

## **Post-Disaster Insurance FAQs For Small Businesses**

Every available insurance dollar is critical to a business that's been damaged or destroyed in a disaster. Insurance policies are hard to understand, the claim process can be challenging, and the dollars don't always flow as they should. Most small businesses don't have "risk managers" or staff with insurance expertise. If your business is impacted by a disaster, the following information will help you be treated fairly and collect what you're owed.

***How should I approach my insurance claim?*** Recognize the reality of the dynamic between you and your insurance company. Your insurer is a for-profit company motivated to limit payouts. You need every dollar that's available in the policy you paid for. Think of your insurance claim as a business matter.

You need to make sure your losses get *fully and fairly valued* and collect all insurance benefits you're entitled to. Give your insurance company a chance to do the right thing, but don't be a pushover. Be prepared to explain your business to your adjuster – how you do business, who your customers are, how you keep records, etc. Don't be intimidated by insurance lingo and policy fine print. You have rights. Be politely assertive. In addition to all the free self-help info that United Policyholders offers, professional help is available for valuing your losses and/or understanding your insurance rights. Visit our [Professional Help Directory](#) and check out the drop-down menu for your state.

***What's the most important thing to do right away?*** If your loss is above your policy deductible, give prompt notice to your insurer and get your complete current policy or policies (including all riders and endorsements). Read and re-read the policy documents as best you can. The "Declarations Pages" will summarize the basic coverages and max limits, but there may be riders/"endorsements" that increase your available coverage.

Keep a daily journal where you note and track details of your repair/recovery progress, problems and your insurance claim. Document all communications with insurance company representatives, dates, names, phone numbers, and what people tell you. There may be multiple adjusters that work on your

claim and things can get confusing. When you and an insurance adjuster agree to something, confirm it in writing. Confirm next steps, conversations, limits, deadlines, etc in writing through emails or in an online claim tracking system if that's what your insurer is having you use.

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**What does my business insurance cover?** Most include the following coverages, but you'll need to review yours to understand the specific provisions, limits, and/or exclusions that apply:

- **Buildings and Structures:** Physical structures you own
- **Improvements and Betterments:** Alterations or improvements to leased space
- **Business Personal Property (BPP)** – Equipment, inventory, furniture, machinery
- **Business Income/Extended Business Income Loss** – Lost profits during closure and once back up and running (for a limited time)
- **Extra Expense** – Additional costs to get back in business faster

Your policy may also include additional coverages such as:

- **Accounts Receivable**
- **Valuable Papers and Records**
- **Equipment Breakdown**
- **Stock**
- **Moneys and Securities**
- **Newly Acquired Property**
- **Personal Property of Others, Employees and/or Customers**
- **Outdoor Property:** *fencing, outdoor buildings, walkways*
- **Signs**
- **Debris Removal**
- **Fine Arts**
- **Extra Expense**
- **Contingent Business Interruption**

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**Important:** Policies include different dollar and time limits on coverage for lost property and lost earnings. Those two categories of losses get calculated separately.

***Should I guess at values for my loss and potential claim?*** Initially assess your loss for yourself – Does it make sense to open a claim? *Everyone’s personal risk tolerance levels differ.*

Ultimately, documentation and facts are what matter for a successful claim. Take time to gather proper evidence for your losses – it’s worth the effort to get this right. And if you do not have the information immediately, advise your adjuster you are securing documentation; your adjuster should understand this. Do not let the carrier ‘guesstimate’ either until you can verify!

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### ***What do I have to do for my insurance company?***

You must reasonably cooperate by answering their requests for relevant information, giving them access to inspect damaged property, providing documentation and taking steps to prevent further damage. If they ask for documents that are not relevant to your claim, ask for them to explain in writing why they need them. If you don’t want to provide copies of your tax returns, you’ll need to prove your financial losses through other forms of documentation.

### ***What should I expect from my insurance company?***

Your insurance company and its representatives should act in good faith to promptly and thoroughly investigate your claim, follow the laws and regulations in your state, avoid delays, issue payments on all undisputed items, ask only for reasonable documentation, help calculate your losses, and notify you of important deadlines.

If they’re not meeting these standards, document that in writing, speak up and ask for better service. Don’t hesitate to file a request for assistance with the state agency that oversees insurers, and/or your state elected representatives. <https://uphelp.org/recovery/state-by-state-help/>

On commercial claims, insurance companies are not legally required to pay advances before loss values are determined, but **it never hurts to ask!** Ask in writing, explain why you need the advance.

