

Written Testimony in Support of HB 7852

Chairman Solomon, Members of the Committee:

Thank you for the opportunity to provide written testimony on this legislation addressing condominium insurance structures, deductibles, and consumer protections. In recent years, the General Assembly has taken thoughtful steps to help condominium Unit Owners and Associations streamline governance while preserving the availability and affordability of insurance—an issue that has become especially pressing in coastal and disaster-prone areas.

This bill builds on those efforts by extending to Associations formed under the New Act an option that is already available to condominiums formed under the Old Act: the ability to amend their governing documents to adopt what is commonly referred to as a “bare walls” insurance structure.

Under a bare walls model, the Association’s master policy is responsible for insuring the common elements, while Unit Owners insure what they individually own—their Units, as those Units are defined in the condominium documents. In practical terms, this approach aligns more closely with a traditional homeowner model, where individuals insure their own property rather than relying on a broader, association-wide policy to cover interior components.

It is important to emphasize that this option is not intended to be a one-size-fits-all solution. Rather, it is a targeted tool—one more option in the toolbox—for communities facing particularly challenging insurance circumstances. For many Associations, especially those with adverse loss histories or heightened exposure to coastal or disaster-related risks, insurance has become one of the most significant components of their operating budgets. In some cases, these Associations can secure coverage only through the Excess and Surplus market, where premiums may be two to three times higher than those available in the standard market. For such communities, the flexibility to consider a bare walls structure may offer a meaningful way to manage costs and maintain insurability.

At the same time, this legislation appropriately preserves local control. Although it authorizes the bare walls option statewide, it does not impose it. Any Association seeking to adopt this framework must do so through the amendment of its governing documents, requiring the approval of a supermajority—typically between 67 and 75 percent of Unit Owners, depending on the Association’s existing requirements. This ensures that such a significant structural change can occur only with broad community support.

The bill also addresses an area of growing confusion: the application of insurance deductibles at the time of a loss. Increasingly, Associations are carrying both per-occurrence and per-Unit deductibles, either as a strategy to preserve insurability or because insurers, in light of prior losses, are only willing to offer coverage with higher deductible structures. However, there has been uncertainty about how these multiple deductibles should be applied when a single loss event occurs. This legislation provides needed clarity and guidance, helping Associations, Unit Owners, and insurers better understand their respective obligations and reducing the potential for disputes.

Finally, the bill recognizes that the New Act contains significantly stronger consumer protections than the Old Act, particularly in its insurance provisions. By allowing Associations formed under the New Act to adopt the bare walls option—an option that has long been preserved for Old Act condominiums and was never intended to be eliminated—the legislation also takes the important step of promoting uniformity. Specifically, it seeks to make the full set of insurance provisions and consumer protections contained in Section 3.13 of the New Act applicable to Associations governed by the Old Act as well. If the bare walls framework is to be available across both statutory regimes, it is both logical and equitable that the corresponding protections apply consistently.

In combination with prior legislative efforts, these measures represent a careful and balanced approach. They expand flexibility where it is needed, provide clarity where confusion exists, and strengthen protections for Unit Owners across the State.

Thank you for your time and consideration. I would be happy to answer any questions.

Sincerely,



Cristie Hanaway
Member of the Rhode Island Legislative Action Committee of the
Community Associations Institute