

BRANDED CONTENT
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Recovery & Beyond

ROUNDTABLE

WHAT BUSINESSES NEED TO KNOW



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After the most damaging wildfire season in local history, Los Angeles faces the many challenges surrounding picking up the pieces and rebuilding businesses, communities and homes. For the many still confused and frustrated with what to do next, the Los Angeles Business Journal has turned to three experts on insurance, finance, and law to discuss the road to recovery for businesses in the region. The discussion ranges from the role of insurance to what proactive steps businesses can take today — structurally and financially — to move forward and be prepared for future, similar disasters.

Tune into a very special video webinar with these same three experts as they share further insights on insurance and finance matters relating to the region's recovery.

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RECOVERY & BEYOND ROUNDTABLE



On the commercial side we are seeing the insurance companies — and their adjusters — being very responsive and working as fast as they can to provide funds to their clients that have been affected by the wildfires.”

—JEANNIE DeLAURA

In the wake of the fires, what should businesses be doing now for the short term and long term?

MALMROSE: I think there can be no question that the effects of climate change are here and may only increase over the long term. In our area, this means fires are an increasing threat to our populated areas. Each business needs to assess its readiness — physically and financially — to survive if a wildfire strikes its area. Unfortunately, we have an insurance problem in California, with many companies already having left. The state needs to do something to ensure those who work and live here have access to affordable insurance coverage.

DeLAURA: Businesses should be communicating with their employees about the impact of the fires to their business, providing masks and PPE for employees that have exposure to the smoke, and work on that disaster plan that they have put to the back burner for years.

What role should insurance companies play in ensuring a smooth recovery process?

CHAIKEN: Many insurance companies are prepared for catastrophe claims. They quickly mobilized by hiring “catastrophe” adjusters who travel the country assisting insureds after catastrophes hit. Often these adjusters are not familiar with some California laws, which delay claim adjustment initially. For example, homeowners who suffer a total loss of their home due to the wildfires should automatically be paid four months of additional living expenses — costs incurred to maintain their normal standard of living, usually hotel and food costs, or rental costs of another property. The main complaint I hear about all claims, not just wildfires, is the lack of responsiveness from carriers, which have the duty to fairly and timely adjust losses, especially when it comes to finding and paying for additional living expense.

How can financial institutions support businesses impacted by the recent wildfires in their recovery efforts?



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MALMROSE: As financial services providers in the communities we serve, banks can have a central role in supporting businesses affected by the devastating fires. We created a Client Assistance Program with components such as loan deferment plans, special loan assistance and workshops to help our affected business clients rebuild. Since each situation is unique, our bankers can determine on a case-by-case basis what kind of business assistance we are able to provide.

How would you describe the insurance landscape in the wake of the wildfires?

DeLAURA: On the commercial side we are seeing the insurance companies — and their adjusters — being very responsive and working as fast as they can to provide funds to their clients that have been affected by the wildfires. As for going forward for coverage in California, it is too soon to really understand how deeply this will affect the commercial markets, the business owners, the nonprofits, educational organizations and all our local businesses who own their properties.

What are some common gaps in commercial insurance policies that businesses often overlook when it comes to wildfire-related damages?

CHAIKEN: Often people learn that they only carried liability coverage for their business rather than coverage for business income loss or business personal property. It is very important for business owners to review their policies often to make sure their policies grow with their business and that the policy provides appropriate coverage. Many policyholders find out — often too late — that their inventory exceeded their limits — similar to how homeowners are finding out their dwelling limits are below what it will take to rebuild their homes when the rebuild process begins. Other common gaps for property owners includes failure to include “Code Upgrade” coverage, which provides additional coverage for a landowner to rebuild their property consistent with new building codes.

What impact do you anticipate the wildfires will have on the banking industry’s policies and approach to risk management and lending in the future?

MALMROSE: I think it’s likely banks will tighten up their policies and be more restrictive in how they lend given the fact that climate change has resulted in catastrophic events like this one coming closer to urban areas. Property owners — commercial and residential — may be required to take steps to better protect their structures such as making sure vegetation near them is trimmed back and more fire-resistant building materials are used in the construction process. Banks

may also want to investigate the public infrastructure that is in place to put out sparks before they turn into conflagrations.

