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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2025

A N A C T

RELATING TO PROPERTY -- CONDOMINIUM LAW

Introduced By: Representatives Fellela, and Messier

Date Introduced: February 26, 2025

Referred To: House Corporations

It is enacted by the General Assembly as follows:

- 1 SECTION 1. Section 34-36.1-3.13 of the General Laws in Chapter 34-36.1 entitled
- 2 "Condominium Law" is hereby amended to read as follows:
- 3 **34-36.1-3.13. Insurance.**
- 4 (a) Commencing not later than the time of the first conveyance of a unit to a person other
- 5 than a declarant, the association shall maintain, to the extent reasonably available:
- 6 (1) Property insurance on the common elements insuring against all risks of direct, physical
- 7 loss commonly insured against or, in the case of a conversion building, against fire and extended
- 8 coverage perils. The total amount of insurance after application of any deductibles shall be not less
- 9 than eighty percent (80%) of the actual cash value of the insured property at the time the insurance
- 10 is purchased and at each renewal date, exclusive of land, excavations, foundations, and other items
- 11 normally excluded from property policies; and
- 12 (2) Liability insurance, including medical payments insurance, in an amount determined
- 13 by the executive board, but not less than any amount specified in the declaration, covering all
- 14 occurrences commonly insured against for death, bodily injury, and property damage arising out
- 15 of, or in connection with, the use, ownership, or maintenance of the common elements and any
- 16 property owned or leased by the association.
- 17 (b) In the case of a building containing units having horizontal boundaries described in the
- 18 declaration, the insurance maintained under subdivision (a)(1), to the extent reasonably available,
- 19 shall include the units, but need not include improvements and betterments installed by unit owners.

1 (c) If the insurance described in subsections (a) and (b) is not reasonably available, the
2 association promptly shall cause notice of that fact to be hand delivered or sent prepaid by United
3 States mail to all unit owners. The declaration may require the association to carry any other
4 insurance, and the association in any event may carry any other insurance it deems appropriate to
5 protect the association or the unit owners.

6 (d) Insurance policies carried pursuant to subsection (a) must provide that:

7 (1) Each unit owner is an insured person under the policy with respect to liability arising
8 out of the owner's interest in the common elements or membership in the association;

9 (2) The insurer waives its right to subrogation under the policy against any unit owner or
10 member of the owner's household;

11 (3) No act or omission by any unit owner, unless acting within the scope of his or her
12 authority on behalf of the association, will void the policy or be a condition to recovery under the
13 policy; and

14 (4) If, at the time of a loss under the policy, there is other insurance in the name of a unit
15 owner covering the same risk covered by the policy, the association's policy provides primary
16 insurance. Provided, however, a unit owner's insurance policy shall become the primary insurance
17 policy with respect to any amount of loss covered by the association's policy but not payable under
18 the association's policy because of the application of the deductible.

19 (e) Any loss covered by the property policy under subdivision (a)(1) and subsection (b)
20 must be adjusted with the association, but the insurance proceeds for that loss are payable to any
21 insurance trustee designated for that purpose, or otherwise to the association, and not to any
22 mortgagee or beneficiary under a deed of trust. The insurance trustee or the association shall hold
23 any insurance proceeds in trust for unit owners and lien holders as their interests may appear.
24 Subject to the provisions of subsection (h), the proceeds must be disbursed first for the repair or
25 restoration of the damaged property, and unit owners and lien holders are not entitled to receive
26 payment of any portion of the proceeds unless there is a surplus of proceeds after the property has
27 been completed, repaired or restored, or the condominium is terminated.

28 (f) An insurance policy issued to the association does not prevent a unit owner from
29 obtaining insurance for his or her own benefit.

30 (g) An insurer that has issued an insurance policy under this section shall issue certificates
31 or memoranda of insurance to the association and, upon written request, to any unit owner,
32 mortgagee, or beneficiary under a deed of trust. The insurer issuing the policy may not cancel or
33 refuse to renew it until thirty (30) days after notice of the proposed cancellation or nonrenewal has
34 been mailed to the association, each unit owner, and each mortgagee or beneficiary under a deed

1 of trust to whom a certificate or memorandum of insurance has been issued at their respective last
2 known addresses.

3 (h) Any portion of the condominium for which insurance is required under this section that
4 is damaged or destroyed shall be repaired or replaced promptly by the association unless: (1) The
5 condominium is terminated; (2) Repair or replacement would be illegal under any state or local
6 health or safety statute or ordinance; or (3) Eighty percent (80%) of the unit owners, including
7 every owner of a unit or assigned, limited common element that will not be rebuilt, vote not to
8 rebuild unless insurance proceeds are adequate to rebuild. The cost of repair or replacement in
9 excess of insurance proceeds, after the application of the association's policy deductible, is a
10 common expense, unless the declaration [or bylaws](#) provides otherwise. If the entire condominium
11 is not repaired or replaced, (1) The insurance proceeds attributable to the damaged common
12 elements must be used to restore the damaged area to a condition compatible with the remainder of
13 the condominium; (2) The insurance proceeds attributable to units and limited common elements
14 that are not rebuilt must be distributed to the owners of those units and the owners of the units to
15 which those limited common elements were allocated, or to lienholders, as their interests may
16 appear; and (3) The remainder of the proceeds must be distributed to all the unit owners or
17 lienholders, as their interests may appear, in proportion to the common element interests of all the
18 units. If the unit owners vote not to rebuild any unit, that unit's allocated interests are automatically
19 reallocated upon the vote as if the unit had been condemned under § 34-36.1-1.07(a) and the
20 association promptly shall prepare, execute, and record an amendment to the declaration reflecting
21 the reallocations. Notwithstanding the provisions of this subsection, § 34-36.1-2.18 governs the
22 distribution of insurance proceeds if the condominium is terminated.

23 (i) In the event a unit owner sustains damage to the owner's unit as a result of an event that
24 is covered under the insurance coverage purchased in accordance with this section, then upon
25 written request to the condominium association, the unit owner shall be entitled to a written copy
26 from the condominium association of the insurance company damage appraisal or any damage
27 appraisal in regard to damage to the owner's unit, within fourteen (14) calendar days of the date of
28 the unit owner's request, or within fourteen (14) days of the association's receipt of the damage
29 appraisal, whichever is later. If coverage for the damage to a unit is denied for any reason or is
30 deemed to be valued below the policy deductible, then the unit owner shall also be entitled to
31 receive, from the association, a copy of the letter detailing the determination.

32 (j) The provisions of this section may be varied or waived in the case of a condominium
33 all of whose units are restricted to nonresidential use.

1 SECTION 2. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
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RELATING TO PROPERTY -- CONDOMINIUM LAW

- 1 This act would reference both the declaration and bylaws of a condominium association as
2 possible sources of association insurance regulation for the condominiums and require additional
3 insurance to protect unit owners, when necessary.
4 This act would take effect upon passage.

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