

# Los Angeles Regional SBDC Network

## DISASTER RESPONSE GUIDE FOR BUSINESSES



866-588-7232 | [smallbizla.org/disaster-recovery](http://smallbizla.org/disaster-recovery)

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*All opinions, conclusions, and/or recommendations expressed herein are those of the author(s) and do not necessarily reflect the views of the SBA or CalOSBA.*

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For more information on current disaster resources visit  
[www.smallbizla.org/disaster-recovery](http://www.smallbizla.org/disaster-recovery)

# STEPS TO TAKE IMMEDIATELY AFTER A DISASTER

## STEP 1

Find your business insurance policy. Be sure to read the policy carefully to clarify what losses your insurance company covers and what losses are your responsibility.

If your insurance documents were destroyed in the disaster, do not panic. Call your insurance agent or insurance company and request a copy of your policy. Ask for the entire policy --not just the cover page or the declarations. If you do not know the name of your insurance company or insurance agent, check with your mortgage lender or with your bank. They may have records of your insurance information. If those options are unavailable, call the California Department of Insurance (or your state's Department of Insurance) which can be reached at 1.800.927.HELP (4358) or at <http://insurance.ca.gov/>.

## STEP 2

You should contact your insurance agent or insurance company IMMEDIATELY to begin the claim process. Most policies require that the business owner promptly notify the insurance company of damage or losses. For that reason, it is important that you begin the claims process as soon as possible. You should contact your insurance agent or insurance company even if you do not know if you are covered or if your claim may not exceed your deductible. If you have separate flood insurance, also call your flood insurance agent to report your claim. Your insurance agent will prepare a Notice of Loss form, and an adjuster will be assigned to assist you. Most insurance carriers and state departments of insurance offer a toll-free telephone number to facilitate the claim filing process.

When you call your insurance agent or insurance company, be prepared to provide:

- The name of your insurance company (your agent may write policies for more than one company)
- Name and address of insured
- Your policy number
- Contact name, phone and fax number
- Location of loss
- Brief description of loss

When you contact your insurance company, ask when an insurance adjuster (a person professionally trained to assess the damage to your property) can be expected to visit your property so that you can plan for the visit. Also ask the insurance company for the specific information required for the proof of loss. Some companies may have a detailed list of documents they seek or require you to fill out a particular form. A proof of loss provides details identifying the property destroyed or damaged and documents the amount of loss incurred.

Keep your insurance company informed of your current contact information. If you are in a shelter or cannot easily be reached, make sure to give your insurance company or agent the contact number of a friend, relative or someone else who knows how you can be reached.

When dealing with your insurance company, document every conversation. Be sure to write down the name of the person with whom you speak, the date and the substance of your call and your claim number. It may be helpful to keep all of this information in a notebook so that it is in one place. This will help in future dealings with the insurance company.

## STEPS TO TAKE IMMEDIATELY AFTER A DISASTER CONT.

### STEP 3

If reasonably possible, protect the property from further damage. Damaged property that presents a health hazard or that may hamper local clean-up operations should be disposed of. Be sure to adequately describe and photograph discarded items so that when the adjuster examines your losses and your records, these articles are included in the documentation.

Photograph the outside of the premises, showing any damage or flooding. Photograph the inside of the premises as well, showing the damaged property and the height of the water if your property was flooded. However, do not enter your property if it is not safe to do so. Separate the damaged from the undamaged property, and put it in the best possible order for the insurance adjuster's examination.

Collect and organize backup documents. Gather additional information and documents for the proof of loss. Generally, any information substantiating the claim (photographs, receipts, records) can become proof of claim. Gather vital records, ledgers and other proof that supports valuation.

***Prior to signing an agreement/contract with a cleaning, remediation or maintenance contractor, consult with your adjuster or insurer concerning coverage.***

***If damage in your area is widespread, check with local authorities to see if they are coordinating debris clean-up.***

### STEP 4

Make a list of areas with structural damage. As you look over your property, make a list of structural damage you want to point out to the insurance adjuster.

If you've purchased contents coverage, make a list of damaged property. List the quantity of each item, a description, brand name, where purchased, its cost, model and serial number (if appropriate) and your estimate of the loss amount. Attach your bills, receipts, photos and any other documents. Good records speed up settlement of your claim.