What changes to coverage should businesses expect moving forward?

DeLAURA: Businesses most likely will see higher premiums and higher deductibles, and potentially reduced coverage along with many carriers not renewing buildings that are older, non-sprinklered and in brush areas. This has already been happening in the commercial marketplace for the past several years, and many of the commercial carriers have stopped writing commercial property in California. For large building values, more businesses may see having multiple carriers provide layered coverage to provide the limits needed.

How have wildfire-related claims impacted insurance premiums, availability and underwriting standards for businesses in high-risk areas?

CHAIKEN: California’s insurance industry was already in a crisis before the wildfires and the future remains uncertain, albeit promising. I expect both residential and commercial carriers to quickly and frequently increase rates in light of new laws starting in 2026, specifically the “Net Cost of Reinsurance Ratemaking Regulation” which will force insurers to increase coverage in high-risk areas at much higher premiums. The current crisis began almost a decade ago when several massive wildfires led carriers to re-assess risk in California. The crisis escalated in early 2022, when many residential and business policyholders received non-renewals (cancellations) for properties in high-risk areas. Additionally, several large insurers announced they stopped writing new policies in Cali-



Recent laws along with restrictive interpretations by insurance companies regarding their obligations to remove wildfire particulates from a property ... should be a significant concern for land and business owners.”

—DEREK CHAIKEN



From people to property, we've got you covered. **So when the future arrives, you'll be ready.**



At IMA, we understand that your organization faces a wide range of risks and challenges — from property damage to employee benefits. The recent wildfires in Los Angeles have reminded us all how quickly life can change, and how important it is to be prepared.

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ifornia. Carriers reasons for this were obvious; the Department of Insurance requires insurers to get approval to raise rates and these requests were frequently rejected. Accordingly, citing the rising costs of claims, especially in higher risk areas, carriers non-renewed many insureds. These policyholders often had no choice but to turn to California FAIR Plan, California’s “insurer of last resort,” a state mandated insurer which provides basic (often fire coverage only) to risky properties. FAIR Plan has significant policy limits for residential (\$3 million) and commercial (\$20 million) often leaving policyholders underinsured. Moreover, while FAIR Plan has certain financial protections in place in the event a catastrophe, it has the ability to assess its members – the admitted insurance carriers in California – the same insurers that dropped policyholders are financially responsible to keep FAIR Plan afloat, like the recently announced \$1 billion assessment, which carriers will try to pass along to their customers.

What proactive steps can businesses take today—structurally and financially—to better withstand and recover from future wildfires?

DeLAURA: Businesses should work with their insurance provider to review limits, their coverage, their deductible, and understand what may or may not be covered in the property insurance policy. They should also make sure that they have a backup plan for natural disasters or a comprehensive disaster plan in place. That would include having a backup location if possible, clear communication to employees, a plan for the recovery process, etc.

MALMROSE: I think business owners need to be aware that no one is immune from becoming victim to a wildfire. “It won’t happen to me” is not an appropriate attitude to have. No one would have ever predicted the widespread destruction that resulted from the latest wildfires — and no one can predict what area may be affected next. With that in mind, be aware of any preventive measures you can take to protect your building, like keeping vegetation trimmed away from it and properly storing any flammable materials you may have onsite. You will also want to ensure you have as much insurance as you can afford so you will be able to rebuild if the worst happens.



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What are the biggest challenges businesses face when filing wildfire-related claims, and how can they ensure a smoother process?

DeLAURA: One of the biggest is the unknown. As these recent wildfires were catastrophic with so many businesses affected, the insurance carriers are inundated with claims and businesses are looking for answers and information on when they will get information on their claim. Additionally, they are seeking information on reimbursement for the extra costs that they have had to spend to protect their building, extra security, generators and so many additional costs. Business owners need to work with the adjuster, provide them the documentation that they have on these costs, and include their broker claims advocate so that they can get additional support and move their claim along as quickly as possible.