### **What insurance claim problems do small businesses commonly face?**

- Inadequate coverage or time limits (underinsurance)
- Disagreements on the value of damaged or destroyed items and lost revenues, repair costs, repair times (how long it should take you to resume operations)
- Slow responses from insurer, rotating adjusters
- Burdensome or unreasonable documentation requests from insurer/adjuster
- Permitting, contractor, supplies/material delays
- Proving lost income. Detailed record-keeping/documentation on past income and expenses is a challenge for many small businesses.

### **What are typical policy deadlines?**

Most policies have important deadlines for submitting inventories of damaged property and calculating lost income. *Do not ignore them.* Ask your adjuster to show you where these deadlines appear in your policy - you have the right to see the specific language. If you know you're not going to be able to meet a deadline, **be proactive to get it extended in writing.** [\[1\]](#) Here are a few deadlines to be aware of:

- **Statute of Limitations (SOL) to file a claim and/or legal action:** Usually 12-24 months from date of loss. Always be cautious with this deadline. Policies and State laws vary. Check out: <https://uphelp.org/recovery/state-by-state-help>.
- **Proof of Loss (where the insurer requests one):** If your adjuster/insurer asks you to submit a formal "Proof of Loss" - ask what the deadline is to file complete and submit it - 60-90 days is common. You may be able to write "undetermined" or "still calculating" on the form where it asks for the total amount of the loss, and continue working to nail down that number. Typically an insurer must accept or reject your Proof of Loss within 30 days of receiving it.
- **Lost Business Income:** Typically there is a coverage time limit of 12-24 months.
- **Code Upgrades:** It's common after a loss to have to make upgrades (improvements) when repairing/rebuilding to meet current building codes. Hopefully you have coverage for those upgrade expenses. Your policy may require you to claim those expenses within a set time period after the

date of the loss. It may be less than two years.

### ***What are common deductions, limitations or exclusions in business policies that may affect my claim settlement?***

Here are a few:

- **Protective Safeguards:** *Safety and security requirements that are a condition of coverage, such as sprinklers, active fire alarms, deadbolts, security cameras, etc. Without these in force, your claim may be denied,*
- **Vacancy Periods** *which reduce or suspend coverage if a place of business or building is unoccupied or not fit to conduct business.*
- **Coinsurance Clauses** *requiring you to maintain certain \$\$ levels of coverage based on the valuation of your property.*
- **Property not Covered** *as outlined specifically in your policy.*

### ***How many adjusters will I work with?***

You will typically have a ‘main’ adjuster who will oversee all aspects of your claim. You may also have different adjusters or experts who handle various components of your claim such as the building damage, your business personal property inventory, and/or your business income/extra expense damages. Keep track of who handles what and get direct contact information for each person. These representatives/experts may work directly for your insurance company or they may work for third-party vendors/subcontractors.

### ***Should I trust experts my insurance company brings in?***

Legally they’re supposed to be impartial, fair and qualified, but in reality they may not be. Be cooperative with them, but remember who they work for and who is paying them – the insurance company. Especially with a large loss, we recommend hiring your own independent experts to scope and estimate your losses,

repair costs and/or lost business income, or give you a second opinion on the insurer's numbers. It's common for businesses to hire a "forensic" accountant, a public adjuster, attorney and/or other professional experts to help ensure a fair and full claim settlement. If your insurer is handling your claim under a "reservation of rights" or disputing that some or all of your losses are covered, we strongly recommend consulting a licensed, experienced professional insurance coverage expert.

### ***When should I hire professional help?***

Consider professional help when:

- You know from the get-go that you really don't have the time or energy to deal with a large loss insurance claim; or
- You're not getting clear, prompt or satisfactory responses from your insurance company, or;
- You (or your experts) and the insurer (or their experts) disagree on the value/extent/amount of your losses, or;
- The stress of dealing with your insurance claim is impacting your sleep or mental health, or;
- You are struggling to re-establish your business or keeping your day-to-day operations going because your insurance claim is not on track.

If your business was damaged or destroyed and you're overwhelmed, hiring a licensed, reputable expert early in the claim process will be money well spent. Check referenes,

### ***How can I help expedite the proper evaluation of my Building Claim?***

You can assist your adjuster and their experts or building consultants evaluate your loss by submitting any supporting documentation you may have to qualify your costs, such as:

- Repair records, invoices or detailed estimates
- State specific ADA or Code Compliance documents
- Professional Damage Assessments (estimates, testing, HVAC/plumbing reports)

After disasters, costs often increase due to supply and demand, labor or material shortages, tariffs, expedited shipping or manufacturing costs, etc. We encourage you to provide any documentation needed to your carrier to substantiate increased construction or repair costs.

### ***How do I document my Business Property Loss?***

Create detailed inventory lists and include the following, if possible:

- Serial numbers
- Purchase dates, original invoices
- Current Like, Kind and Quality replacement cost proposals
- Proof of ownership (receipts, photos, depreciation schedules from tax returns).

