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INSURANCE COMMISSIONER

California Department of Insurance

**Senator Melissa Hurtado's COVID-19 Business & Insurance Resources
Information Tele-Town Hall
Friday May 15, 2020
3:00 pm- 4:30 pm**

Participants:

- Senator Melissa Hurtado (moderator)
- Commissioner Ricardo Lara and CDI staff
- State Treasurer Fiona Ma
- SBA District Director Fresno Office Dawn Golik
- Valley Community SBDC Director Rich Mostert
- Valley Small Business Development Corporation President & CEO Debbie Raven

California Senator Melissa Hurtado

Hello everyone, this is Senator Melissa Hurtado welcome to our Covid-19 Business and Insurance Resources Information Tele Town Hall. I know that these are difficult times and I wish that we were in person but I appreciate you being here virtually with us.

Since the economic shutdown I have been with the district working with our federal partners and local businesses to help minimize the impact to our local economy. We scheduled this event because I am concerned about our local economy and the effects this will have upon our communities.

Small businesses are the backbone of our economy. It's clear because prior to the Covid crisis small businesses employed over 50% of the national workforce and outnumbered corporations by the thousandths.

We must continue to unite and fight for our small businesses until we restore our local economy but even then we want to continue building and making sure that our small businesses are successful and more so than before.

Should you have a question, please feel free to reach out to the Commissioner's office at crb@insurance.ca.gov and we will make sure you get a response. What I would like to do now is introduce our first speaker.

- Ricardo Lara is California's 8th elected Insurance Commissioner. As leader of the nation's largest state consumer protection agency he is charged with protecting California consumers. During the COVID-19 pandemic he has been busier than ever.

insurance.ca.gov 800.927.4357

- The Commissioner has taken action to protect consumers, workers, and businesses. Among other actions:
- On April 13, the Insurance Commissioner ordered insurance companies to return a percentage of premiums to businesses and drivers affected by the COVID-19 pandemic.
- On April 14, he required companies to comply with their contracts and California law by fairly investigating all business interruption claims caused by COVID-19 – just as they would for any disaster.
- While businesses have encountered problems in the past following wildfires or other disasters, we have seen nothing on this scale – with thousands of businesses closed and drastically reducing payroll. Commissioner Lara is here today to provide resources and answer your questions.
- Commissioner Lara, I will turn it over to you for your opening remarks.

California Insurance Commissioner Ricardo Lara:

Thank you, Senator Hurtado, for your leadership during this difficult time.

As we look ahead to getting our economy back on track, we have a lot of work to do to assist small businesses and our workers.

New data continues to show unprecedented job losses in Fresno, Kern, Kings and Tulare counties.

The Department of Insurance has taken a number of steps to help small businesses:

On April 13, I ordered insurance companies to return a portion of premiums to businesses and drivers affected by the COVID-19 pandemic. “Stay at home” orders and changes in loss experience have now continued into May. Accordingly, today I issued a new order directing insurers to make appropriate adjustments to premiums to reflect reduced risks.

These orders cover at least six lines of insurance where the risk of loss has fallen as a result of the pandemic:

- ***Private passenger automobile insurance***
- ***Commercial automobile insurance***
- ***Workers’ compensation insurance***
- ***Commercial multi-peril insurance***
- ***Commercial liability insurance***
- ***Medical malpractice insurance***

With many businesses closed due to the COVID-19 emergency, you need relief from premiums that no longer reflect your present-day risk of loss. By requiring insurance companies to return premiums, it puts money back in your pockets or reduces your future costs when you need it most.

As a business owner, you should not have to do anything to receive the refund, and insurance companies must provide this relief as soon as possible.

This could be in the form of a premium credit, reduction, return of premium, or other adjustment that gets funds back to you or reduces what you owe in the future.

The amount you get back will vary by company and policy. In many cases, it will be a percentage of your premiums for March, April and May as these stay at home rules continue.

You can also contact your insurance company to provide your actual or estimated change in payroll or business receipts, and possibly qualify for a larger discount.

This builds on an action I took last month to request insurance companies give, at minimum, a 60-day grace period for businesses to pay premiums. Many insurance companies have honored that request by offering flexibility to consumers and businesses during this national emergency. Today, I issues a separate order, and extended my grace period request for an additional 60 days because Californians continue to face unprecedented challenges due to the pandemic. This allows us to have some sort of retrieve for small businesses and consumers who are hurting right now.

My Department has also received a number of complaints regarding business interruption insurance.

Many businesses have looked to their insurance policies for possible coverage. Each insurance policy is a legal contract between the business owner and the insurance company -- and since early March we have seen dozens of lawsuits around the country, including California, which concern the proper interpretation of these policies and whether such policies cover losses due to COVID-19.

While these cases move through the courts, I have taken several significant steps to address business interruption.

I have learned that some insurance companies are denying business interruption claims without a thorough investigation or discouraging you from even filing a claim. That is simply unacceptable.

On April 14, in response to numerous complaints from businesses, public officials, and other stakeholders, I required insurance companies to comply with their contracts and California law by fairly investigating all business interruption claims caused by COVID-19 – just as they would for any disaster.

