

HOMEOWNERS INSURANCE "ADDITIONAL LIVING EXPENSES" COVERAGE

Coverage Can Get Families Out of Shelters and Into Better Housing

I. What is Additional Living Expenses (ALE) coverage?

Many residents forced from their homes by natural disasters have insurance coverage under their homeowners insurance policies to pay for food and housing and other essentials of daily life, termed additional living expenses (ALE). Homeowners insurance policies specify the amount of ALE coverage available. Most renters policies also typically include ALE coverage.

II. How Does ALE Coverage Operate?

As soon as practicable, a policyholder should inform his insurance company or agent that he cannot live in the insured residence due to a hurricane or other natural disaster, and to get advice on coverage available to assist with additional living expenses.

It is important to note that ALE coverage is available only when the insured property is uninhabitable because of a loss covered under the homeowners policy. Federal flood insurance policies do not include ALE coverage, so this assistance will not be available when a person cannot live in the home because of flooding or storm surge.

III. What Does ALE Coverage Pay For?

Generally, ALE pays for the difference between pre- and post-loss housing and food costs.

As an example, before the loss a homeowner may have had a mortgage payment and utility bills (phone, electricity, etc.), and average monthly costs for groceries could be \$500. Post-loss, the homeowner/family is staying in a motel or rents an apartment and eats many meals in restaurants. The insurer will pay for the difference between the cost of all these items pre-loss (minus non-continuing expenses such as utilities) and the cost of these things post-loss. Also, the temporary accommodations have to be similar to the insured property, e.g., if you lived in a two bedroom house, the insurer will not pay for the rental of a five bedroom house.

Policyholders should keep all receipts for lodging and meals to make the claims process easier. Some insurers will provide ALE funds immediately upon being notified of a loss; others may reimburse policyholders at a later date. It is important for policyholders to contact their insurer or insurance agent for more information about this coverage.

IV. How Much ALE Coverage Does The Typical Policy Include?

The amount of coverage for ALE differs from insurance company to company and depends on the specific homeowners policy. Many policies provide coverage equal to about 20% of the amount of insurance on the home. For example, if the dwelling coverage is \$500,000, ALE coverage would be \$100,000. Some policies also have time limits; i.e. once the covered event occurs, the policyholder's ALE coverage will cover expenses for a certain period beyond that date.

ALE coverage provides an important lifeline to policyholders whose lives are devastated by disasters. In many cases ALE coverage can help families leave shelters and move to better housing, providing the opportunity to improve a difficult situation.

###