Work with your carrier if they require additional documentation to support your inventory – there are a lot of various documents that can support what you lost, including asset ledgers, physical count of supplies, inventory, etc.

### ***What if I stored business equipment at home?***

Business policies cover business personal property at ‘scheduled locations.’ Check your business policy for your home address – is this a scheduled location? If not, does your policy include any endorsements that may cover Business Personal Property ‘Off Premises’?

Consider contacting your home insurance company – many homeowners policies cover business property up to a stated maximum limit. If the company says it’s not covered, ask them to show you where in the policy it’s excluded, and request a written denial letter. Run their denial letter by your state Department of Insurance or an experienced insurance attorney or public adjuster before you give up.

### **What does Business Income coverage pay for?**

Business Income coverage will cover lost profits when physical damage to your loss location forces you to suspend operations. This coverage typically requires:

- Actual physical damage to your property,
- The damage must force closure or reduce operations, and
- Income loss must be directly caused by the damage.

You cannot make a claim for being proximate to a disaster zone and have no physical damage that suspends or reduces your business' operations.

### **How is Business Income calculated?**

Here is the general formula:

Net Profit prior to loss

+ Continuing Expense

- Income you earned after the loss

- Non-Continuing Expenses (expenses that stopped after the loss)

= *Business Income loss*

### **What are examples of Continuing Expenses?**

These are costs that continue even when your business closed, such as:

- Rent/mortgage, basic utilities
- Property taxes
- Insurance premiums
- Payroll, key employee salaries
- Loan payments
- Professional services (accountants, attorney retainers, etc)
- Industry specific expenses (licensing fees, equipment leases).

### ***What are examples of Non-Continuing Expenses?***

These are costs that stop when you're not in operation, such as:

- Rent (if abated) or utilities including contracted utilities or services
- Ordinary payroll, non-key employee salaries
- Inventory purchases, shipping or delivery fees, freight, storage costs, credit card charges
- Sales commissions
- Maintenance contracts
- Raw materials

### ***What if my business is seasonal and my income fluctuated before the loss?***

Your policy may cover seasonal increases if you can prove consistent patterns with multiple years of financial records. Purchase records, profit and loss statements, deposit schedules, or signed contracts are great ways to support a seasonal business, such as a caterer or a restaurant in a summer tourist area. What your insurer owes for the seasonal income increase may be based on a 12-month running average. The formula your insurer uses to calculate your lost income should be spelled out in your policy.

### ***How long does Business Income coverage last?***

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Your income loss coverage will be dependent on your policy language and the reasonable “Period of Restoration,” (the reasonable time to repair, rebuild, or relocate). Your period of restoration may be extended for unforeseen problems out of your care, custody or control such as permit delays, contractor shortages, or supply chain issues. Your Business Income coverage will be based on this ‘period of restoration’ and your efforts to continue moving forward to mitigate your damages.

### **What are Extra Expenses?**

These are additional costs above and beyond normal expenses incurred to minimize suspension of operations. These expenses must be reasonable, necessary, exceed regular expenses, and actually reduce your Business Income loss. They must be also incurred during the period of restoration and policy period.

### ***What Extra Expenses and Expediting Expenses are commonly covered?***

These can include temporary location rental, outfitting/equipping the temporary location (commonly called TIBS) rush shipping, employee overtime, moving costs, emergency permits, and expedited repairs that help you reopen faster.

### ***What if I decide not to reopen?***

Insurance will only pay for the reasonable time it would have taken to reopen only. Expect your income loss claim to be reduced if you do not reopen. Extra Expenses often aren’t covered if you don’t resume operations.

### ***How should smoke damage be handled?***

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Insist that your insurer authorize and pay for appropriate testing, cleaning/remediation, restoration and post cleaning clearance testing. This protects both you and your insurance company by ensuring your business property is restored to pre-loss, safe condition. If your insurer denies coverage for smoke damage on the grounds that smoke does not constitute covered physical loss, that position has been deemed illegal by several courts of law. We recommend you consult an experienced policyholder attorney.

***What if my suppliers can't deliver because they were also affected?***

If your policy includes “contingent business interruption” coverage you can claim your economic losses due to your suppliers inability to provide you with essential goods/materials/services. If you don't have this coverage, you must prove the supply problem directly resulted from damage to your own property.

***What if only part of my business was damaged?***

You can still claim Business Income if partial damage prevents normal operations. Document how the partial damage affects your entire business and mitigate your damages as best you can.

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This publication was drafted by United Policyholders' staff with input from volunteer expert, Masood Kahn, General Counsel and Principal with Sunpoint Public Adjusters.

[1] UP offers templates you can modify to request deadline extensions.  
<https://uphelp.org/claim-guidance-publications/sample-letters-and-examples/>