My Department will be watching to make sure they do and if you as a business owner have not been given the opportunity to file a claim please contact our department and we will make sure and assist you in getting a claim filed.

On May 6, Governor Newsom signed an executive order extending workers' compensation eligibility for workers who were exposed to or contracted COVID-19.

This order applies to any workers who tested positive or were diagnosed with COVID-19 after the stay at home order was issued on March 19, and within 14 days of performing a labor or service at a place of work.

The Governor's action will help people recover and get back to work, and give peace of mind to those who are keeping our economy going as we take steps to reopen the state.

This is a rebuttable presumption, meaning that employers will have a chance to prove that the illness is not work-related. The presumption will stay in place for 60 days from the date of the executive order.

It is important to note that it will take some time to see the impact of COVID-19 on our workers' compensation system.

Businesses that are closed or have drastically reduced payrolls may see their workers' compensation insurance costs reduced in the short term -- and my orders for premium rebates include worker's compensation insurance for that reason. You will see a drop in those costs during these months.

Under the current workers' compensation regulations, payrolls include payments to employees who are furloughed even though they are not working, which means that employers' rates would remain the same as if those employees were still in the workplace performing their regular duties.

And employers that provide workers with the opportunity to transition from regular work duties to lighter, home-based clerical work are still paying rates based upon the higher job classification.

On May 18, we are holding a hearing to consider proposed emergency regulations, which would make changes in light of the pandemic. I will review the proposed regulations following the hearing and determine whether they are consistent with my overall mandate to reduce premiums to reflect reduced risks.

I also want to urge all businesses to be on the lookout for fraud and insurance scams – and report any suspicious activity to the Department of Insurance.

Many people don't know that we have 300 sworn investigators and enforcement personnel, with 9 regional offices – including here in Senator Hurtado's district in Fresno.

Here are some points for small business owners and managers to keep in mind to help protect your interests as you do business during the uncertainty surrounding COVID-19.

- Be on the alert for those offering bogus workers' compensation policies. Verify the legitimacy of the selling agent and the policy offered. You can verify the agent's license on our website and contact the insurance company directly to verify the policy.
- Be on the alert for fraudulent workers' compensation claims by employees that may occur as the result of layoffs or COVID-19 related illness.
- Report suspected insurance scams and fraud by calling CDI at 800-927-4357 or through our website at insurance.ca.gov.

While we have transitioned a majority of staff to telework, close to 1,400 employees, in order to support of the Governor's "stay at home" directives, we continue to provide essential services for California consumers and we are available via phone at 1-800-927-4357 (HELP) and through our website – insurance.ca.gov -- to assist you with your claims. We know insurance is a tedious thing that many people don't understand they need clarification what their policies are. We can help you do that. We gave insurance experts ready Monday through Friday to help assist you, answer your questions, or file a claim.

Today two of our Department staff are on this call to answer questions:

Deputy Commissioners Tony Cignarale and my Special Counsel Bryant Henley.

Thank you so much Senator for putting this together for your constituents. Thank you.

(Moderator)

California Senator Melissa Hurtado:

Thank you Commissioner Lara you have a great and wonderful ally to our Central Valley and we are thankful to you for that. At this moment we have another wonderful ally to the Central Valley Fiona Ma the State Treasurer. She was elected in 2018 with more votes than any other candidate for Treasurer in State's history. Prior to being treasurer, she served on the Board of Equalization from 2015 to 2019 and the California State Assembly from 2006 to 2012. Ma was the first Asian American woman to serve as the California Assembly Speaker Pro-Tem only the second certified public accountant to be elected to the Board of Equalization and

oversees more than 2 trillion of revenue. She is here to provide additional resources and help answer any questions you may have. I hand it over to you.

California State Treasurer Fiona Ma:

Thank you Senator Hurtado for running this Town Hall today as well as my good friend Insurance Commissioner Ricardo Lara. As mentioned many of our employees are also sheltered at home. However we are an essential operation since we are the State's banker. Therefore, we are open for business every day.

As you mentioned 2 trillion dollars goes through my office every year. I also manage a portfolio of a hundred billion dollars in short term investments. 30 billion dollars is for the cities and special districts and I also invest any other additional money that is sitting idle, and we issue bonds.

Since we transitioned to this new pandemic, my office has been doing many different webinars. I started out my career as a certified public accountant working for one of the big accounting firms and I left and started my own practice. I have represented many small business owners. I understand how difficult it is to operate a small business especially during down turns and pandemics.

My external affairs team has shifted or operation from in person seminars to webinars and teleconferences like this one. We have also set up on my website www.treasurer.ca.gov additional resources.

I have two buttons that will commonly display; First is www.covid19.ca.gov website, which is the State official website for help and safety, and we encourage folks to log on to that website instead of social media because not all of that is correct. The other one is my Covid19 resources guide where my team updates, on a daily basis and in real time, resources for small businesses or food and food relief, tax relief, resources for individuals as well as our newest guide for non-profit. We encourage you to stay up to date.

Every week I also am on a weekly call with state treasurers from 50 states as a member of a National Association of State Treasurers. We get weekly updates on what is happening in DC as well as providing guidance to Congressional Members, US Treasury, and the members of the Federal Reserve.

