

# RICARDO LARA

## INSURANCE COMMISSIONER

California Department of Insurance

Notes – Hollywood Chamber of Commerce Small Business Insurance Tele Town Hall  
Thursday May 14, 2020

### Participants:

- Commissioner Ricardo Lara and CDI staff
- Rana Ghadban, President & CEO of the Hollywood Chamber of Commerce
- Matt Fritch, Vice Chair and Co-chair of the Hollywood Chamber's Legislative Action Committee
- Shawn Covell, Legislative Action Co-Chair, Senior Vice President of Government Affairs for Paramount Pictures
- Dwayne Gathers, Hollywood Chamber Board Chair, President and CEO of Gathers Strategies

### President and CEO of Hollywood Chamber of Commerce: Rana Ghadban

- Welcome to all our Hollywood Chamber Members and Community Leaders.
- My name is Rana Ghadban and I am the President & CEO of the Hollywood Chamber of Commerce.
- I want to thank you for joining us today for our Virtual Town Hall meeting with California Insurance Commissioner Ricardo Lara as part of our Leadership in Action Virtual Town Hall series that brings our elected officials and policymakers directly to our members.

### Before we start the program, let me take a moment to cover a few housekeeping items.

- This Town Hall is scheduled to last an hour – After we hear from the Insurance Commissioner; I will go through a few questions submitted by our Chamber committees.
- The Town Hall is being recorded and will be available for view afterwards on the Hollywood Chamber website.
- If you have any follow-up questions about how the Chamber can help you and your business during COVID-19, please email [COVID-19@hollywoodchamber.net](mailto:COVID-19@hollywoodchamber.net). Lily, can you please place the email in the Chat?

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- Now let's get started! We will begin today's program with remarks and the introduction of our Keynote speaker from our Hollywood Chamber Board Chair, Dwayne Gathers, President and CEO of Gathers Strategies. Dwayne thank you for being here today. I'll turn it over to you.

#### **Opening remarks and introduction:**

#### **Hollywood Chamber of Commerce Board Chair: Dwayne Gathers:**

- It is my pleasure to introduce today our special guest and speaker who has had a long and distinguished career in state government.
- He previously served in the California Legislature, representing Assembly District 50 from 2010 to 2012 and Senate District 33 from 2012 to 2018, where he authored significant pieces of legislation focused on education, immigration, healthcare, and the environment.
- 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.
- The Commissioner has taken action to protect consumers, workers, and businesses. Among other actions:
- On Monday, April 13th the Insurance Commissioner ordered insurance companies to return a percentage of premiums to businesses and drivers affected by the COVID-19 pandemic.
- On Tuesday, April 14th 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.

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- Commissioner Lara, I will turn it over to you for your opening remarks.

### **California Insurance Commissioner Ricardo Lara:**

Thank you Dwayne for the introduction, and Rana for hosting today's tele town hall.

I do not have to tell you – the business closures and job losses are bigger than anything we have seen since the Great Recession more than a decade ago.

We know you need help immediately, and 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.

This order covers at least six lines of insurance where the risk of loss has fallen as a result of the pandemic:

- **Private passenger automobile insurance** – this is your own individual auto policy that protects you from liability if you hurt someone or damage their property with your car. It can also cover damage to your own vehicle, either from an at-fault accident or from other perils, like fire, falling objects, animals or theft.
- **Commercial automobile insurance** – this covers the cost of accidents involving business-owned vehicles. It also covers vehicle theft, vandalism, and certain types of vehicle damage. It covers any business that has a commercial fleet of vehicles such as companies that deliver goods and products to other businesses or directly to customers.
- **Workers' compensation insurance** – this covers medical expenses and a portion of lost wages for employees who become injured or ill on the job. Coverage also includes employee rehabilitation and death benefits. All businesses with employees must have this coverage, including those affected by the economic slowdown such as restaurants and construction.
- **Commercial multi-peril insurance** - Commercial multi-peril policies offer coverage for a variety of losses such as business crime, business auto, boiler and machinery, marine and farm, as well as general liability. Most businesses need this coverage, especially if they have their own building or premises and conduct their business on premises.
- **Commercial liability insurance** - A Commercial General Liability policy protects your business from financial loss should you be liable for property damage or personal and advertising injury caused by your services, business operations or your employees. It covers non-professional negligent acts -- for example, companies that sell products need coverage against product defect claims.
- **Medical malpractice insurance** - Medical malpractice coverage is for legal claims arising from allegations of medical negligence and malpractice. A variety of medical professionals who

