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April 2, 2026

Chairman Joseph Bissaillon
Housing & Municipal Government Committee

Senate Bill #S2896 Testimony in Objection Relating to Property – Condominium Ownership

As a licensed agent in the State of Rhode for 46 plus years I am writing to raise my objection to the deletion of 34-16.1-3.13 paragraph (b). If this change were to take effect many condominium owners would suffer financial hardship. This change would allow condominium associations to change from an “all in” to “bare walls” insurance policies. This would make it incumbent upon unit owners to insure their units for building coverage from the studs in. Historically unit owners only had to insure the common area deductible, a per unit deductible (if applicable) and subsequent improvements made to their unit (if applicable per terms of the by-laws) from the original date of sale of their unit.

The common area deductible and per unit deductible (if applicable) has acted as a backstop against financial ruin. Most deductibles were in the range of \$5,000 to \$25,000. By removing this section the unit owner would be responsible for the full replacement of all damages from the studs in. Proponents of this measure will state unit owners will be able to purchase this coverage under there HO-6 or similar coverage. Their intent is to drive down the cost of the common area insurance policy and place the financial burden on the individual units owners. They consider sending a letter to unit owners advising them of this situation relieves them of any obligation thereafter.

My problem is what if the unit owner does not receive the letter? Even if they received the letter there is no mechanism to force the unit owner to purchase the increased building coverage. Many do not understand the importance of purchasing this additional insurance.

In addition most unit owners are trading down when they enter a residential condominium. Some at later stages in life lose their financial acumen and stop paying their bills believing they will save money.

If any unit owner has an uninsured loss many will lose most of the equity they have built up in their life. Some probably be forced to sell their unit at a substantial loss.

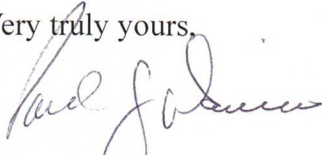
My final point is the required amount of building insurance for a bare walls policy commercially available under Form HO-6? The limits required are higher than past requirements. In a test case increasing the dwelling amount of a typical HO-6 policy to \$200,000 up to \$350,000 would increase the premium by \$600 to \$1,700 per year.

Recently I handled a claim for an insured. A water leaked from third floor all they way down to the first floor. The total claim for the first floor was 22K. If this was a bare walls policy as this bill proposes the total claim would exceed 200K. The unit owner had cancelled their HO-6 in anticipation of selling her unit. This is exactly what the sponsors of this bill fail to appreciate. The deductible on an all in policy backstops against financial ruin.

This bill should be tabled for further review with interested parties. An experienced condominium attorney should review the language used in this proposed bill. I have reviewed this proposed bill with such an attorney, and he believe the language used created by a layman and not an attorney.

This change is a detriment to the reasons for purchasing a condominium.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Paul J. Damiano".

Paul J. Damiano, CPCU