This is the fourth stimulus package, I think it should be voted on today in the House of Representatives, but I know you have experts today who are going to talk about the PPP loan, the EIDL Loan, which are now eligible for the agriculture industry.

Again, hopefully this will allocate more money to local governments and small business owners, which are the ones that are really struggling.

Yesterday, Governor Newsom announced his May rebuys. I am sure many of you have been reading about it. The situation is bleak. We are seeing a 55 billion dollar budget short fall.

However, there are a couple of items in the May rebuys that focus on small businesses. Number one he has augmented the small businesses guarantee program by 50 million dollars for a total increase of 100 million dollars to fill those gaps for small businesses. He also is retaining new business creation and innovation by waiving the 800 million dollar minimum franchise tax for new businesses.

There is also funding for EPP which is the Employment Training Panel for small business owners who need to retrain workers to cover workers on the job protected by the paid family leave.

He has also extended subsidies in the Covered California marketplace. Including the subsidies to individuals who are between 400% to 600% of poverty up to approximately \$75,000 for individuals at a \$150,000 for a family of four.

The Governor continues to focus on small business as well as your Senator and Assemblymembers and I encourage you all to stay in touch.

Today I was on a webinar with 50 local Mayors who had many questions and concerns about not only this year's budget but future budgets and I encouraged them to please keep us in the loop in terms of the priorities.

When we do receive money from the Federal Government, if the state has extra money to allocate what are those priorities that local governments need.

Like Ricardo, I also want to warn people about scams. Right now, my father finally received his \$1200 stimulus check but there are individuals out there who will impersonate government officials, bankers, maybe CPA's. Just know that government will never call you and ask you for your social security number, your bank account, and routing information, or require you to pay payments over the phone through credit card or cashier's check.

I also would like to take this opportunity to remind people to register for the census. Every year the Federal Government allocates a trillion dollars to the states based on the census related data. For every person who is not counted it would cost us a thousand dollars per person over 10 years. As you can see this is money that is due to us. We need to make sure we get our allocated fair share of dollars from the Federal Government and that website is www.census.ca.gov.

The last thing I would say is if we do not have time to answer your question here today please send me an email to askfiona@treasurer.ca.gov. My team will do their best to answer your questions or put you in touch with the relevant agency. Or if you need someone to call someone back, maybe a relative, please just email us the phone number and my team will be glad to reach out to your constituent's family or friends.

Again, we have a lot of resources that are on our website. They are updated, so please take a moment to log on and stay connected for the latest grants and loan programs. Thank you Senator Hurtado for having me here today and I will be available for questions later on.

(Moderator)

California Senator Melissa Hurtado:

Our next speaker is representing the US Small Business Administration, also known as the SBA. The SBA was created in 1953 to help small business owners pursue the American dream. The SBA is the only cabinet level Federal Agency fully dedicated to small businesses and provides counseling, capital, and contracting expertise as the nation's only go to resource and voice for small businesses.

Dawn Golik became the Deputy Director for the Fresno District in 2012. She manages the SBA's lending Government contract and community outreach initiative for 15 California counties. Since September of 2016, she has also served as SBA's acting communications Director for region 9.

District Director Golik is here today to provide resources and answer your questions.

District Director, U.S. Small Business Administration, Fresno Office: Dawn Golik:

Hi, thank you so much to Senator Hurtado and Commissioner Lara for the opportunity to participate in today's event. I am Dawn Golik Director of the SBA's Fresno Office and I am so glad to be with our small businesses today.

Senator Hurtado indicated that SBA is the federal government agency that is solely here to serve and advocate for America's 30 million small businesses. I know that the past several weeks have been incredibly difficult for small businesses around the country, across California, and here in the 15 counties of the San Joaquin Valley and central coast region that the SBA's Fresno Office serves.

I want small businesses to know that you are not alone right now. There is help from the SBA and our partner organizations some which are on the call today.

I want to make sure that you know how to reach us at the Fresno SBA Office. You may contact us via email at fresno@sba.gov. You can call us 559-487-5791 and we do provide assistance in Spanish.

SBA help is available to Covid-19 affected small businesses right now via two primary programs. The Economic Injury Disaster Loan, or EIDL, and the Paycheck Protection Program, also known as PPP.

Covid-19 is the first time in SBA's history that our agency has issued this disaster declaration due to a virus. As a result, businesses including non-profit agencies, farmers, and others, can now receive assistance from the SBA's economic injury disaster loan.

The EIDL assistance is available both as a forgivable loan advance of up to \$10,000. As well as long-term low interest loan with a 12-month deferment. I think that is important for businesses to know. This program is set up to provide you with access to capital now, a period of time to recover/stabilize, and then 12 months later the payments begin to become due on the loan.

The amount of funding a business can receive under EIDL is really determined by the information that they provide in their application. There is no fee to apply and no obligation to accept the loan that is offered at this time.

The Economic Injury Disaster Loans are processed and administered by SBA's Office of Disaster Assistance. That is the part of our agency that assists small businesses in a time like this, a disaster, and they can provide updates and assistance to businesses that have questions about the status of their application.

