

BUSINESS INTERRUPTION INSURANCE CLAIM

Professional Executive-Level Documentation Package

COVER PAGE

BUSINESS INTERRUPTION INSURANCE CLAIM

Prepared for:

Hartford Business Insurance
Commercial Claims Department

Regarding:

Insured: Downtown Bakery & Café LLC
Policy Number: BOP-2023-445566
Claim Number: HB-2024-78901
Date of Loss: March 15, 2024
Total Claim Amount: \$223,350

Submitted by:

Jennifer Martinez, Owner/CEO
Downtown Bakery & Café LLC
June 20, 2024

Professional Representatives:

Forensic Accountant: Robert Chen, CPA / Chen & Associates
Public Adjuster: Michael Thompson / License #PA-9876

1. EXECUTIVE SUMMARY

Critical Points for Management Review

THE SITUATION

On March 15, 2024, at 2:30 AM, our bakery operations were devastated by an electrical fire originating in the main kitchen, forcing an immediate closure and reducing operations to 20% capacity for nearly three months. This insured loss has resulted in quantifiable damages totaling \$223,350, all fully documented and within policy limits.

KEY IMPACTS

- **Revenue Loss:** \$116,740 in lost business income over 2.5 months
- **Fixed Costs:** \$126,900 in continuing expenses that could not be avoided
- **Extra Expenses:** \$30,710 invested to minimize losses and expedite recovery
- **Market Position:** Lost 3 major catering contracts worth \$45,000 annually
- **Employee Impact:** 12 part-time employees laid off, 6 key employees retained

IMMEDIATE NEEDS

1. **Advance Payment:** \$75,000 required within 10 business days to:
 - Meet critical payroll obligations
 - Secure permanent repair contractors
 - Maintain key supplier relationships
 - Prevent cascade business failure
2. **Full Settlement Timeline:** Complete resolution needed by July 15, 2024 to ensure business survival

CLAIM VALIDITY

- ✓ All losses stem from covered physical damage (electrical fire)
- ✓ Calculations follow industry-standard methodologies
- ✓ Documentation meets or exceeds policy requirements
- ✓ Mitigation efforts have reduced overall claim by approximately \$65,000
- ✓ All amounts are within policy limits and sublimits

BOTTOM LINE

This claim represents the minimum amount necessary for business survival and recovery. Prompt payment is critical to prevent permanent business failure and additional economic damage to our 28 employees, 450+ daily customers, and local community.

2. BUSINESS OVERVIEW

Company Profile

ESTABLISHMENT & REPUTATION

Downtown Bakery & Café LLC has operated successfully since 2008, building a reputation for artisanal baked goods and exceptional customer service. Prior to this loss, we were recognized as:

- "Best Bakery in the City" - Local Magazine, 2022 & 2023
- Chamber of Commerce Small Business of the Year Finalist, 2023
- 4.8-star rating on Google with 1,200+ reviews

OPERATIONAL METRICS (Pre-Loss)

Metric	Value	Industry Ranking
Annual Revenue	\$608,000	Top 15% locally
Employees	28 (6 FT, 22 PT)	Major local employer
Location	4,200 sq ft	Prime downtown
Customer Base	450 daily average	65% repeat customers
Market Share	18%	#2 in market

FINANCIAL STRENGTH (Pre-Loss)

- Revenue Growth: 7.8% annually over past 3 years
- Profit Margin: 14.2% (Industry average: 10.5%)
- Credit Rating: A- with local banks
- Banking Relationships: 15 years with First National Bank
- Debt Service Coverage: 1.85 ratio

ECONOMIC CONTRIBUTION

- Local Employment: 28 jobs, \$486,000 annual payroll
- Tax Contribution: \$58,000 annually in local/state taxes
- Vendor Spending: \$245,000 with 18 local suppliers
- Community Support: \$12,000 annual charitable contributions

3. THE LOSS EVENT

Chronology of Events

PRE-LOSS STATUS

Date/Time: March 14, 2024, 10:00 PM (closing)

- Operations: Normal at 100% capacity
- Revenue Run Rate: \$2,030 daily average

- Employees Present: 4 (closing crew)
- Inventory Value: \$28,500
- Equipment Status: All operational

