between the H5N1 virus and the 1918 Spanish influenza virus that drives insurers' concerns, both in terms of the severity and the concentration of deaths over age ranges with the highest numbers of insured lives.

Given that an influenza pandemic has been experienced approximately every 30 years, we are overdue. The last one was almost 40 years ago — the Hong Kong flu in 1968. This, coupled with the potential lethality and persistence of H5N1, suggest that it is prudent and responsible to prepare for the possibility of a serious influenza pandemic.

While H5N1 has shown the potential to have the virulence of the 1918 virus, it does not follow that the impact would be similar. Improvements in the overall level of mortality in insured populations indicate generally better health and ability to withstand diseases. Population mortality in 2006 was 20% of the level it was in 1918. International organizations, such as the World Health Organization, exist today to coordinate monitoring of emerging diseases to ensure that steps are taken to minimize the chances of their emergence, and strategic plans and resources are positioned for effective response.



The key is preparation and monitoring — as governments, businesses and individuals. The XL group is monitoring the risk through a variety of specialized third party vendors and reputable government agencies. XL is coordinating responses to both the business risk and the operational risk through an integrated global team with senior representation from actuarial and risk management, travel, IT, communications, legal, and HR departments. The team meets weekly to discuss current risk, ongoing preparations, and policy.

For business risk, an integrated approach is essential given that a pandemic is global and systemic for any life contingent risks. Risks are assessed across all lines of business to ensure that XL's appetite for pandemic risk is not exceeded and to ultimately protect the company's financial position.

For operational risk, a business continuity plan is essential, and it needs to be both robust and flexible. Above all it needs to be tested, so that key individuals are appropriately trained and the plan itself is put to the test. As a leader in the industry, XL was invited last year by Lloyd's of London and the UK regulatory body the Financial Services Authority to take part in an exercise scenario over a six-week period. We learned a great deal, and have incorporated those lessons into our plan. The UK market is probably one of the strictest in respect of business continuity and what we have learned in that market is of benefit to our global plan.

Companies around the world are seeking to ensure that their ability to conduct business in the event of a pandemic or other crisis is not compromised. The serious social and economic impact of an influenza pandemic cannot be forecast with any certainty, but being prepared for the eventuality will enable us to minimize the damage.



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