The Paycheck Protection Program, or PPP, is the other way right now those Covid-19 affected businesses can access the capital that we know you need. It provides forgivable loans of up to 10 million dollars made by SBA

lenders and these could be used for payroll, rent, utilities, and interest on mortgages in the eight weeks following the funding of the loan and for the portion that is used for those purposes: they are forgivable.

Again, for many small businesses taking care of your employees is the thing that I know you are the most worried about right now. Again, with the PPP Program, businesses can get the capital they need now, that period to recover and stabilize, and then a 6-month deferment before payments would be due at a low 1% interest to a 2-year term, and no pre-payment penalties.

The loan forgiveness which really is what makes this appealing to business centers will be determined by the lender that made the PPP loan. More guidance will be coming out on this shortly and we are waiting for that.

While the first round of PPP funding was used up quickly: SBA did 14 years' worth of loans in 14 days. There is still funding available under the second round of the PPP so there is still time for businesses to apply.

I know that businesses had difficulty finding a lender in some cases under the first round of PPP. I want to say I am very proud of many community lenders and credit unions around the valley that have stepped up to provide the PPP Program for small businesses in the San Joaquin Valley Region.

Additionally, businesses can also work with other providers, like American Express, PayPal, Square, and others to access capital.

The SBA webpage www.sba.gov has a great deal of information regarding PPP lenders and businesses again can contact our office in Fresno either by email: fresno@sba.gov or by phone 559-487-5791 for more information.

For any businesses that might have applied in the first round of PPP funding and may not have heard back from their lender you should absolutely check back with your lender to get a status of your application.

I know a lot of businesses are still closed and there are concerns about using their loan funds if they have received them. It is important to know that currently the regulations of PPP do require businesses to begin to spend and use their funds in the 8 weeks when the loan is funded.

Also, I think it's important that businesses know they don't have to be open in order to pay their employees. The PPP Program provides flexibility for their employees to be on sick leave, vacation time, or in other types of non-work types of status. So they are still being paid even if your business is closed.

I also want to mention that businesses can also use both the PPP or the EIDL, or both. While PPP does have the element of loan forgiveness, the EIDL Program has expanded usages, which may make it a better fit for businesses. It's up to the business to take a look at both and see what would be a good fit for them.

For both the PPP and the EIDL Program, businesses can reach out to our District Office in Fresno or if they need help or have questions. Free assistance is also available from SBA resource partners. I know we have the Small Business Development Center will be speaking in a moment and other resource partners include Score, The Woman's Business Centers, and The Veteran's Business Outreach Centers. They're great organizations that provide free assistance to small businesses. For the local nearest partner that can assist

you businesses can visit the SBA website and click on the local assistance link to find out who nearest to them can provide that help.

I know we will be taking questions later and I am happy to answer those but I want to just close with the fact that the SBA's Fresno District Office is committed to working with our region's small businesses for the long haul.

(Moderator)

California Senator Melissa Hurtado:

Thank you Director Golik I appreciate your remarks. At this moment, we will move on to our next speaker, which is Rich Mostert.

Mr. Mostert is the Director of the Valley Community SBDC at Clovis Community College. He has been an active participant in the community economic development non-profit and fund raising arenas for over 30 years.

With a passion for community service Rich's career path has included leadership and executive roles for various non-profit organizations, including his current position as Director of Valley Community Small Business Development Center.

In addition to traditional employment, Rich has been a serial entrepreneur operating several small businesses and has been an instructor teaching courses in business planning, management, strategic planning, financing, fundraising, and grant writing.

Thank you Mr. Mostert for being on this call and please feel free to begin when you are ready.

Director of Valley Community Small Business Development Center at Clovis College, Rich Mostert:

Thank you Sally and thank you to our hosts, Senator Hurtado and Commissioner Lara for getting us all together. The good news is Dawn, Debbie and I have worked together for many years and we know we are doing everything we can to help small businesses in our area and sometimes even outside of the area.

For those of you that don't know the Small Business Development Center, SBDC Program is a program that is funded by the SBA. We are a partner of the SBA. They provide us with the funding that we need to do the work of providing counseling, assistance, and training, to anybody within our service area. My service areas are Fresno, Madera, Tulare, and Kings County. We do that at no cost and it is all confidential.

Any business that needs help can come to our organization and we will help them directly through our staff or through consultants that we hire and actually have, them help our small businesses directly.

We have some great experts on our team. We have over 22 consultants. As Dawn suggested we have all been working more hours than we ever expected to. It's the exact opposite of the shelter in place that we all thought we were going to get. But we are blessed that we are helping all of the small businesses that have reached out to us.

We normally serve about 600 to 800 businesses a year and we have gone over that in the last month and a half. We're working diligently to help small businesses not only maneuver through and help them understand the parameters of every program but also that they make the right choices.

One of the key areas we try to tell people: we will help them manage fact and expectation. If there are issues involving whether or not they qualify, we help them understand what the qualifications are.

If they need the money faster than they can get from me we help them make a plan on how to maybe remedy that. How to get through the times.