THE INCIDENT

Time	Event	Impact	Documentation
2:30 AM	Electrical fire starts in main oven circuit	Fire spreads to wall	Fire Report #FD-2024-0315
2:42 AM	Smoke alarm triggers, monitoring service calls 911	Automatic suppression activates	Alarm company report
2:48 AM	Fire department arrives	Full response deployed	Response log attached
3:15 AM	Fire contained	Kitchen 60% destroyed	Fire marshal report
4:30 AM	Building secured	Business ordered closed	Health dept. order
7:00 AM	Insurance notified	Claim #HB-2024-78901 assigned	Email confirmation

Physical Damage Assessment

PRIMARY DAMAGE

Area/Asset	Damage Description	Replacement Value	Repair Cost
Kitchen Structure	Fire damage to walls, ceiling	\$125,000	\$85,000
Production Equipment	3 ovens, 2 mixers destroyed	\$95,000	N/A - Total loss
Inventory	Complete loss of ingredients	\$28,500	N/A - Total loss
Electrical System	Complete rewiring required	\$35,000	\$35,000
HVAC System	Smoke damage throughout	\$25,000	\$18,000

TOTAL PHYSICAL DAMAGE: \$308,500 (Replacement) / \$166,500 (Actual Repair)

4. COVERAGE ANALYSIS

Policy Provisions Applicable to This Loss

BUSINESS INCOME COVERAGE

Policy Language: "We will pay for the actual loss of Business Income you sustain due to the necessary suspension of your operations during the period of restoration."

- **Limit:** \$500,000 actual loss sustained
- **Waiting Period:** 72 hours
- **Coverage Trigger:** ✓ Physical damage to insured property confirmed
- **Coverage Period:** Until property repaired with reasonable speed

EXTRA EXPENSE COVERAGE

Policy Language: "We will pay necessary Extra Expense you incur during the period of restoration that you would not have incurred if there had been no direct physical loss."

- **Limit:** \$100,000
- **Covered Expenses:** All reasonable expenses to minimize loss
- **Documentation Required:** ✓ Invoices and proof of payment provided

Coverage Confirmation

NO EXCLUSIONS APPLY

We have reviewed all policy exclusions and confirm:

- ✓ No applicable exclusions to this loss
- ✓ All conditions precedent satisfied
- ✓ Timely notice provided (within 6 hours)
- ✓ Full cooperation maintained
- ✓ All documentation requirements met

5. BUSINESS INCOME LOSS CALCULATION

Revenue Projections

"BUT FOR" REVENUE CALCULATION

Month	Historical Base	Growth (8%)	Seasonal Adj	Projected Revenue
March 2024	\$48,000	\$3,840	\$960	\$52,800
April 2024	\$49,000	\$3,920	\$540	\$53,460
May 2024	\$53,000	\$4,240	\$1,740	\$58,980
TOTAL	\$150,000	\$12,000	\$3,240	\$165,240

ACTUAL REVENUE ACHIEVED

Month	Projected	Actual	Loss	Recovery %
March 2024	\$52,800	\$8,500	\$44,300	16%
April 2024	\$53,460	\$12,000	\$41,460	22%
May 2024	\$58,980	\$28,000	\$30,980	47%
TOTAL	\$165,240	\$48,500	\$116,740	29%

Lost Business Income Summary

Component	Amount
Projected "But For" Revenue	\$165,240
Less: Actual Revenue Achieved	-\$48,500
Gross Lost Revenue	\$116,740
Plus: Continuing Fixed Expenses	+\$126,900
Less: Avoided Variable Expenses	-\$45,000
Net Business Income Loss	\$198,640

6. EXTRA EXPENSE DOCUMENTATION

Overview of Extra Expenses

All extra expenses were incurred to:

- 1. Minimize the business income loss
- 2. Maintain critical customer relationships
- 3. Retain key employees
- 4. Expedite the recovery process

Cost-Benefit Analysis:

- Total Extra Expenses: \$30,710
- Business Income Preserved: \$48,500
- Net Benefit to Insurer: \$65,000 reduction in potential BI claim

Detailed Extra Expense Categories

TEMPORARY OPERATIONS

Expense	Vendor	Amount	Benefit	Documentation
Kitchen Rental	City Commissary	\$10,500	Maintained 30% operations	Lease attached
Moving/Setup	Quick Move LLC	\$2,200	Enabled restart	Invoice #QM-4421
Equipment Rental	Restaurant Supply Co	\$4,800	Production capability	Agreement #RS-9988
Subtotal		\$17,500		