## BUSINESS RECOVERY

Best practices for businesses surviving a major disaster or disruption:

1. Remember that recovery can be a long-term process depending on the severity of the disaster. Recovery can last many weeks, months and even years.
2. Be diligent in the practice of self-care. Take advantage of mental health resources that are available to you. Do not skip meals. Be sure to exercise. Get enough sleep. These simple daily activities will help create stability as you navigate a new reality.
3. Know that you may need extra time processing information that is given to you. Be patient with yourself and engage with services and resources when the time is right.
4. Be your own advocate. Know your rights as an insurance holder and what federal and state resources are available to you. Connect with your local Small Business Development Center to learn about available local, state and federal resources you may be entitled to.
5. Ask for assistance even if you do not think it is necessary in the moment. If your business has been impacted by a federally declared disaster, be sure to take advantage of all federal resources available to you. For example, in the event of a federally declared disaster, the SBA offers low interest loans to businesses that have been impacted. You may not think you that you need a loan immediately after a disaster but depending on the severity, cashflow and sales may be impacted in the coming weeks and months.

## WORKING WITH YOUR INSURANCE COMPANY

If an adjuster is not assigned to you within several days, contact your insurance company or the state department of insurance. It is a good idea to make the request for an adjuster in writing. Keep in mind that an adjuster will not be able to visit your property until officials declare that is safe.

### WORKING WITH YOUR ADJUSTER

Generally, your adjuster will contact you within 24-48 hours after receiving your notice of loss. However, depending on local conditions and the severity of the disaster, it may take more time. Once the adjuster contacts you, a time will be set for the adjuster to view your property. You may ask the adjuster for an advance or partial payment.

During the initial visit to your property, the adjuster will take measurements and photographs and note direct damage. This is called "scoping" a loss. Be assured that your adjuster will be an experienced claim professional and will notice many points of damage you could overlook. You are, however, encouraged to point out all damage you have noticed. After the "scope" is finished, the adjuster will give you a local contact telephone number and will tell you whether any additional visits are needed.

The adjuster then uses the evidence from the visit(s) and the documentation you have provided to complete a detailed estimate of damages. You will get a copy of the estimate. Use it as a guide when you ask for bids for repair work from licensed professional contractors.

You can also ask your insurance company for an advance on your insurance proceeds. Funds disbursed in the form of an advance will be deducted from the final settlement. If you have a mortgage, your bank will need to sign the advance check.

You may also be eligible for expedited assistance from the federal government through FEMA. You can apply for such assistance through FEMA on line at <http://www.fema.gov>, or by calling 1-800-621-FEMA (3362), TTY 800-462-7585. FEMA representatives typically visit disaster assistance centers.

Your official claim for damages is called a Proof of Loss. This must be fully completed and signed and in the hands of your insurance company within 60 days after the loss occurs. The Proof of Loss includes a detailed estimate to replace or repair the damaged property. In most cases, the adjuster, as a courtesy, will provide you with a suggested Proof of Loss. However, you are responsible for making sure that it is complete, accurate and filed in a timely manner. Be sure to keep a copy of the Proof of Loss-and copies of all supporting documents-for your records.

### PAYMENT OF CLAIMS

Your claim is payable after:

- You and the insurer agree on the amount of damages.
- The insurer receives your complete, accurate and signed Proof of Loss.

In general, insurance companies should acknowledge receipt of your claim within 15 days of receiving it and should communicate decisions on claims within 40 days of receiving them. Payouts should occur within 30 days of your acceptance of their offer. More information on claims payment is in your policy.

### SUPPLEMENTAL CLAIMS

If you notice additional damage to your building property or personal property after filing your claim, you may file a supplemental claim. This means, essentially, that you must repeat the documentation and filing process for your original claim --including a proof of loss --but only for the newly discovered damage. Supplemental claims should start by immediately notifying your adjuster, agent and/or company representative. Once you have completed documentation, present it to your adjuster, who may need to make another property visit to verify your loss.

Once you receive the letter stating that the cost to repair damage to your building is 50 percent or more of its market value, you may file an increased cost of compliance claim (ICC). You should contact your adjuster or your insurer's claims representative to file the ICC claim. You have four years from the date of the letter declaring the building to be substantially damaged to complete your chosen mitigation activity under the terms of the standard flood insurance policy. Your insurer will provide you with additional information to assist you in completing your ICC claim.

# WORKING WITH YOUR INSURANCE COMPANY

## BUSINESS INTERRUPTION LOSSES

Business interruption coverage is a typical and important part of most businesses' property insurance programs. Business-interruption coverage is purchased to cover the loss of business income and at least some of the extra expenses associated with restoring business operations. There are many types of business interruption insurance policies. It is important for you to review yours to ensure that you maximize your ability to continue operations with minimal disruption.