We have been focusing very much on providing one on one direct support to businesses looking primarily for EIDL (Economic Interest Disaster Loans) and PPP (Paycheck Protection Loan Programs).

To date, since we are starting to see results now, we've had about 8 million dollars in funding come in now in just the last week. We're expecting about twice that much before we pitch out.

What is really important though, is that we kind of take a universal look with the business as what happens when you get the loan. It's not just applying and receiving it. It is how you manage it. How do we make sure that you are doing everything possible to ensure that you are meeting the rules and regulations of that loan?

There are businesses out there who unfortunately may or may not qualify for some of these programs. What we do is we look outside and we look at all of the other various programs. Whether it's traditional or alternative lenders.

We also look at various different alternative styles of lending. Municipal revolving loan funds, crowd funding and crowd sourcing.

What has been happening more and more in certain areas is that local municipalities, cities, and counties are creating specialized grant programs.

We are trying to make all of our constituents aware of those but unfortunately, we are like most of the other programs, very underfunded for the needs and they go away very quickly. We try to let all our businesses to know about them and get first in line with them.

Then we try to stay ahead of the curve of information. So that no matter what when our business owners call us and contact us and say they need help we give them the most up to date and factual information possible.

We know that this an ever changing landscape because this is unprecedented time that we are all living through history right now.

Our goal is to help the businesses understand that and then our next phase of the system that we are hoping and we are working on now and trying to do even more is how do you stay in business? How do you manage? How do you work through distancing rules and how do you find different ways to either save money or trade revenue streams.

We are taking a universal holistic approach to helping small businesses and our goal is to continue to do so.

As Dawn suggested we have SBDC's that mirror the service areas that she oversees. We have the six lenders that work throughout the area that serve small businesses. We have Sierra, Merced, Valley Community, San Luis Obispo, and Cal Postal in the Monterrey Molinas Area, and we have Kern County, and Bakersfield.

If you need any assistance and you need some help know that it is confidential, at no cost to you. Please feel to go to our regional website at www.centralcasbdc.com and you can choose which center is in your area. By filing out a 3-question application, you can get somebody to give you a call and set up an appointment to help you with this.

(Moderator)

California Senator Melissa Hurtado:

Thank you Director Mostert, we appreciate the information.

Up next, I would like to introduce our last speaker, but certainly not least, and wanted to give a friendly reminder that we are answering questions at the end.

I would like to introduce Debbie Raven, President and CEO of the Valley Small Business Development Corporation.

She began her career with Visalia Production Credit Association as their first agricultural female loan officer. Where she ultimately served as a Vice President Branch Manager.

She transitioned to working for Valley Small Business Development Corporation.

In 1990, she set up the agricultural lending program. Under Debbie's direction, Valley became one of the leading FSA Guaranteed lenders in the state.

After serving for a variety of roles within the organization, she became the President CEO in 2008.

Ms. Raven is here today to provide resources and answer questions at the end.

President/CEO Valley Small Business Development Corporation, Debbie Raven:

Good afternoon everyone and thank you Senator Hurtado and Commissioner Lara for including me on this very important meeting today.

Our Central San Joaquin Valley is suffering the effects from this pandemic but I am encouraged that we are resilient and we will return to a robust economy. So I am here today to offer hope.

As you've heard, there is a statewide effort to provide funding, services, and innovative strategy to get this information to the public. This Tele-Town Hall meeting today is an effort to get the information to the people that really need to hear it.

The underserved communities. The people that can't qualify for SBA financing or the smaller micro businesses and non-profits.

Valley small business is an innovative certified development financial corporation that for the last 39 years has had a regional presence here in the Central San Joaquin Valley.

While typical CDFI's target a particular segment, as a community or an industry, we at Valley focus on the overall needs of the people in this valley. Whether it's a need for capital access, financial readiness, training, insufficient financial services that are provided to rural communities or the underserved markets.

Valley has always created programs that effectively addresses the needs of those wanting to succeed in business.

At Valley, for small business we are a direct lender of many programs that are funded either privately or publically funded such as SBA, USDA, or FSA.

We are intermediary with the State of California as a Financial Development Corporation (FDC) to manage the State Loan Guarantee Program for the California Infrastructure and Economic Development Bank or what we call IBank.

Throughout the state last year we made 579 loan guarantees totaling \$509,000,000. That is all to small business borrowers.

You can check the IBank website at www.ibank.ca.gov for more information about this very important program. This is a perfect lead into our new Small Business Disaster Relief Guarantee Program created by the state. It provides up to 95% loan guarantees in order to fund small businesses recently impacted by the Covid pandemic.

The State of California has created a funding pool of up to 100 million dollars in loan guarantees support. This is very important to the small business community that might not have gotten their PPP application funded or does not qualify for SBA financing. In fact, this loan guarantee is specifically targeted for those businesses that cannot qualify for federal assistance.

The term of the loan guarantee is 7 years and the maximum loan guarantee is 1 million dollars. The amount of the guarantee is contingent upon the interest rate that is charged by the lender. For example a 5 plus 1 interest rate to the borrower covered by the lender for a 95% guarantee. Therefore insuring that the vendor is only going to absorb a 5% loan loss on any deal that they fund.