LABOR & STAFFING

Expense	Period	Amount	Benefit	Documentation
Overtime Premium	Mar-May	\$6,400	Fulfilled orders	Payroll records
Retention Bonuses	One-time	\$3,000	Kept key staff	Payroll stubs
Subtotal		\$9,400		

PROFESSIONAL SERVICES

Service	Provider	Amount	Purpose	Documentation
Public Adjuster	Thompson Associates	\$3,810	Claim management	Contract attached
Subtotal		\$3,810		

TOTAL EXTRA EXPENSES: \$30,710

7. MITIGATION EFFORTS

Comprehensive Mitigation Strategy

IMMEDIATE ACTIONS (First 72 Hours)

Action	Cost	Result	Savings to Insurer
Emergency board-up	\$1,200	Prevented vandalism	\$10,000+
Inventory removal	\$800	Saved 30% of inventory	\$8,500
Customer notification	\$500	Retained 85% of base	\$45,000
Secure temp kitchen	\$2,500	Maintained operations	\$65,000

MITIGATION SUCCESS METRICS

- Revenue preserved: 29% of normal
- Customers retained: 85%
- Employees retained: 6 of 6 key staff
- Market share maintained: 15% (from 18%)
- Recovery time reduced by: 30 days

8. PERIOD OF RESTORATION

Timeline Analysis

Milestone	Target Date	Actual Date	Delay	Reason
Loss occurred	3/15/24	3/15/24	0 days	N/A
Claim reported	3/15/24	3/15/24	0 days	Same day
Adjuster inspection	3/18/24	3/20/24	2 days	Adjuster availability
Permits obtained	4/1/24	4/10/24	9 days	City backlog
Repairs begin	4/15/24	4/20/24	5 days	Contractor scheduling
Partial reopening	5/15/24	6/1/24	17 days	Equipment delays
Total Period	62 days	78 days	16 days	

9. CLAIM SUMMARY & REQUEST

Final Claim Calculation

Coverage Component	Calculated Loss	Policy Limit	Claimed Amount
Business Income	\$198,640	\$500,000	\$198,640
Extra Expense	\$30,710	\$100,000	\$30,710
Gross Claim	\$229,350		\$229,350

Coverage Component	Calculated Loss	Policy Limit	Claimed Amount
Less: Deductible			-\$2,500
Less: Waiting Period			-\$3,500
NET CLAIM			\$223,350

Payment Request Structure

IMMEDIATE ADVANCE NEEDED

- **Amount:** \$75,000 (representing 33% of claim)
- **Purpose:** Critical operations and obligations
- **Timeline:** Within 10 business days
- **Impact if Delayed:** Potential permanent closure

SUBSEQUENT PAYMENTS

Payment	Amount	Timing	Purpose
Second	\$75,000	Day 30	Supplier payments
Final	\$73,350	Day 45	Complete settlement

Requested Actions

1. **ACKNOWLEDGE** receipt of this claim within 24 hours
2. **CONFIRM** coverage within 5 business days
3. **ISSUE** advance payment of \$75,000 within 10 business days
4. **COMPLETE** full settlement within 30 business days

CONCLUSION

This claim represents not just numbers on a spreadsheet, but the survival of a business that employs 28 people, serves 450+ daily customers, and contributes \$58,000 annually to the local tax base.

We have:

- ✓ Acted with complete transparency
- ✓ Provided comprehensive documentation
- ✓ Mitigated damages aggressively

- ✓ Cooperated fully with the investigation
- ✓ Calculated losses conservatively

Time is of the essence. Every day of delay increases the risk of permanent business failure.

We appreciate your prompt attention and look forward to a fair and expeditious resolution.

Respectfully submitted,

Jennifer Martinez

Owner/CEO

Downtown Bakery & Café LLC

June 20, 2024

CERTIFICATION

I hereby certify under penalty of perjury that:

1. All information provided is true and accurate
2. All calculations are based on actual business records
3. No material facts have been concealed or misrepresented
4. All supporting documentation is authentic

Jennifer Martinez, Owner/CEO

Date: June 20, 2024

Notarization:

State of [State]

County of [County]

Subscribed and sworn before me this 20th day of June, 2024

Notary Public

Commission Expires: 12/31/2025