

L.A. fires aftermath: Insurance lawyers advise businesses on claim process



A couple surveys the ruins of their business, the Rancho Bar, which was destroyed by the Eaton Fire in Altadena on Jan. 9.

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Linda Klamm still remembers driving away from the wall of fire that took her home.

When the Bay Area's Oakland Hills firestorm claimed her house in 1991, Klamm was in shock. Now a partner at California law firm Hanson Bridgett LLP specializing in insurance, Klamm recalls that experience when working with clients enduring the same pain.

Business and home owners this week are facing the loss of their properties in the wake of multiple fires burning across Los Angeles. In the Pacific Palisades and Altadena areas, both populated by a number of small businesses, business owners are now confronted with heavy choices, Klamm said, namely whether or not to try and reopen in the same place.

For those who decide to reopen, the process of rebuilding the retail ecosystem may take years as residents and neighboring retailers cautiously rebuild and move back in.

“Even if you can repair the building and hire the right people and get all of the component parts you need, you may not have enough around you to regain the income you would need to sustain the business,” Klamm told L.A. Business First. “It's a particularly difficult time for business owners because they have a lot of complex questions they have to ask themselves and make decisions on very quickly.”



Linda Klamm is a partner at California law firm Hanson Bridgett, specializing in insurance with a pro-bono focus on fire victims.

HANSON BRIDGETT LLP

Filing an insurance claim may be a foreign priority to those affected, who are also under duress from the traumatic event of losing a home or business. Still, Klamm, who specializes in pro-bono aid for fire survivors, said it should be done as soon as possible to ensure that the damage will be covered.

When filing a claim, Klamm highly recommends that insureds request cash advances to cover their losses, whether they're business or home owners. To resolve a claim, Klamm estimated the process to take between 18 months and five years. The process may be on the quicker side with the right resources.

Ryan Lapine, a partner at law firm Venable LLP, briefly evacuated from the Sunset Fire in Hollywood last week. He agreed that "time is of the essence" for

those affected, whether looking into business interruption coverage or filing a traditional claim, as insureds have a duty to notify their insurance carrier when a loss occurs.

“If you suffer the loss on Tuesday of this week, and you don't tell them for three weeks, it's possible that certain circumstances on the ground have changed, and it's much harder to prove that your loss stemmed from an incident,” Lapine told L.A. Business First. “If you have nothing to hide, don't hide anything.”

Filing for business interruption coverage

Business interruption insurance covers those who may not have lost property, often because they rent their space, but had to close due to the fires. In those cases, business owners should hire a forensic accountant to determine how much inventory and income was affected, Klamm said, and should decide whether they're moving to a new location and how soon.

“There's a number of components to business loss claims,” Klamm said. “One is physical damage to the property itself. When you look at a property loss, you can figure out what you lost and how much it costs to rebuild or replace it. With business interruption loss, you're looking at it over a period of time. The question is, how much income did you lose?”

Rather than replacing gross profits, insurance companies replace net profits, determining how much a business would have gained if it hadn't been affected by the fire.



Ryan Lapine, a partner at law firm Venable, said “time is of the essence” for businesses affected by the Los Angeles fires.

VENABLE LLP

Lapine said courts mainly look for physical loss in insurance cases before loss of income, complicating the process for business that rent space.

For a bank engulfed in flames, Lapine said it’s hard for an insurance provider to deny coverage. But for a grocery store up the block suffering smoke damage and surrounding street closures, cut off from its customer base, getting coverage for losses may not come as easily.

“The courts interpret that government prohibitions on businesses do not create coverage for business interruption insurance,” he said. “But presumably most of these businesses have smoke damage. They have some sort of other physical problems stemming from the fires, even if the business isn't destroyed. It's paramount that you document that before filing a claim.”

If a business doesn’t have that kind of coverage, they may be out of luck, Lapine said, unless they have renters insurance that can replace the cost of equipment.

What business owners need to file efficiently

To make the claim process as smooth as possible, Lapine and Klamm advise to document, be efficient and communicate.

For business owners looking for support, Lapine said the first step is to call their insurance broker. It may be hard to get in touch with a broker as this is an understandably busy week, but he reiterated that the sooner you get in touch, the better.

When assembling documents for an insurance claim, insureds need accounting and payroll records, as well as a cost of inventory to determine the business' profitability. The insurance company will then put together a bid to rebuild or repair.

Klamm said the insured should put together their own bid, as insurance company bids are "frequently a bit on the low side."

Both Lapine and Klamm recommend seeking out a lawyer who specializes in insurance claims. Filing a claim correctly will save an insured the most hassle, and a lawyer can guarantee that they're taking the steps necessary to preserve their rights.

"Because the losses that people and businesses are suffering are so great, now is not the time to try to do it yourself," Klamm said.

She also warned business and home owners to be wary of "pressure salesmen" or some independent adjusters, who may ask fire victims to sign documents under duress.

No matter what the insurance outcome is, Klamm emphasized that those who have lost a home or business should take time to grieve and process.

“Hopefully most of these people will luck out and the insurance caregivers will assist them in getting through this process,” she said. “One thing I would say to everybody is to make sure you take time for yourself and your family, because you're all going to be hurting. You need to take time and try and figure out what your new normal is going to be and get back to enjoying life.”

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