



Avian Influenza (Bird Flu)

A current influenza outbreak, formally called H5N1 after two distinctive proteins on the flu virus (but commonly referred to as bird or avian flu), has so far mainly affected birds. In the last decade the virus has appeared in birds in China, Hong Kong, Japan, Viet Nam, Thailand, Indonesia, Cambodia, Laos, Korea, Malaysia, Kazakhstan, Mongolia, Russia, Turkey, Romania, England, and Canada. Six countries—Thailand, Viet Nam, Indonesia, Cambodia, China, and Turkey—have reported a total of 151 human cases of the H5N1 flu since December 2003. Eighty-two people have died, usually after being sick for a week or two at most. These people are thought to have caught the disease by contact with infected birds. There has been no known human-to-human transmission of the virus.



It is possible that the H5N1 virus could mutate so that it can pass much more easily from birds to humans and from there spread among humans. If that were to happen, public health experts warn that the disease could spread to kill 200,000 to 1.9 million people in the U.S., and 180 million to 360 million people world-wide.

Other strains of flu viruses that affect birds but not humans are also active. A recent outbreak at a poultry farm in Gonzales County, Texas prompted quarantine, the slaughter of more than 6,600 chickens and several international bans on importation of U.S. poultry, including into Mexico. According to the Centers for Disease Control (www.cdc.gov/flu/avian/facts.htm), the strain found in Texas was not the H5N1 strain, and is not believed to be infectious for humans. However, it is highly contagious among certain kinds of birds and industry officials are worried the Texas strain could spread and kill entire flocks of chickens. The potential ramifications for U.S. insurers could be far-reaching and involve a number of complex tort issues.

Even if the H5N1 strain does not mutate to infect humans, the economic costs associated with avian flu strains could easily be in the billions if other countries, such as Mexico, impose bans on imported U.S. poultry and U.S. consumers avoid buying domestic poultry. Still, the economic costs are very different from the insurance costs. The following is an overview of potential types of insurance coverages and the exposures involved:

Potential Exposures If People Are Infected

Workers Compensation: Workers involved in the handling of poultry could be at risk. Because such an exposure is work-related, workers compensation coverage would apply. In most states workers compensation coverage is mandatory for all employers. However, farmers in some states under some circumstances are exempt from workers compensation statutes.

Tort-Related Exposures: If the infected poultry were found to have gotten into the food supply and people become ill as a result, litigation could ensue. Although a non-infected plaintiff may seek compensation for emotional distress from eating tainted poultry, fear of developing a disease is not normally compensable.

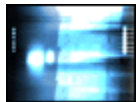
Negligence: If people do contract the H5N1 virus, it could be an avenue for a tort case, depending on the source of the infection. Eating meat from birds infected with the virus is not dangerous because it is not a food-borne illness and dies at high temperatures. But touching the birds may infect humans. The argument could be made, if the tainted poultry reaches the food supply, that the farmer, meat packer, processors, retailer/restaurant etc., were all negligent and caused (or suffered)

economic damage. In that case, these parties would file suits against each other and against outside parties.

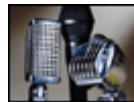
Business operation: Business might have difficulty operating in normal patterns because a large percentage of employees might be unable or unwilling to come to work for the duration of the outbreak and/or quarantine. Parents of school-age or younger children might want to (or be forced to) stay home with them, particularly if day care facilities close. Retail activity might shift strongly toward Internet- or phone-based shopping. Travel-related businesses might be severely affected.

Employee benefits: If people do contract the H5N1 virus and some die from it, experience-rated employer-sponsored health insurance, short-term disability income, and life insurance benefit plans could see greater than anticipated claims levels and incur substantial rate increases, at least temporarily. Retirement plans that provide death benefits would also have unexpected payouts and might experience liquidity problems.

Personal finance: If the disease hits families with children who have insufficient life and/or health insurance, they could face severe financial hardship.



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