



RICARDO LARA
CALIFORNIA INSURANCE COMMISSIONER

April 3, 2020

Dear Members of the California Congressional Delegation:

I appreciate receiving your letter dated March 31, 2020 regarding business interruption insurance. As California's Insurance Commissioner, I will exercise my full authority to respond to consumer complaints and ensure all covered claims are paid, which the California Department of Insurance (Department) has steadfastly been committed to during previous state disasters, including the recent catastrophic wildfires.

I have been approached by many businesses in the state facing enormous losses due to mandatory closures as a result of the statewide state of emergency and local public health "shelter in place" directives to help curb the spread of the COVID-19 virus. In my previous letter dated March 24, 2020, I wrote that, although many businesses maintain commercial multi-peril insurance policies with business interruption coverage, in many cases, the business interruption coverage may not cover the business losses resulting from the mandatory closures or curtailment of the business' activities resulting from the COVID-19 pandemic.

I applaud Congress's swift action to pass the federal stimulus package last week, which included the U.S. Small Business Association's \$350 billion *Paycheck Protection Program*, consisting of loan forgiveness grants to small businesses and non-profits to help them maintain their existing workforce and help pay for other expenses such as payroll, rent, mortgages, and utilities. While this will help many businesses, as we determine the scale of losses that California businesses are suffering from business interruption, we will likely need to take further action. To build on your efforts, I have taken the following steps:

- Directed all insurance companies to respond to a request for data that will allow the Department to determine the amount of business interruption coverage available and written in California. I believe that we need to understand the scope of the problem so we can all work to craft appropriate responses to protect businesses and their workers.
- Continuing conversations with state and local leaders, business groups, and the insurance industry about business interruption insurance. As one of our largest industries, the insurance industry needs to do its part to assist businesses so that they survive and continue to employ Californians.
- Provided "Frequently Asked Questions" (FAQs) to help address inquiries from the public, businesses, federal, state, and local officials, and other stakeholders on business interruption insurance issues, among other matters, as read here: <http://www.insurance.ca.gov/01-consumers/140-catastrophes/FAQ-on-Business->

[Interruption-Insurance.cfm](#). These FAQs, similar to efforts by insurance commissioners in other states such as Washington, Oregon, and New York, among others, are intended to provide general guidance to businesses as they assess their losses due to COVID-19 and seek coverage from their insurance company or determine if other relief may be available. The FAQs must be read within the general context they are offered and should not be construed as a judgment as to whether any individual claims are actually covered by the applicable policy.

While we deal with this unprecedented public health emergency, the Department continues to encourage businesses to contact their insurance companies to determine whether they have business interruption insurance coverage, as each policyholder's specific claim must be considered individually and the terms and conditions of coverage vary by policy. If they are not satisfied with the answers they get or have other questions, we also encourage consumers to contact the Department at (800) 927-4357 or through the Department's website at www.insurance.ca.gov so we can determine if we are able to assist them.

Moreover, since the COVID-19 pandemic started, I have issued the following directives to the insurance industry to ensure consumers are protected during these challenging times namely:

- Policyholders be given at least a 60-day grace period to pay insurance premiums and that their policies not be cancelled for nonpayment of premium
- Patients be given increased access to health care services through telehealth, including access to mental health and substance use disorder services, family therapy, and behavioral health services, including services to treat autism
- Policyholders be protected from losing, limiting, or waiving their claim benefits by directing that insurers not attempt to enforce policy or statutory deadlines on policyholders for required documentation given the delays to acquire such information as a result of the pandemic
- Wildfire survivors be given the full legally-required time to recover full replacement cost and Additional Living Expense (ALE) benefits and additional six month extensions if construction cannot be completed due to circumstances beyond the control of policyholders. Examples of such circumstances include unavoidable construction permit delays, lack of necessary construction materials, and lack of available contractors to perform the necessary work, among others.
- Insurers must not use the expiration of policyholders' drivers licenses or vehicle registrations for any of the following reasons: (1) To affect a driver's ability to secure and maintain auto insurance coverage; (2) To affect a driver's eligibility for a Good Driver discount; (3) To determine eligibility for a California Low Cost Automobile policy; and, (4) To impact the rates charged to any driver

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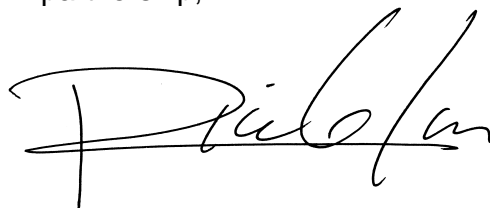
- Insurers are directed to submit emergency plans to the Department detailing how they will ensure continued access to medically necessary health care services for patients during the declared COVID-19 state of emergency, including allowing for 90-day prescription drug refills, suspending refill waiting periods for all drug tiers, including specialty drugs, and covering medically necessary treatment for COVID-19 infection and related conditions, among other areas
- Insurers must waive all patient cost-sharing for COVID-19 testing and screening

I am also actively exploring with Department staff the ability for policyholders to get re-rated for their personal auto policies and for businesses to get re-rated for their commercial policies given the significant impact that “shelter in place” directives have had on miles driven by consumers, commercial coverage based on gross receipts, and on payroll based on employee count, among other factors. I continue to work with my staff and other insurance commissioners across the nation on additional ways to protect consumers and businesses during these challenging times.

Again, I remain very grateful for your collective work in passing the significant landmark stimulus package last week to protect California’s consumers, hard-working families, students, and businesses from the economic fallout due to the extraordinary COVID-19 crisis. As we continue to assess business interruption losses suffered by California’s businesses, I look forward to continuing to work together with you and Governor Gavin Newsom on additional federal solutions to keep Californians employed and businesses solvent, including the creation of a federal recovery fund that would provide much-needed monetary relief to businesses so they can retain employees, maintain worker benefits, and meet their operating expense obligations such as rent.

I thank you for your continued collective leadership during this unprecedented time in our Nation’s history as we look ahead together in getting our Golden State back on track.

In partnership,

A handwritten signature in black ink, appearing to read "Ricardo Lara". The signature is fluid and cursive, with a prominent horizontal stroke across the middle.

RICARDO LARA
Insurance Commissioner

cc: The Honorable Gavin Newsom, Governor, State of California