

# How Businesses Impacted by the Los Angeles Fire Can Maximize Their Insurance Recovery: Seeking Coverage Beyond Property Damage Losses

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PRACTICES Insurance Recovery

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In January 2025, multiple fires ravaged Southern California, destroying tens of thousands of acres and structures. While many homeowners suffered devastating losses (you can find our homeowner's guide to fire insurance recovery [here](#)), many businesses were also affected. As business owners begin to move forward from the destruction, insurance funds will serve a vital role in rebuilding efforts. Policyholders should understand the wide range of losses covered under insurance policies as part of their recovery strategy. These losses range from the cost of repairing fire-damaged buildings, replacing destroyed items and addressing any interruption of business operations. Business owners can maximize their insurance recovery by identifying eligible losses and taking various steps to preserve and advocate for their rights.

As a preliminary note, in preparing their insurance claims, business owners should review all potentially relevant policies available to them, including commercial property insurance, commercial general liability and event cancellation policies. As explained below, each policy type may offer a wide range of coverage for various business losses in the event of a fire, depending on the policy language. Insurance brokers can assist in finding avenues for recovery under these policies and advocating for policyholders.

**Property Coverage:** Commercial property insurance covers the cost of repairing or replacing fire-damaged property, such as buildings and equipment that the policyholder used in business operations.

**Business Interruption Coverage:** Commercial property and general liability policies often provide coverage for lost profits stemming from a slowdown or complete cessation of a business due to fire damage. Some policies require a complete suspension of operations, meaning that policyholders may not be eligible for insurance if they merely suffered a reduction in business due a fire.

Business owners suffering business interruption should consider working with accounting professionals to document such losses as meticulously as possible to maximize recoveries. Often, this will require comparing profits and losses during the period of restoration to historical data while considering any other factors that will help demonstrate the full extent of the lost profits caused by the fire.

**Contingent Business Interruption Coverage:** Policies may also provide coverage for lost income due to interruptions of a businesses' supply chain caused by a fire. This type of coverage differs from ordinary business interruption coverage, which protects prospective earnings from interruption due to loss or damage to the policyholder's own property.

**Extra Expense Coverage:** Extra expense coverage is often combined with business interruption coverage and includes relocation and increased labor costs businesses may incur when attempting

to mitigate business interruption and continue operations. Detailed records, such as including invoices, chargebacks, discounts provided and additional labor costs, should be maintained.

**Civil or Military Authority Coverage:** Policies may provide coverage for losses arising from closures due to government action through mandatory evacuation orders or road closures, even if a policyholder's building was not directly damaged.

**Ingress/Egress Coverage:** Policies may provide coverage for losses due to customers being unable to reach a business because of a fire, even if there was no physical damage to the policyholder's property.

**Service Interruption Coverage:** Policies may allow coverage for losses due to a lack of utility services, such as power, data, communication, or water supply services, caused by fire damage to an off-site utility generation station.

**Debris Removal Coverage:** Coverage may be available for the expense of removing debris from a property that was destroyed or damaged by the fires.

**Event Cancellation:** Numerous [LA-based events](#) were postponed or cancelled as a result of the fires. The Critics Choice Awards, the 31st annual Screen Actors Guild Awards and several red-carpet premieres were affected. Musical performances and television and movie productions were halted. Even the playoff game between the Los Angeles Rams and the Minnesota Vikings was [relocated to Arizona](#) due to the fire conditions. Event cancellation policies can provide coverage for lost revenue or additional expenses incurred due to the postponement, relocation or cancellation of events due to a catastrophic event like a fire.

As with all insurance coverage issues, the language of the policy is key. Policyholders should ask for copies of their policies and review them closely with their insurance broker. If any questions arise, call your attorney for guidance in developing the optimal recovery strategy.