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have medical malpractice insurance have seen their practices or office hours being reduced or even closed due to COVID-19 -- including dentists, orthodontists, chiropractors, optometrists, psychiatrists, psychologists, podiatrists, and elective surgery situations such as plastic or cosmetic surgeons.

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 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 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 and April -- and likely May as these Stay at Home rules continue in Los Angeles County.

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 -- we are currently looking at how we extend that given the ongoing emergency.

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

This is a major problem for California businesses of all sizes.

While we have encountered business interruption questions in the past following wildfires or other disasters, we have seen nothing on this scale -- with thousands of businesses closed and drastically reducing payroll.

In addition, 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.

In California, we have taken several significant steps to address business interruption:

On April 14, in response to numerous complaints from businesses, public officials, and other stakeholders, I 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. My Department will be watching to make sure they do.

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While we have transitioned a majority of staff to telework in support of the Governor's and local "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](http://insurance.ca.gov) -- to assist you with your claims. You can talk to an actual person – not just a recording. Here to help answer questions is Deputy Commissioner Bryant Henley.

#### **President and CEO of Hollywood Chamber of Commerce: Rana Ghadban**

- Thank you Commissioner Lara, now it is my pleasure to introduce the Vice Chair and Co-chair of the Hollywood Chamber's Legislative Action Committee, who will moderate our Chamber Committees' questions. The Chamber's Vice Chair this year is Matt Fritch, the Executive Director of Global Security, Environmental Health & Safety for the MBS Group. Matt has been working on the Chamber's Legislative Action Committee for many years now, and we are thrilled to have him onboard to help us achieve the goals of our new strategic plan.
- I'd also like to give a warm welcome to our new Legislative Action Co-Chair Shawn Covell, Senior Vice President of Government Affairs for Paramount Pictures. Shawn has served on our Board for several years now and has been a great partner to the Chamber.
- I will turn it over to Shawn and Matt for questions.

#### **Vice Chair and Co-chair of the Hollywood Chamber's Legislative Action Committee: Matt Fritch**

##### **Question #1: Business Interruption Insurance**

**Insurance Commissioner, thank you for joining us today. I want to start the conversation on a topic that a lot of businesses have brought to your office's attention: business interruption insurance. Many businesses have thought that their business interruption insurance would cover the business interruption caused by COVID-19 but we know that hasn't been the case. Has your office received requests for assistance for denied business interruption claims? If so, what has your office done in response to those requests for assistance?**

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**California Insurance Commissioner Ricardo Lara:** We have received a number of requests for assistance regarding denied Business Interruption claims. Since most of these are fairly new cases, we are in the process to investigating the issues.

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.

I would like Deputy Commissioner Bryant Henley to provide more details on requests for assistance we have gotten.

**Deputy Commissioner Bryant Henley:** 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. However, as Commissioner Lara mentioned 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](http://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.

**Legislative Action Co-Chair, Senior Vice President of Government Affairs for Paramount Pictures- Shawn Covell:**

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### Question #2: Workers Compensation

**Commissioner Lara, what is your office doing to manage the potential increase costs in workers compensation coverage due to the COVID-19 crisis and can you speak on the impact that the crisis has had on workers compensation?**

**California Insurance Commissioner Ricardo Lara:** I am sure that a lot of you saw the Governor's action last week – let me spend a few minutes on that. On Wednesday, 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 overall – or on the premiums you pay.

In the short term we are looking for ways to reduce business costs for workers' compensation.

Businesses that are closed or have drastically reduced payrolls may see their workers' compensation insurance costs reduced in the short term -- and my April 13 order for premium rebates includes worker's compensation insurance for that reason.

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 18th, 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.