So if you are interested in this type of business benefit here is how you apply for this small business disaster relief loan guarantee program:

- The first question: Am I eligible? Well if you have a business or non-profit with 1 to 750 employees, that was adversely affected by Covid, and you have not received federal disaster funding from SBA you're eligible.
- The second step is find a participating lender in your area and apply for a loan.

The participating lenders are listed on the IBank website, again that website address is www.ibank.ca.gov or else you can contact your local lenders in your own area.

If you need assistance in finding a lender at that same website, you can contact the FDC's that are listed there with our contact information and we can find a lender for you that participates in the program. There are also participating lenders added to that ibank website on a daily basis.

What should you bring when you apply for the loan? All the FDCs are requiring is a current financial statement of the business and personal. A current profit of loss statement for the business. The latest filed tax return for the business and personal and 3 months of bank statements.

If you work with a non-CDFI lender, a more traditional lender, such as a commercial bank, they will probably ask for more information. But the program is designed to have a quick turnaround time and not have a lot of additional paperwork.

Once the lender submits the loan guarantee request to FDC, we are set up for streamline processing so we can get a quick turnaround time of either 24 hours or 48 hours turnaround time. So then, once the lender completes their loan documentation they can fund the loan.

Should you have any questions or require more information about this loan guarantee program and for the disaster program please contact myself Debbie Raven at 559-438-9680, or you can email me at deraven@vsbdc.com and again that information is on the IBank website.

The reasons that these initiatives work well in the Central Valley and within our organization is, one word, relationship. All of our staff members are born in the valley and have deep roots to the San Joaquin Valley.

We are vested in the success of our small business owners in this San Joaquin Valley but one business owner at a time. We're bilingual; we are trained in aspects of commercial and agricultural lending.

We have a staff that is considered experts in economic development and half of our staff is either currently operating a small business or have operated a small business and so we certainly understand what the small business borrowers are going through at this time.

Thank you Senator Hurtado and Commissioner Lara for allowing me the opportunity to share our story with you today and we look forward to having a strong relationship with all of you in the near future.

(Moderator)

California Senator Melissa Hurtado:

Thank you President Raven. At this time, we will go ahead and answer questions that were submitted to us and I will go ahead and turn the call over to Robb who will be going over the questions and assigning the answers to the speakers.

Q&A session:

Question 1: How do the climate and the environment have an impact on insurance costs? And how can climate issues be assessed in insurance?

As things get worse, not only with COVID-19, but the Environment, and especially here in the Central Valley dealing with droughts, subsidence, overheating, and such.

Commissioner Lara: Climate risks are a challenge for the insurance sector and we have to find opportunities to reduce those risks before the next disaster strikes.

For example, large wildfires cause catastrophic damage, increasing insurance rates and decreasing insurance availability. We need to reduce future losses by reducing the impacts of climate change before they occur.

Insurance can play a role – incentivizing home hardening and helping communities bounce back after major events. Last fall the Department of Insurance launched the nation's first climate insurance working group – focusing on nature based solutions to reduce future climate risks.

Extreme heat, like the situations you describe in the Central Valley, is one of the focus points for the working group, and is a type of risk that has not been the focus of insurance historically, but is a critical risk to consider for communities adapting to climate change.

Question 2: Why are the current EIDL loans only open to Agricultural businesses – will this change?

Director Golik, SBA: For more than 30 years, the SBA was prohibited from providing emergency disaster assistance under the emergency disaster assistance program to agricultural businesses. Farmers, ranchers, and other agricultural businesses are now able to access the emergency working capital available through EIDL due to changes in legislation and expansion of eligibility requirements. The EIDL is administered by SBA's Disaster Assistance and no guidance has been provided to if and when the EIDL program may re-open to non agricultural businesses. They are processing previously filed applications.

Question 3: What is the status of business interruption insurance covering COVID-19?

Commissioner Lara: While many commercial policies have terms and exclusions that create a challenge to getting claims paid under your Business Interruption coverage, not all policies are the same. We would need to look at the specific policy to better understand that coverages and exclusions may exist.

If you have Business Interruption coverage, but your insurance company is telling you that these losses are not covered due to exclusions in your policy, we recommend that you file a formal claim with your insurance company. Insurance companies are legally required to fairly investigate your claim and formally respond back to you with their coverage decision and the reason for any denials they may make.

We issued a Notice on April 14th to all agents, brokers, and insurance companies reminding them of their obligations under the law to accept, forward, acknowledge, and fairly investigate all business interruption insurance claims submitted by businesses.

While it is more complicated than this, many commercial policies have exclusions for loss due to contamination by virus and similar perils. Many policies also require that your loss be caused by direct physical damage or loss to the insured property that results from a cause covered by the policy. These conditions and exclusions do create hurdles to obtaining coverage. We would need to see the entire policy as well as the circumstances applicable to your loss event to know what conditions or exclusion may or may not exist for a particular business.

If a business has not filed a formal claim, it should do so immediately. If the business has filed a formal claim and that claim has been denied, we recommend you to file a "Request for Assistance" with CDI at 1 (800) 927-4357 or through our website at: www.insurance.ca.gov.

