



COLORADO

Department of
Regulatory Agencies

Division of Insurance

Marshall Fire Response - Frequently Asked Questions

ADDITIONAL LIVING EXPENSES (ALE)

Additional living expense (ALE) coverage is part of many homeowners and renters policies. You will find it in your policy often called Coverage D - Additional Living Expense (or Loss of Use). The purpose of ALE is to help you if your home is a total loss or rendered uninhabitable due to damage.

State law requires that homeowner's replacement cost insurance, for an owner-occupied home, to provide at least 12 months of ALE coverage. Insurers must offer policyholders the *opportunity* to purchase 24 months of coverage and provide them with information as to the purpose, cost, and terms of ALE coverage, but a policyholder can decline this additional 12 months. ALE can be subject to other policy provisions (e.g., deductibles, loss conditions, etc.). ALE is common in other types of policies, such as renters insurance, but does not have the same State law requirement of a minimum of 12 months of coverage.

Reviewing your policy is key to understanding the requirements and availability for ALE coverage. Pay particular attention to:

- Does your ALE provide a benefit during a mandatory evacuation, whether or not there was damage to your home?
 - Some insurance policies impose waiting periods on ALE, others require that the home be damaged before they will pay ALE. Other policies may apply the deductible to your ALE coverage. Be sure you understand what your policy covers, including limitations on the coverage. If you have questions, talk to your insurance agent or adjuster or call us at the Division of Insurance.
- Is there an ALE benefit limit?
 - If your home was your primary residence, Colorado law requires that your homeowner's policy cover at least 12 months of ALE. Your policy may provide more coverage so it's important to understand the benefits available in your policy.
 - If the home that was destroyed was *not* your primary residence (e.g., you are a landlord or it was a secondary home that you rent temporarily,), State law does not require your policy to include ALE coverage. There may be loss of use coverage and you will need to review your policy and talk with your insurance company.
 - There *cannot* be a dollar limit for your ALE coverage for your primary home. However, there may be some limits in your policy such as a requirement that you maintain a reasonably comparable standard of living. If you have any questions about your policy, talk with your insurance company or call the Division of Insurance for help.
- Does the policy deductible apply to the ALE coverage?
 - Your policy may apply the deductible to your ALE coverage. However, insurance companies will sometimes waive deductibles on ALE in a catastrophic occurrence. Talk with your insurance company about how they are handling deductibles for ALE coverage.



COLORADO

Department of
Regulatory Agencies

Division of Insurance

ALE benefits are to cover the increased costs you bear because you are out of your home. They can include short-term costs such as hotel/lodging and meals. Be sure to save receipts for any clothing, toiletries or other immediate necessities. The company will reimburse for these items from your contents coverage. If your home is a total loss or will be uninhabitable for a longer period of time, your ALE benefits can pay for the increased costs of lodging (rent), mileage if lodging is further from work/school, telecommunications connections, etc.

ALE will not cover your mortgage payments, but will cover rent for a temporary home while yours is being rebuilt/repaired. You should contact your mortgage company directly to determine if there is mortgage assistance or forbearance they can provide while your insurance claim is pending and before it is settled.

Insurers generally require documentation of the expenses you incurred for consideration as ALE. It's important to keep and submit **all** receipts for items you purchase for which you answer "yes" to the question, "Was this something I had to buy/do because I lost my home?"

Below are questions raised in the Insurance Town Hall on January 4, 2022:

- **Should we open a claim for the expenses related to short-term evacuation without losing the house or is there a deductible and how much?**

Those expenses may be covered under the policy. You will need to review your policy to determine the deductible. You may want to compare potential recovery with actual expenses to determine if pursuing a claim, and having a claim on your policy history, would be valuable.

- **My home is standing, but we are currently staying in a hotel. Should I file a claim for displacement?**

Most companies will provide some ALE if you were displaced due to mandatory evacuation or lack of power/gas and water. It is important to read your policy to determine if there is a deductible or other policy terms and conditions related to homes that are not damaged. If you have questions, talk with your insurance company about the coverage available to you or call the Division of Insurance for help.

- **Are there ALE maximums?**

ALE has time limitations - often 12 or 24 months. Colorado law requires 12 months of ALE coverage, but also requires that your insurance company *offer* you 24 months. The Division has interpreted Colorado statute to require that the policy cannot include a dollar coverage limit or percentage cap, but may specify a reasonable standard of living limit, and may include loss conditions, such as the dwelling has become uninhabitable and the damage is the result of a covered peril.



COLORADO

**Department of
Regulatory Agencies**

Division of Insurance

- **Do we have to tell our insurance company when to start the ALE?**

To collect ALE, you will have to submit a claim and provide documentation of the additional expenses you incurred. If you are going to be displaced for longer than a few days, we encourage you to contact your insurance company and discuss with them what ALE coverage is available to you and how to access it.

- **Does ALE apply if my home is still standing, but is damaged and needs cleaning?**

ALE will apply if your home is uninhabitable such as being structurally unsound or unsafe (smoke damage involving toxic substances, exposure of asbestos, etc.), or not having utilities or potable water (if the home uses municipal water). ALE will apply until your home can be repaired to become habitable again.

- **If I end up staying with a friend who doesn't charge me rent, would there be any requirement for the insurance company to reimburse ALE based on an average cost?**

ALE is for the increased costs you incur while you cannot be in your home. If your friend is not charging you rent, you would not be incurring increased costs while you are out of your home for your housing. However, if you are paying your friend or family rent, or for an increase in their utilities, you should submit this for consideration. As a general rule, if you have questions about what expenses your insurance company will reimburse, talk with your company.