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### Question #3: Supplier Diversity

**Matt: Can you speak on your office's efforts in regard to supplier diversity in the insurance industry, specifically for minority-owned, women-owned, and LGBT-owned small business?**

**California Insurance Commissioner Ricardo Lara:** This COVID-19 crisis is showing all the gaps that exist in our economy – and falling the hardest on our diverse business owners. That is why our supplier diversity initiative has never been more important.

We have seen contracts between the insurance industry and California's diverse-owned businesses increase 93% over a five-year period, from \$930 million to almost \$2 billion.

That includes women-owned, veteran- and disabled veteran-owned, minority-owned, and LGBT-owned businesses, as well as advancing the diversity of insurance company corporate boards.

I want to see those numbers go even higher.

Yesterday, I announced new appointees to the Insurance Diversity Task Force – a group of amazing leaders who help provide recommendations to the Department on how we can better serve as resources for our small businesses who need it most.

I appointed our first Hmong-American supplier diversity expert who has worked with underserved communities, including farmers & small business owners from the Central Valley, in addition to the President-Elect of a national organization that represents the voice of over 1.3 million women business owners in California.

On the policy side, last year I sponsored Senate Bill 534 by Senator Steven Bradford, which Governor Newsom signed into law. We now require that over 260 California insurance companies report out their supplier diversity efforts.

For the first time in history, we now include LGBT businesses as part of the categories that we track. We want to know how much money is being spent with businesses that are owned by women, LGBT, and people of color.

So we are committed to keep gaining ground for our diverse business community.

### Question #4: Health Insurance

**SHAWN: Some have said that health insurance rates may go up by up to 40% in 2021. Can you speak on these claims?**



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**California Insurance Commissioner Ricardo Lara:** The data about a 40% increase in health insurance rates came from a report by Covered California – our state’s insurance exchange.

But COVID-19 is causing a lot of uncertainty -- we don’t yet know what is going to happen for employers. Actuaries for health insurers are currently developing their assumptions regarding impact for their 2021 rates, and will likely price their products to reflect this uncertainty.

One thing is that we do not anticipate unexpected windfalls in terms of reduced claims, over the long term, as a result of COVID-19

Yes -- there has been a substantial decrease in necessary, but elective procedures (such as heart surgery and cancer surgery) during the pandemic, in part in response to the need to focus hospital resources on developing capacity for the treatment of COVID-19 patients. As a consequence, hospitals are experiencing a substantial decrease in revenue.

Many of these procedures may be deferred to a later time – so claims for these procedures may come in a wave later. The relative percentage of delayed vs. cancelled procedures is yet another COVID-19 uncertainty.

Also, because of delay in necessary, but elective, procedures, morbidity is expected to increase. This is something I have seen with our undocumented and vulnerable communities – where putting off care leads to tragic results.

Patients who do eventually present for care will be sicker with, for example, more advanced cancer. So this will probably result in greater, more expensive claims in the future.

Because of job losses related to the COVID-19 situation, we expect to see some shifts from employer-based coverage to COBRA or the individual market.

I supported Covered California’s declaration of a special enrollment period to facilitate the ability of Californians who have lost their job to enroll in individual coverage through Covered California. More than 84,000 Californians have enrolled through Covered California since the exchange announced its COVID-19 special enrollment period.

Depending on their income, they may receive substantial subsidies to make health insurance affordable during this difficult time.

It’s also important for Californians to remember that, if their income is substantially reduced, they may qualify for low-cost or no-cost Medi-Cal coverage. Their eligibility for such coverage will be determined during the Covered California online enrollment process.

My Department has taken some actions to address health costs for consumers:

- One of my first actions in response to the crisis was to eliminate cost-sharing for COVID-19 testing on March 5 -- Governor Gavin Newsom and I directed insurance companies to

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eliminate co-pays, deductibles and other costs related to screening and testing for COVID-19. As we expand testing and get people back to work that will be increasingly important.

- On March 30, I [directed health insurance companies to increase telehealth access for consumers](#). Health insurance companies must continue to provide access to medically necessary care and California policyholders should be able to access medically necessary health care without physically visiting their provider in person, when clinically appropriate.
- I think telehealth is here to stay – and this is going to be a good thing for employers and workers alike. And telehealth can keep our medical offices working while reducing risks to front-line workers and to patients.