We will look at the facts of the claim, the policy provisions, and contact the insurance company if we determine there is an issue with their determination. While it is true that many commercial policies have provisions that may exclude coverage for business interruption under the circumstances, the CDI will review the claim to ensure that your insurer is properly investigating your claim and following all laws and the provisions in your contract.

Question 4: Will people who have saved through the treasurer's retirement or savings programs be able to withdraw money without penalty?

Treasurer Ma: CalSavers, CalABLE, Yes, those savings programs are there for account holders to use for medical purposes or for emergencies.

Question 5: Do you have a list of lenders that are willing to work with small businesses during this pandemic?

Director Mostert, SBDC: Yes! Plenty of traditional lenders that are working with businesses, even starting businesses. And we have a list of non-traditional lenders and alternative lenders. We will help you find a lender if at all possible.

Question 6: What are my options if I do not have coverage for business losses due to the COVID-19 virus?

Commissioner Lara: If you truly don't have any Business Interruption coverage, you should look at the various federal, state, and local programs available through the SBA and other sources.

However, if you have a commercial policy, but your insurance company is telling you that you don't have Business Interruption coverage, or that there is no coverage when losses are caused by a virus, we recommend that you file a formal claim with your insurance company. Insurance companies are legally required to fairly investigate your claim and formally respond back to you with their coverage decision and the reason for any denials they may make. The Department of Insurance can also walk you through your policy to make sure what the insurance company is telling you is accurate.

Question 7: How can micro sole proprietor businesses, such as barbers, tour guides, nail clinics, gardeners etc. without any employees get financial assistance?

President Raven, VSBDC: Sole proprietors can get financing under Disaster program. CDFIs participating www.ibank.ca.gov and at VSBDC we have jumpstart direct loan programs for up to \$10,000 funded by the state. Documentation is limited.

Director Golik, SBA: Not having employees do not preclude you from applying for PPP program. More guidance on sole proprietors applying for PPP is available on treasurer's webpage. www.treasury.gov. PPP loans even as low as \$1500 amount for smaller businesses.

Director Mostert, SBDC: Sole proprietors are receiving EIDL loans. But you should also consider applying for Pandemic unemployment assistance program available through EDD.

Question 8: Commissioner Lara -You issued a bulletin requiring insurance companies to refund premiums -- will that be for my total monthly payment and when will I get that?

Commissioner Lara: I ordered premium refunds because for many people the risk of accident or loss is much lower due to the statewide stay-at-home order. We are seeing:

- Fewer accidents or injuries on the road
- Falling business payroll and receipts
- Reductions in liability exposure due to the temporary closure of many businesses

Premium reductions and refunds should reflect that.

My Department will be watching to make sure that the amount insurance companies are returning is adequate, and they are not short-changing you.

I want our Deputy Commissioner Bryant Henley to give more details about this:

Bryant: The amount you get back will vary by company and policy.

In many cases the reduction or refund will be a percentage of your premiums for March, April and May as these stay at home rules continue.

This will not be a 100% refund of your premium; the reductions will be tied to the change in risk during the months Californians are subject to “stay at home” orders.

We have already seen a number of insurance companies announce rebates and credits.

Commissioner Lara’s bulletin updated today directed all insurers to make an initial premium refund to all adversely impacted California policyholders as soon as possible, but no later than 120 days from the date of the bulletin (which will be August 11, 2020). This directive applies to the following lines of insurance:

- Private passenger automobile insurance
- Commercial automobile insurance
- Workers’ compensation insurance
- Commercial multiple peril insurance
- Commercial liability insurance
- Medical malpractice insurance
- Any other line of coverage where the measures of risk have become substantially overstated as a result of the pandemic.

Recognizing the unique nature of each insurer’s policyholder base and insurance coverage offered, we directed each insurance company to propose the best way to immediately return premium to policyholders. We also directed each insurer to report back to the Department how each insurer will fulfill this directive within 60 days (or by June 12, 2020).

Persons who have not received premium relief in spite of a reduction in the covered risks under a policy are strongly encouraged to contact their insurance company. If you are not satisfied with the answers you get or have other questions, you may contact us at 1 (800) 927-4357 or through our website at: www.insurance.ca.gov.

Commissioner Lara has also requested an extended grace period to pay your premium. And extended it today for 60 days. If you are having trouble paying your premium, contact your insurance company.

Question 9: We’ve heard conflicting information regarding the EIDL \$10,000 advance. Is it or is it not forgivable?

Director Golik, SBA: EIDL advances of up to \$10,000 does not have to be repaid. However, if you apply for the PPP program after receiving an advance and or loan from EIDL, then you must indicate this on the PPP application. Visit www.sba.gov for more detailed information.

Question 10: What can small businesses do if they are closed and are struggling with their property tax payments?

Treasurer Ma: Governor's executive order waives penalties for late payments for property taxes.

EDD has information to sign up for unemployment insurance for gig workers and independent contractors at www.edd.ca.gov. Other resources for business owners including getting help on how not to keep your businesses open during this time.

If you lost your job, State of California has entered into a public and private partnership and you can find a list of over 110,000 jobs. Visit <https://onward.ca.org> for jobs available now.