**DO NOT DELAY** in contacting your insurance company. Give notice quickly to avoid penalty or voided coverage. Refer to the steps listed above in making a property insurance claim.

## CALCULATING BUSINESS INTERRUPTION LOSSES

Business interruption claims can become more difficult and even contentious when differences of interpretation emerge about the reliability of projections or the meaning of policy provisions. A successful claim entails maneuvering through the gray areas inherent in business interruption, including financial projections, consumer demand and policy interpretation, to reach a number that's reasonable, credible, defensible and well supported.

The following is a common example of a worksheet that can be used to calculate your business-interruption loss:

### SAMPLE BUSINESS INTERRUPTION WORKSHEET

1. Gross Sales	\$ _____
2. Adjustments to gross sales (includes discounts given, returns and allowances, bad debts, freight)	\$ _____
3. Net Sales (1 minus 2)	\$ _____
4. Other income that would be lost if operations were interrupted (includes rent, interest, service fees)	\$ _____
5. Total Revenues (3 minus 4)	\$ _____
6. Merchandise or materials consumed	
a. Purchases during the year	\$ _____
b. Changes in inventory	\$ _____
i. Beginning inventory	\$ _____
ii. Ending inventory	\$ _____
iii. Change (beginning minus ending)	\$ _____
c. Total (a plus b)	\$ _____
7. Gross earnings (5 minus 6c)	\$ _____
8. Discontinuing expenses (includes payroll that would not continue, rent, heat, light, delivery, advertising, maintenance cost, etc.)	\$ _____
9. Gross Earnings Discontinued Expenses (7 minus 8)	\$ _____

Adjust Gross Earnings After Discontinued Expenses for period or Interruption Expected

Insurance Needed:

1 year: Line 9* 1.00 =	\$ _____
9 months: Line 9*0.75=	\$ _____
6 months: Line 9*0.5 =	\$ _____

## COMMONLY ASKED QUESTIONS

### CAN I MAKE TEMPORARY REPAIRS?

Before making any repairs, get written permission from your insurance company. Once you have that permission, even if the adjuster has not visited yet, make all necessary temporary repairs such as boarding up windows and repairing holes in the walls or roof. Move your personal property to a protected area. Do not dispose of items you believe are a total loss until the insurance adjuster has inspected them or unless you are instructed to do so by local officials. If you must dispose of damaged items, photograph them and take a swatch or sample. Take photographs before you begin repairs or cleanup, and keep all of your receipts for your expenses.

Make sure anyone you hire to make temporary repairs is properly licensed by the CA Contractors State License Board ([www.cslb.ca.gov](http://www.cslb.ca.gov)) or in the state the business is located.

### CAN I HIRE SOMEONE ELSE TO MAKE EMERGENCY REPAIRS?

Usually you can hire someone else to make temporary or emergency repairs, depending on the coverage your policy provides. Such policies usually cover materials and reasonable labor expenses for temporary and emergency repairs in addition to final repairs. Get several estimates. Also, contact your insurance company to find out if you will be reimbursed for repairs you conduct yourself. Keep all of your receipts for your expenses.

### I OWN A BUSINESS. WHAT KINDS OF INSURANCE COVERAGE COULD I HAVE FOR CLAIMS MADE AGAINST ME OR MY COMPANY?

Workers' compensation claims can be brought against you by injured employees or their families for disability and lost wages. Injured visitors or those employees who are exempt from workers' compensation may have claims under health insurance, short and long-term disability and travel accident policies. You may be covered by commercial general liability policies for lawsuits brought against you for bodily injury or property damage. Commercial and personal umbrella and excess policies may provide additional coverage.

### MY INSURANCE COMPANY HAS DENIED ME COVERAGE OR HAS OFFERED ME LESS THAN I THINK I SHOULD RECEIVE. WHAT CAN I DO?

Insurance companies are required to acknowledge receipt of claims, communicate their decisions on claims and pay claims in a timely manner. In general, insurance companies should acknowledge receipt of your claim within 15 days of receiving notice of your claim and should communicate decisions on claims within 40 days of receiving your claim.

Payouts should occur within 30 days of your acceptance of their offer.

If coverage is denied, in whole or in part, ask the insurance company to provide you with its reasons **in writing**, as well as whether it has an appeals process. You should ask for any reports prepared by the insurance company in assessing your property or evaluating your claim. You may also want to seek an advance of the undisputed portion of your claim, if you can do so without giving up your rights to the disputed portion. Contact your state department of insurance if you feel your claim has been wrongfully denied. You may want to seek help from an attorney, but be aware that their fee often will reduce your total recovery.