



BLBB Entrepreneurial Financial Management

Tips for Entrepreneurs: SBA Program Benefits & Insurance Policy Opportunities

We know these are extremely challenging times to be running a business. We hope this information will help. This briefing:

- provides a brief update to the Paycheck Protection Program Loan implementation;
- summarizes the U.S. Small Business Administration (SBA)'s Economic Injury Disaster Loan (EIDL) program;
- suggests you consider filing a business interruption insurance claim with your insurance carrier should the legislation introduced this week in the Pennsylvania House be passed calling on insurance companies to cover business interruption claims from COVID-19 related impacts; and
- acts as a reminder that if all, or a significant portion of your insured vehicles are no longer being used on the road, you may want to speak with your insurance agent about suspending liability coverage as of the date they stopped being used to reduce your insurance expense.

Update on SBA's Paycheck Protection Program

The CARES Act was signed into law Friday evening March 27, with applications being accepted on April 3rd through your lending institution, and using the new form updated the evening of April 2 (which we alerted you to). Sole Proprietorships and Independent Contractors became eligible on April 10. As we expected and been widely reported, there has been a rush of applications which has overwhelmed the Lending institutions' processing capability and likely the initial funding pool of \$350 billion. We have heard of a few applicants being approved, but the majority have not been notified yet. Due to the program's popularity, the Administration is seeking to increase the funding pool by another \$250 billion which is currently being considered by Congress.

Use of SBA's EIDL Program

The Small Business Administration (SBA) is administering directly applications and processing of Economic Injury Disaster Loans for qualifying businesses. Demand has been extremely high and there appears a high likelihood that the original maximum loan amount under this program of \$2.0 mill will be effectively reduced. An appealing attribute of this loan is that the first \$10,000 may be forgiven and so would become effectively a grant. The objective of the program is to support businesses who have experienced a temporary loss in revenue.

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Applicants need to be in business as of 1/31/20, have less than 500 employees (but include sole proprietorships), meet certain criteria for the business and business ownership which they must self-certify, and complete an on-line SBA application. The on-line SBA EIDL loan request process is very straightforward, and most will be able to complete it in 20 minutes if you have your company financial information readily available and are just going for the \$10,000 emergency loan/grant.

The EIDL program funds may generally be spent to fund operations such as payroll, rent and operational expenses. They may not be spent to refinance long term debt, to purchase new fixed assets, or to repair physical damage to property, and there are restrictions on amounts that could be spent on owner-related compensation.

You can apply for both the EIDL and the PPP disaster loan programs, however, if you receive a PPP disaster loan and an EIDL loan, any amounts you receive as emergency EIDL grants will reduce the forgiveness of any PPP Loan amount.

Consider Filing a Business Interruption Claim with your Insurer

Several states are now considering requiring an insurance company to otherwise cover the cost of business interruption to an insured as a result of COVID-19 by including this as a “covered peril” even though there might otherwise be a policy exclusion. In the case of the Commonwealth of Pennsylvania, the insurer would then apply to the Commonwealth to have the cost of the insured claim they paid out to be covered from Commonwealth of Pennsylvania insurance reserves. Accordingly, it may be prudent to file a business interruption claim on your policy in the event such a bill is passed into law. We suggest you discuss this with your insurance agent.

The PA House Bill #2372, subject to change, appears to be applicable to policies:

- Insuring against loss or damage to property, which includes the loss of use and occupancy and business interruption
- Was in force as of 3/6/20
- Insured had fewer than 100 eligible employees in the Commonwealth

Vehicle Insurance Tip: If all or a significant number of your vehicles are not operating on the road, you may wish to consider contacting your insurance agent to see whether you could get a reduction in insurance premium cost by taking off the liability coverage for certain vehicles (but maintain comprehensive) if they have/are not operating. Don't forget too to ask whether this can be retroactive back to the date in which the vehicle was no longer operating, sometimes insurance companies will let you go back 30 or 60 days with just a good faith representation. *(Please make sure that you reinstate the liability coverage before then using those vehicles on the road. You might want to gather ALL the vehicle keys and lock them up with a note to the effect that the vehicles are not to be used unless the liability insurance is reinstated.)*

If you have any questions about the items listed here or would like to discuss your specific circumstances, please do not hesitate to contact Doug Huntley, MBA, CPA (inactive) at 215-643-9100 or dhuntley@blbb.com. Doug is a graduate of The Wharton School of Business where he received an MBA with a focus on Finance and Strategic Planning. Doug is also *magna cum laude*, graduate of Bucknell University, where he received a BSBA in accounting.

BLBB does not provide tax advice nor practice law. Please see your licensed tax or legal professional who is familiar with your particular facts and circumstances.