Question 11: My business has increased delivery – and may even be driving more miles because of the stay at home orders. Will the premium refunds apply to operators of commercial vehicles as well as personal vehicles?

Commissioner Lara: Yes -- there are strong indicators demonstrating that the risk of accidents has fallen sharply due to Governor Newsom's stay at home orders.

Obviously, those who are not driving pose very little risk of loss, but for those essential businesses that must use our roads, these drivers are traveling on roads with substantially less traffic.

Early evidence, including a U.C. Davis Special Report on the Impact of COVID-19 Mitigation on Numbers and Costs of California Traffic Crashes, suggests that the number of accidents in the state have declined substantially.

My April 13, 2020, bulletin covers risks in many lines, including personal and commercial automobile insurance lines.

I encourage commercial trucking and delivery businesses, like all commercial businesses, to contact their insurance provider to ask how your company is fulfilling the Order.

On April 10, I also asked insurance companies extend auto insurance coverage for drivers who are using their personal vehicles to fulfill deliveries for California's essential businesses during the COVID-19 pandemic.

This action ensures that businesses can continue to provide essential goods to residents and families at their homes and that delivery workers are protected at all times so that they may continue their work.

Question 12: This question is regarding private contractors and freelance workers. Freelance workers are considered business owners, yet no assistance has been afforded to them. Since these individuals are ineligible for unemployment benefits, how do you plan to help them during this time? How and where can they submit for assistance? What documents are needed?

President Raven, VSBDC: Private contractors and free lance workers can qualify for the SBA Disaster Loan Relief Program if they file a Schedule C. They have to be a business in order to qualify. No doesn't mean no in the lending world. It's important to get the small business borrower to the right lender with the right program. Visit www.ibank.ca.gov to find guarantee loan programs. They need a current financial statement both business and personal to get started.

Director Mostert, SBDC: Free lance workers and private contractors are *technically* eligible for unemployment so visit www.edd.ca.gov.

Question 13: My business is not considered essential, but I am continuing to employ workers and pay my workers' compensation insurance. Can worker's comp insurance companies exclude COVID-19 from their coverage, whether or not they are considered essential businesses?

Commissioner Lara: All workers affected by COVID-19 on the job are eligible for workers' compensation benefits – whether or not they are considered essential services.

This includes workers engaged in front-line occupations such as health care, emergency services, food production, sales, and delivery, among others.

Workers' compensation also applies to undocumented workers. In 2015, when I was in the California State Senate, I authored SB 623, which was signed by the Governor, that expanded protections for undocumented workers in the event they are injured on the job, even if their employer does not carry workers' compensation insurance as required by law.

I issued a notice to insurance companies on April 6 to remind insurance companies about these existing legal protections for undocumented workers.

As I mentioned earlier -- on May 6th, Governor Gavin Newsom signed an executive order creating a presumption that a worker contracted COVID-19 while on the job if the worker is diagnosed with COVID-19 or tests positive within 14 days of performing a labor or service at a place of work. That order applies to all workers, whether or not they are deemed "essential."

If you are injured or become sick on the job, immediately report the injury to your employer. Your employer will notify the insurance carrier to ensure you are properly covered for your illness or injury.

If you have questions regarding the identity of your employer's insurance carrier, call the Workers' Compensation Insurance Rating Bureau at 1-888-229-2472 or visit their website at www.caworkcompcoverage.com.

Question 14: Our sales have been almost nonresistant since beginning of March. Only one person on payroll and it's me, I believe our company does not qualify for payroll assistance. I am not unemployed but paying myself next to nothing not sure if unemployment filing is not appropriate. Desperate times, like a lot of businesses we have monthly bills to pay and barely hanging on. Is their anything available to us as far as grants etc. to help my 11 year company out?

Director Mostert, SBDC: Technically, it sounds like you are eligible on the surface to apply for PPP or might qualify for unemployment through EDD.

Might want to also consider alternative funding sources like the jumpstart program. We have the most current information for grants available but they go quickly. Our best advice is that you get in touch with us so that we can advise you on a one to one basis.

Business Resources:

Senator Hurtado:

<https://sd14.senate.ca.gov/>

Capitol Office

State Capitol, Room 3070
Sacramento, CA 95814
Phone: (916) 651-40114

Fresno District Office

2550 Mariposa Mall, Suite 2016
Fresno, CA 93721
Phone: (559) 264-3070

Insurance Commissioner Ricardo Lara:

California Department of Insurance

www.insurance.ca.gov

800-927-4357

State Treasurer, Fiona Ma

Senior hotline 833-544-2374

www.treasurer.ca.gov

Twitter @fionama

Email Askfiona@treasurer.ca.gov

Dawn Golik, U.S. SBA

Questions about PPP, EDIL or assistance to other resources for small businesses

Email fresno@sba.gov

559-487-5791

Bilingual services

Rich Mostert, Valley Community SBDC at Clovis College

One on One help for small businesses

www.centralcasbdc.com

Debbie Raven,

Valley Small Business Development Corporation

Trilingual services available (English, Spanish, Hmong)

559-438-9680

Email: draven@vsbdc.com

www.ibank.ca.gov

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