### Question #5: Life Insurance

**MATT: What effect do you think Covid-19 will have on life insurance? There are reports that companies have stopped processing new life insurance applications.**

**California Insurance Commissioner Ricardo Lara:** We have heard (at least anecdotally) that some life insurers have temporarily stopped offering new policies as a result of COVID-19.

However, we have not received any formal Requests for Assistance on this issue.

If you, or someone you know, was denied a new life insurance policy we would like to take a look at it to make sure the insurance company followed all the laws.

While there are no laws that prohibit an insurance company from instituting a temporary moratorium on new life insurance sales, we would make sure the denial was due to a valid moratorium and not some other inappropriate or illegal reason.

I would also encourage people to shop around if they get denied by one company and try others. You can go to our website and find a list of dozens of life insurance companies.

There could also be some basic reasons why some insurance companies aren't writing new policies. For example, if they can't get blood tests and medical exams due to the stay at home orders, that could slow down or stop the application process.

But it is an issue we are keeping a close eye on.

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### Question #6: Coverage Eligibility

**SHAWN: Do you think that a person contracting a case of Covid-19 that requires hospitalization could exempt them from receiving health or life insurance in the future?**

**California Insurance Commissioner Ricardo Lara:** With regard to health insurance, as long as the protections in the Affordable Care Act is in place, a health insurer can't reject you due to a pre-existing condition, which would include this virus. So, there shouldn't be an issue there.

Regarding life insurance, it is too soon to know how the life insurance industry will react, but we are monitoring this. We know of some insurance companies that will postpone consideration for life insurance if you have been diagnosed with COVID-19 and can reapply after you recover. I think a lot will depend on how this plays out and when we get a viable vaccine or treatment.

### Question #7: Earthquake Insurance

**MATT: I know our focus today has been on the impact of COVID-19 but not too long ago experts were talking about the inevitability of the "Big One" hitting California. Can you speak on some of the measures the state and your department have taken to prepare for a cataclysmic event we haven't seen since the 1993 Northridge Earthquake? Do you anticipate a crisis ensuing in terms of the flood of earthquake damage claims that would be filed by residents and businesses?**

**California Insurance Commissioner Ricardo Lara:** How soon we forget! Living in California means living with the risk that an earthquake may strike at any moment — as we witnessed with the Ridgecrest quakes last year.

Our first major earthquakes in years had many Californians asking if earthquake insurance is right for them.

We still face a lot of misconceptions from consumers about earthquake insurance.

Often, people mistakenly believe their residential or commercial policy covers earthquake damage—it does not. Earthquake coverage is sold separately in California.

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If you have not shopped for earthquake insurance in the last five years, give it another look.

Insurers have made significant improvements to coverages, lowered premiums and deductibles, and offer a menu of choices so you may customize coverage to meet your need.

While government will be there immediately to save lives and protect our safety, the reality is that without earthquake insurance the costs of recovering could be devastating for businesses.

Having earthquake insurance will enable repairs to start immediately after the claim is paid.

The Department of Insurance regulates the solvency of all insurance companies so they can pay all claims.

Our experts work closely with earthquake insurers to make sure they have the financial strength to take on earthquake risk.

Since I have taken office, we've had the most devastating fires in the state in terms of property damage and lives lost, we had an earthquake in Ridgecrest, flooding in Greenville in Northern Ca, and now we have a global pandemic. So these questions are truly timely and really run the gamut of the work we've been doing to protect consumers.

### **Closing Remarks**

President and CEO of Hollywood Chamber of Commerce: Rana Ghadban

- Thank you Insurance Commissioner Ricardo Lara for joining us today and to our Chamber Members for participating in our Virtual Town Hall.
- We will continue to keep our members engaged with our Government Officials through our Leadership in Action Virtual Town Hall series.
- We truly appreciate your faith in the Hollywood Chamber of Commerce and want to assure you that we always have your best interests in mind.

Thank you for your time today. Hope you found this helpful. Be safe and well.

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