

ERNEST SHAGHALIAN JR CPCU AAI

AUTO - HOME - BUSINESS INSURANCE

4/24/2025 COMMITTEE ON JUDICIARY HEARING

H-6106 TENANT RELOCATION INSURANCE

OPPOSED by Independent Insurance Agents of Rhode Island

Although sympathetic when members of the community are displaced, the Independent Insurance Agents of Rhode Island must oppose this bill because some of the insurance requirements are impossible to comply with, no such coverage exists. Other portions of the insurance requirements would be extremely expensive and result in higher rent for tenants. The insurance coverage requirements in this bill are an unrealistic expansion of the tenant relocation coverage that exists in Massachusetts.

This bill would require tenant relocation insurance coverage for losses caused by flood. This type of coverage does not exist. The National Flood Insurance Program, the only licensed source for flood insurance, does not offer any coverage for "Additional Living Expense" or "Loss of Use" which are the industry terms for relocation expense coverage. Property owners who purchase flood insurance are only covered for the cost to repair the building, they are not covered for any loss of use.

This bill would require tenant relocation insurance coverage caused by an earthquake with a zero deductible. Earthquake coverage is extremely expensive and is only offered with huge deductibles. The landlord's insurance policy would need to add earthquake coverage for the entire value of the building, in order for the policy to apply to a tenant relocation claim. Adding earthquake coverage with a zero deductible, to a huge apartment building policy could cost \$10,000 in additional premium. The added cost of earthquake coverage will be passed along to tenants, who will end of paying for an event that has never caused tenant relocation in Rhode Island.

The Massachusetts law covers tenant relocation caused by fire only, it does not cover flood, earthquake, "acts of God" or any other peril. It has a \$750 limit per rental unit compared to this bill's \$10,000 limit.

The best way for tenants to protect themselves from relocation risk is to purchase a very inexpensive tenant homeowners policy. This HO-4 policy for a \$121 annual premium will protect the tenant's personal property for \$10,000 against fire, hurricane, tornado, theft, sprinkler leakage, burst of pipe. The policy will also include \$3,000 coverage for additional living expense and \$100,000 liability insurance in case the tenant accidentally causes damage to another tenant. Many condo associations now require that unit owners carry similar insurance for these same protections.

If passed this legislation would certainly make Rhode Island an outlier in the commercial property insurance market place, will increase the cost of rents and decrease incentives to increase housing supply in Rhode Island.

Ernest Shaghalian, Jr, CPCU, AAI
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