

THE CRUCIAL ROLE OF COVERAGE D

The Challenge of Providing Temporary Housing During a Catastrophe

By Karen Schuster

Extreme natural events such as fires, hurricanes, floods, tornadoes, and earthquakes have been common calamities throughout the years, plaguing the insurance industry and their policyholders. This year, we now can add “polar vortex” to the list of natural disasters that the insurance industry has recently experienced.

Catastrophes can occur at any time

and place, often with little or no time to prepare for them. No two disasters are alike, and no matter how proactive you are, due to the uniqueness of each situation, you’re never fully prepared. There always will be a surprise or two based upon the type of disaster, its location, the local weather, and human activity.

When a disaster does strike, a key partner to insurance carriers is the additional living expense (ALE) vendor.

When a policyholder’s home has been taken to the ground by a tornado, one of the first calls an insured receives is from a company that is going to provide his family with a comfortable place to stay.

Role of ALE

The ALE portion of a claim, otherwise known as Coverage D on a homeowners’ policy, can be monetarily minimal compared to other coverage aspects, but

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don’t let that take away from its crucial role in a property claim, especially during catastrophes.

In the immediate aftermath of a disaster, ALE vendors are some of the first people headed to evacuation centers or catastrophe sites to assist their insurance partners and their policyholders in need. The Red Cross usually will step in to provide instantaneous relief until the fate of the home has been determined or a claim

has been filed. In the meantime, a policyholder’s limited hotel stay is referred to a temporary housing company. The hotel stay is then extended or, depending on the severity of the loss, a more permanent situation may need to be established. Temporary housing is crucial because it’s the first step in getting policyholders and their families back into their routines.

While trying to escape the wrath of Mother Nature, families are forced to

walk out of their homes with nothing but the clothes on their backs. They don’t have an opportunity to gather pictures, family mementoes, and other irreplaceable items. There also are cases where a family pet has gone missing, a family member has been seriously injured, or, in the worst-case scenario, someone has died. Managing these types of losses takes experience and know-how.

Temporary housing providers aren’t

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just finding policyholders a place to live. They are one of the first, consistent voices that a policyholder hears after a devastating occurrence cripples a town, affecting not only themselves, but their neighbors, friends, and others in their community. It's important that every individual or policyholder speaks with someone who is kind and caring and, most importantly, is going to listen to what happened and hear exactly what this family needs. ALE providers don't push or force policyholders but present choices, furnish information, and offer balance so that all parties are satisfied.

Temporary housing is not simple business. Those who work inside of the temporary housing industry or have the opportunity to work directly with ALE providers know the large amount of time and energy spent in processing relocations. Providing housing during a catastrophe is even more challenging.

Depending on the type of disaster, emergency housing may not be available in the immediate area. For example, during this year's polar vortex, many states were plunged into a deep and dangerous freeze. Insureds were forced to leave their homes due to the loss of power and heat. The loss of power was so widespread that if a family's home had no power, more than likely the hotel a mile down the road didn't either. For those hotels that did have power, they were inundated with potential guests. Most ALE vendors proactively negotiate priority stays, coupled with competitive, discounted, and consistent rates, on a yearly basis. This is one of the proactive ways that they prepare for unexpected disasters.

Location, Location, Location

The impacted location also plays a noteworthy part in how destructive a disaster can be. While the Northern states are used to exceptionally low temperatures during the winter months, Southern states are not. This year brought extraordinarily low temperatures that were 25-35 degrees Fahrenheit lower than normal, which resulted in frozen and broken pipes that ultimately flooded homes. What

began as a temporary cold front became a minor catastrophe, requiring many homeowners to seek alternate housing for a month or two.

The local weather before, during, and after a catastrophe is highly influential on how severe a catastrophe is. California has long been known for their Santa Ana winds, which are extremely strong, dry currents that originate inland and affect Southern California and Northern Baja. They usually produce droughts and record heat, which is the perfect storm for fanning regional wildfires. Once a fire has started, the temperatures and the continuation of those winds can quickly catapult a mild event into a raging inferno. Fire containment fluctuates substantially or comes to a standstill when the Santa Ana winds continue to gust.

December 2013 provided the Northeast with its first severe snowstorm of the season in the form of several feet of snow. That event, combined with particularly low temperatures, resulted in a great deal of snow and ice. Within days of the storm, temperatures rose to the mid-50s and low 60s. What seemed like a nice break from freezing temperatures produced massive amounts of water, which resulted in overextended sump pumps and flooding. The Northeast is certainly prepared for the changing of seasons, but no one can really prepare for the consequence of such extreme fluctuations in temperatures. Depending on the carrier and homeowners' policy, many policyholders weren't covered for the repair or temporary housing due to the flooding, and it became a hardship for many families.

When we think about these families, the economy, demographics, and the overpopulation within our country, we can't help but think about how so many people now live in seismically active areas, tornado alleys, flood plains, and areas prone to mudslides and landslides. Human activity has a direct impact on the number of casualties and claims due to catastrophes, and also it indirectly influences the temporary housing industry. Given the love for the weather, beaches, and mountains in California,

most people are more than willing to take a chance of experiencing the Big One. Overpopulation and high-priced living in coastal communities have forced many of the less affluent towards the dry desert communities. In other words, the once less populated, high-risk wildfire areas are now heavily populated, resulting in more homeowners' damage claims.

Tornados and hurricanes sometimes will flatten entire streets, towns, and communities. For example, in Moore, Okla., and Vilonia, Ariz., demand for housing outstripped the supply. When this occurs, many companies and individuals are subjected to price gouging. Depending on the area, many communities will come together to assist their neighbors in need. Unfortunately, there also are many apartment communities, property management companies, and even individual owners who will try to capitalize on these situations by charging steep, short-term premiums. Involving an ALE vendor in these types of situations permits them to police these unethical landlords, and it keeps many insureds from having to bargain and negotiate with unscrupulous individuals during an especially traumatic time.

There are so many different qualities to each disaster, but the common thread that ties them all together is that, in the aftermath, families are faced with lost wages, power outages, routine disruptions, the destruction of personal property, and even loss of life. Temporary housing is one piece of a very large puzzle, but it's a vital piece in the claims process. As we've seen, disasters are very unique, and in a business where repeat referrals are based upon policyholder and adjuster satisfaction, it's pivotal to keep the stress away from the people that experience the disaster firsthand. **CM**

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