

2014 -- S 2261

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LC003872
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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2014

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A N A C T

RELATING TO INSURANCE -- FLOOD INSURANCE

Introduced By: Senators Sosnowski, DiPalma, Sheehan, and Cool Rumsey

Date Introduced: February 04, 2014

Referred To: Senate Commerce

It is enacted by the General Assembly as follows:

1 SECTION 1. Chapter 27-5 of the General Laws entitled "Fire Insurance Policies and
2 Reserves" is hereby amended by adding thereto the following section:

3 **27-5-3.9. Flood insurance.** – No lending institution, as defined in § 19-9-1, doing
4 business in this state, its affiliates or subsidiaries, or a bank holding company, as defined in 12
5 U.S.C. § 1841, its affiliates or subsidiaries, shall require in a mortgage, note or otherwise, a
6 purchaser or owner of residential property to purchase or pay for flood insurance on the property:

7 (1) At a coverage amount that exceeds the outstanding mortgage thereon;

8 (2) That includes coverage for contents; or

9 (3) That includes a deductible less than five thousand dollars (\$5,000).

10 In each instance where a creditor requires in a mortgage, note, or otherwise, a purchaser
11 or owner of a residential property to purchase or pay for flood insurance on said property at the
12 time the purchaser or owner of the residential property at the time the purchaser or owner of the
13 residential property is notified of the need to purchase or pay for flood insurance that states the
14 following in clear and conspicuous print: "PLEASE NOTE THAT THE FLOOD INSURANCE
15 WE ARE REQUIRING YOU TO PURCHASE WILL ONLY PROTECT YOUR
16 CREDITOR'S/LENDER'S INTEREST IN YOUR PROPERTY. IT MAY NOT BE SUFFICIENT
17 TO PAY FOR MANY NEEDED REPAIRS AFTER A FLOOD AND MAY NOT
18 COMPENSATE YOU FOR YOUR LOSSES IN THE PROPERTY DUE TO THE FLOOD. IF
19 YOU WISH TO PROTECT YOUR HOME OR INVESTMENT, YOU MAY WISH TO

1 [PURCHASE MORE FLOOD INSURANCE THAN THE AMOUNT WE ARE REQUIRING](#)
2 [YOU TO BUY."](#)

3 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 INSURANCE -- FLOOD INSURANCE

- 1 This act would set limits on the amount of flood insurance a financial institution would
- 2 require an owner to acquire, and would require notice regarding the extent of the coverage.
- 3 This act would take effect upon passage.

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