CHAIKEN: Businesses often have two coverages for wildfire-related claims: 1) Business Interruption; and 2) Business Personal Property. Loss of Business Personal Property is generally straightforward – the cost of their inventory at the time of the loss. Business Interruption coverage, also known as Business Income (BI) losses cover a business’s lost earnings or other necessary expenses needed to resume business activities. BI policy benefits are often based upon historical business data, showing how much that business earned over the past year. Business Income claims can be challenging if their financial documents were lost in the fire because these documents are required to calculate loss of business income amounts. I have clients who lost both their laptops and servers so they are forced to re-create profit and loss sheets from scratch. Other challenges arise for businesses whose clientele no longer require their services, like florists and landscapers, who simply can’t move to a new location to re-start their business. Business Personal Property losses can be challenging when businesses carry large amounts of inventory but lack perpetual inventory systems to show exactly what they had at the time of the loss, which is the case for many small businesses.

Can you describe any partnerships or collaborations your bank has forged to aid the recovery and rebuilding efforts post-wildfire?

MALMROSE: The Cathay Bank Foundation raised more than \$600,000 to directly support essential non-profit organizations that are actively providing emergency aid, shelter and resources to impacted communities. The beneficiaries of those funds were California Community Foundation; Wildfire Recovery Fund; Dream Center Foundation; Pasadena Community Foundation; Eaton Canyon Fire Relief & Recovery Fund; World Central Kitchen; LA Fire Department Foundation; Door of Hope; Habitat for Humanity Greater LA; and Sherwood Forestry Service’s Watch Duty.

What lessons should businesses take from recent wildfires regarding business interruption insurance and contingent business coverage?

DeLAURA: Be proactive and plan for the worse. Have backup generators or a plan in place for that, a backup location if possible to move the operation quickly, and alternate backups for business vendors in the event they are affected. Include business interruption coverage on your property policy.

How will insurance companies handle losses from smoke, soot, ash and other wildfire particulates that entered homes and businesses? Will they be indemnifying their policyholders for their losses?

CHAIKEN: Recent laws along with restrictive interpretations by insurance companies regarding their obligations to remove wildfire particulates from a property – including



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smoke, soot, ash, heavy metals, VOCs, asbestos, etc. – should be a significant concern for land and business owners. FAIR Plan, for example, often tells policyholders that because these wildfire particulates are not permanent and can simply be cleaned or removed, repair or removal is not covered under an insurance policy. Other carriers may claim that like COVID-19, wildfire particulates that may not be visible to the naked eye do not cause direct physical loss to a property. If insurers continue to maintain these positions, commercial property owners could be required to foot the bill for removal of these hazardous wildfire particulates at their own expense.

Can you discuss any community-based efforts or corporate social responsibility initiatives your bank has taken to help with the recovery of wildfire-affected areas?

MALMROSE: This tragedy was personal to us. Many of us know people who lost their homes and all their material possessions or even lost their lives. Sadly, one of our retired team members was one of the wildfire casualties. For that reason, helping people rebuild by providing construction loans through our homeowner relief program is high on our list of priorities — especially since we know how tough it is to find temporary accommodations near the affected areas. We are aware insurance may not fully cover the cost to rebuild for everyone so we can try to help with gap financing as well.

Protect Yourself from Smoke After a Fire

In the wake of the recent devastating wildfires, disaster recovery expert Sean Scott, author of “The Red Guide to Recovery – Resource Handbook for Disaster Survivors” and “Secrets of The Insurance Game,” is offering up important and often overlooked safety tips for survivors.

Scott explained that during a wildfire, toxic chemicals, poisonous gases, heavy metals and other toxins are generated by the materials, household products and vegetation that burns. These contaminants fill the air, become part of the ash, and are extremely dangerous to your health if inhaled. Soot and ash can also pose a health risk if they come in contact with your skin, where they can be absorbed into your system.

