



# Industries in the Cross-Hairs of the Global COVID-19 Pandemic

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The COVID-19 pandemic has dealt a swift, devastating blow to the entire global economy. Although this challenge may be unprecedented in modern times, one thing is clear: COVID-19's impact will be far-reaching and long lasting. For insurers who are just starting to see the first of what will likely be many waves of COVID-19 claims, and are attempting to assess the ultimate exposure, it is important to begin projecting which industries will be the hardest hit and how those hits might translate into claims. Below, we identify six industries that may be the hardest hit by COVID-19.

## **Airlines**

The travel industry suffered some of the most immediate and severe impacts from COVID-19. As part of their efforts to suppress the spread of COVID-19, national and local governments around the world have imposed travel restrictions. Even before those restrictions were announced, airlines were already seeing a decrease in travel based on consumer fears. Those fears persist, contributing to a depressed consumer demand for even domestic airline travel. To date, there has not been a complete shutdown of U.S. flights, but the *Washington Post* reports that U.S. airlines are drafting plans for a potential voluntary shutdown of virtually all passenger flights just as government agencies are considering a similar move. As a result of these developments, the airline industry has claimed it is at risk of collapsing. As reported in *Vox*, on March 16, 2020, Airlines for America, an industry trade organization that advocates for major U.S. airlines, requested that the federal government provide more than \$50 billion in assistance, including \$25 billion in grants, \$25 billion in low-interest loans, and tax relief, including a \$4 billion reimbursement of previously-paid taxes. As of this writing, Congress has yet to pass bailout legislation. The content of any such legislation is still very much in flux. The timing and details of whatever emerges from Congress will play a major part in determining how and when the airline industry can recover.

## **Cruise Lines**

Cruise lines have also suffered a major hit as a result of COVID-19. The world was aghast at the many news stories of the passengers quarantined on the *Grand Princess* ship off the coast of California and the *Diamond Princess* cruise in Japan. Large numbers of people in confined spaces on cruise ships make onboard tourists prone to infectious diseases such as COVID-19. Consequently, cruise lines are not only facing a sharp decrease in demand, but they are also seeing an increased liability exposure. The handling of COVID-19 has already led to multiple lawsuits initiated by passengers onboard those cruise lines. These cases include *Ronald*



*Weissberger, et al. v. Princess Cruise Lines, Ltd.*, Case No. 20-cv-02267 (C.D. Cal.); *Michael Austin, et al. v. Princess Cruise Lines, Ltd.*, Case No. 20-cv-02531 (C.D. Cal.); *Brian Sheedy, et al. v. Princess Cruise Lines, Ltd.*, Case No. 20-cv-02430 (C.D. Cal.); and *Evelyne Abitbol, et al. v. Princess Cruise Lines, Ltd.*, Case No. 20-cv-02414 (C.D. Cal.), as well as a securities class action lawsuit, *Eric Douglas, et al. v. Norwegian Cruise Lines, et al.*, Case No. 20-cv-21107 (S.D. Fla.).

### **Hospitality**

Across the U.S., state and local governments have taken various actions to restrict the operation of the hospitality industry. Those actions include closing most bars and limiting restaurant operations to take out and delivery only. Even in places where there may not be orders closing or limiting food service operations, there is a significantly decreased demand as a result of the fear of exposure to COVID-19.

Compounding the impact, one in four Americans, including all residents of California, Connecticut, Delaware, Illinois, Indiana, Louisiana, New Jersey, New Mexico, New York, Massachusetts, Michigan, Ohio, Oregon, Washington and West Virginia, now live in a jurisdiction that has issued a “stay at home order” forbidding travel for non-essential purposes. Those orders have of course led to decreased tourism. But even where travel is not banned outright, people are simply heeding officials’ strong suggestions to stay at home unless strictly necessary.

The sharp decrease in travel has naturally dealt a blow to hotels as well. Beyond the decreased revenues, hotels are also facing the prospect of increased litigation arising from their standards of care in cleaning and disinfecting the premises from potential, or even confirmed, COVID-19 exposure. To date, it does not appear any lawsuits have been filed, but hotels could be the target of such suits in the months to come. Short of litigation, we are already seeing numerous first-party business interruption claims from both hotels and restaurants.

### **Leisure**

As a result of social distancing, sporting events and other avenues of entertainment, such as concerts and cinemas, have announced cancellations of events and the closure of major arenas and entertainment venues. The NBA and NHL suspended their seasons and the MLB has delayed the opening of its season. Just today, it was announced that the 2020 Summer Olympics scheduled to begin in Tokyo in late July, have been postponed to take place sometime in 2021. These actions have led to the elimination of hundreds of thousands of concessions, ticketing, and merchandizing jobs, many of which are hourly. Smaller-scale private events are also being cancelled, including weddings, charity events, corporate meetings, professional development conferences, and the like. Some of these cancellations are voluntary, taken as a precaution to prevent the spread of COVID-19. Others have been cancelled because of government directives. In addition to the resulting toll on the workers at such events, canceling events – both public and private – will have an impact on event and vendor contracts. Already, a lawsuit has been filed relating to a contract dispute that arose after a corporate management conference was cancelled because of COVID-19. See *Qualtrics, LLC v. SME Entertainment Group, LLC*, Case No. 20-cv-00164 (D. Utah).

### **Automobile Industry**

Recently, the Big Three auto companies, i.e., General Motors, Ford, and Fiat Chrysler, announced the temporary closure of their auto plants in North America. Honda, Toyota, and Nissan also said it would idle its North American factories. The shutdown of these major automotive plants will force hundreds of companies that produce parts and components to follow suit. It appears that during this temporary shutdown, the companies intend to clean the facilities and speak with union representatives to ensure the safety and health of the plant workers in



preparation of a return to the plants, including increased time between shifts to sanitize the premises. Notably, the temporary closures came after confirmed cases of COVID-19 in various plants, resulting in pressure to close from unions and workers. Even if and when the plants reopen (with or without union support), it seems unlikely that the auto industry will see anywhere near the same level of consumer demand for new car purchases as existed prior to the pandemic.

### **Oil**

The economic impacts of COVID-19 have reached the oil industry as well. The price of crude oil has fallen significantly in a short time, with U.S. crude oil hitting a 17 year low, taking billions off the stock prices of major oil and gas companies. The oil industry is also seeing the impact of COVID-19 on its workforce. The first confirmed COVID-19 case at an oil rig was announced last week. In contrast to many other workplaces, operations at that rig continued, as have operations elsewhere in the oil industry. Infections and contamination at offshore oil installations present unique challenges in preventing COVID-19 exposure for thousands of workers living in close quarters on rigs and platforms, in what many would argue is an essential business sector that cannot be shut down.

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Insureds operating in the above industries are facing multiple challenges that have already led to a massive influx of claims. We have already briefly addressed potential [business interruption coverage issues](#) and [first party property issues](#), including [civil authority coverage issues](#). In addition, we are already seeing underlying COVID-19 lawsuits that will potentially (and may have already been) tendered under various third party policies. The BatesCarey [COVID-19 team](#) will continue to monitor and report to you on the insurance industry impact of COVID-19 as it develops in the months ahead. Should you have any questions on this article, or other related issues, please contact the authors, [Jonathan A. Cipriani](#) and [Abigail E. Rocap](#), or our team at [COVID-19@BatesCarey.com](mailto:COVID-19@BatesCarey.com).