

Maximizing Business Insurance Benefits After a Loss

If your business has had a fire loss, below are steps to take in working with your insurer(s) to receive the maximum benefits available under any applicable insurance policies:

Step I - Locate Your Insurance Policies

It is very important that you read and re-read the insurance policies that may cover your losses, so it is critical to get complete and current copies ASAP.

- If your policies are lost/destroyed, contact your agent/broker or insurer.
- If you can't remember who the agent or insurer is, look at bank/payment records. Your mortgage company may also have records.

Step II - Contact Your Insurer

Contact your broker or agent and let them know about your loss. They should help you. If you don't have a broker or agent, contact your insurer directly.

- Ask your insurer for an advance to cover immediate expenses, such as the cost to board up/fence and/or dry out your business property to prevent vandalism, further damage and for removal of debris. If you operate your business in a rental property, you should still seek an advance for costs necessary to protect your business personal property and inventory.
- If your insurance coverage extends to loss of business income, you may also be entitled to costs you incur to avoid or minimize the suspension of your operations. These costs may include relocating and setting up a temporary or replacement location, expediting repairs and replacing property or inventory, restoring lost information in electronic form or recreating paper records, plus cash needed to pay bills and payroll during suspension of operations. Request an advance from your insurance company for these costs and any you incur in order to minimize your losses and

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continue your business operations.

Step III - Documenting Your Loss

Make notes and lists as you remember property that was lost.

- Don't sign anything that indicates it's the full amount of your claim. It will likely be weeks or months before you can tally up and document your full loss. Your insurer may require you to sign a notarized "Proof of Loss" form before it will pay any advances on your claim. Be sure to review them carefully and seek advice if necessary before signing. It's generally fine to submit an initial proof of loss that indicates the amount of loss as "undetermined."
- Don't worry about trying to value all items at this stage. Final valuations will be worked out later. It is likely that your property loss will be resolved sooner than your business income loss, which will vary depending on the length of the suspension. You may need to involve your accountant to help document the loss.
- You may be able to receive payment for damage to some inventory or stock (e.g., bottled wine) based on the retail selling price (as opposed to replacement cost). Your goal should be to establish the true and maximum valuation for all items covered under your insurance policy.
- Keep receipts for everything you buy and what you spend on repair/replacement of property/inventory and business continuity expenses.
- Keep track of how much the insurance company gives you and what it's for.
- As you submit proof to your insurance company of costs you incur as a result of the fire, continue to ask for additional advances.
- Document everything. Create a folder or binder with expenditures due to the fire, repair estimates, claim reports and all communications with and submissions to your insurance company.
- Cooperate with all reasonable requests from your insurance company, allow them to fully inspect, and keep them informed. But you don't need to wait for express permission from your insurance company to make necessary emergency repairs. Clear and frequent communications and keeping a diary will help avoid disputes down the road.

Important Information About Insurance

If you have a complicated claim or if you have concerns about how your claim is being handled, seek

professional help sooner rather than later. You're not on a level playing field in a claim scenario with a for-profit insurance company. You're a rookie, they're a veteran. Your financial goals aren't aligned. But remember that insurance companies have both contractual and statutory/legal obligations to you – the policyholder. You may need guidance on whether your insurance company is meeting those obligations and your options and remedies if they aren't. You can and should always contact your state's Department of Insurance to notify them of a problem.

Types of Coverage

Businesses typically carry at least two types of policies, some have add-ons to protect unusual or specific aspects of the business' operations. The basic policies are a Business Owner's Policy or "BOP" and a Commercial General Liability Policy or "CGL." A BOP covers damage to inventory, equipment, property and lost income due to suspended operations. A BOP generally also covers some costs you incur to resume operations at a temporary or replacement location. For more information on business interruption claims, please review our publication "[Getting \(Back To\) Business Interruption Insurance](#)."

Calculating Your Business Interruption Loss

Add	Net Sales Projected
Less	Cost of Goods Sold (COGS)
Equals	Gross Profit
Less	Selling, General and Administrative (SG&A) or Operating Expenses (OpEx)
Less	Interest and Taxes
Equals	Net Income
Add	Continuing Expenses and Adjustments
Equals	Total Estimated Business Interruption Amount

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