If you need to enter an area affected by fire or smoke, consider the following safety tips shared by Scott:

- Avoid breathing air contaminated by smoke odor and minimize your exposure to contaminated areas.
- If you need to enter a smoke damaged structure, wear proper personal protective equipment, including a proper-fitting respirator with a P-100 HEPA filter designed to filter vapor or gasses (not a dust mask or COVID mask).
- Persons with heart or lung disease should consult their physician before using a mask during post-fire cleanup.
- Avoid handling or coming in direct skin contact with items or materials affected by smoke, soot, or ash. If you need to retrieve items

damaged by smoke, wear coveralls, eye protection, gloves, proper foot wear, hardhat, etc.

- Avoid getting ash into the air as much as possible. Do not use leaf blowers or take other actions that will put ash into the air.
- Avoid using shop vacuums and other common vacuum cleaners. These do not filter out small particles but blow them out the exhaust into the air where they can be inhaled.
- Do not allow children or pets to enter areas that have smoke odor, ash or soot. If children or pets get soot or ash on their skin or hair, wash immediately with mild soap and warm water.
- If you anticipate that you will need to be inside a building or area affected by smoke, attempt to ventilate the area by opening windows or doors and minimize your exposure as much as possible.
- Have an environmental testing laboratory test for Volatile Organic Compounds (VOCs) and particulates to determine what types and concentrations of toxins may be present.
- Do not eat or drink anything that has signs of heat or smoke damage. When in doubt, throw it out!
- If you experience any adverse health symptoms from exposure to smoke or soot, seek medical attention immediately.
- If your home was exposed to smoke, soot, or ash, you may need professional cleaning and restoration. If you hire someone to do this work, be sure to have an environmental testing company perform a post-remediation verification test to be sure that the restoration



and cleaning was done properly and that your home is safe to occupy.

- If you need to be in an enclosed space that has a smoke odor, try to have the air cleaned or filtered. This can be done by renting or purchasing an “air scrubber” with a HEPA

filter designed to remove ultra-fine particulate matter.

For more information on wildfire recovery or to obtain an array of free wildfire recovery resources, visit theredguidetorecovery.com.

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Understanding the Los Angeles County Debris Removal Program

In January, as Los Angeles County announced the start of cleanup from the recent devastating wildfires, Insurance Commissioner Ricardo Lara informed wildfire survivors that the program will not impose out-of-pocket costs on policyholders over and above any insurance proceeds provided to the property owner for debris removal.

The California Department of Insurance worked closely with local, state and federal leaders to ensure that the program's costs are not deducted from a policyholder's primary insurance benefits needed to rebuild. Commissioner Lara issued a consumer alert detailing how the program will interact with insurance — a benefit available to all eligible property owners who choose to participate in the 2025 Los Angeles Wildfires Debris Removal Program.

"My goal is to help people maximize their insurance payouts to assist survivors in rebuilding and recovering quickly. If the debris removal program is genuinely available at no direct cost to all Los Angeles County residents, it should not affect their insurance claims and their ability to rebuild," said Commissioner Lara. "Take the time to learn about this important benefit before deciding to go it alone, or call my Department to speak with experts who can answer your questions."

The County's debris removal program



requests that property owners sign a "Right of Entry Form" to begin the process. According to the Department's Consumer Alert, "If you agree to participate in the Program and sign the County's Right of Entry (ROE) form, under most circumstances, you should not have any out-of-pocket costs over and above any insurance proceeds provided by your insurance company for debris removal."

Property owners who decide not to use the

County's debris removal program could still use their insurance to cover the cost of private debris removal, but those costs could be deducted from the total coverage limits available in their policy — leaving survivors with less money to rebuild. In recent wildfires, the average cost of debris removal was more than \$100,000 per property for those who did not utilize the free program.

Commissioner Lara has taken a series

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RICARDO LARA
LA County

of actions to speed the recovery process for consumers. He also issued a bulletin to all California insurance companies requiring that insurance companies issue advance payments to policyholders who suffered a total loss in the Southern California wildfire emergency. Many have received these upfront payments for personal contents and additional living expenses, with some companies paying more than the law requires.

The Department has extended its hotline hours to Monday through Friday, 9AM to 7PM, and Saturday and Sunday, 9AM to 1PM.

The Department also issued a guide to avoid scams after a disaster as there are often unscrupulous individuals who try and take advantage of disaster survivors who can be vulnerable during these challenging times.



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