



## Rhode Island Insurance Federation

Via Email to [HouseCorporations@rilegislature.gov](mailto:HouseCorporations@rilegislature.gov)

March 25, 2025

Representative Joseph J. Solomon, Jr.  
Chair, House Corporations Committee  
Rhode Island State House  
Providence, RI 02903

RE: House Bill 5812— AN ACT RELATING TO INSURANCE – Liability Insurance —**Statement of Opposition**

Dear Chair Solomon:

The Rhode Island Insurance Federation submits this statement in opposition to House Bill 5812, which requires that insurance policies for property damage, personal injuries, and indemnification other than payment of compensation for workers compensation, state policy limits and no amount of the policy may be used to pay costs to defend a claim.

The Federation was recently formed to advocate for the property and casualty insurance industry in Rhode Island. Federation members write approximately 60% of the total property casualty insurance premiums in the state, and importantly over 73 percent of the professional medical liability insurance market in the state. Federation members include most of the major property-casualty insurance companies doing business in the state, and every national P&C insurance trade association is a member of the Federation.

The bill would have a major negative impact on the insurance industry in Rhode Island. Nevada passed a similar law in 2023 and it caused major issues for both insureds and insurers in the state. So much so that the state had to create an emergency provision to provide clarification so it would not be as impactful on the insurance industry. The broad way that this bill is written is setting Rhode Island up for the same problems.

Most professional liability policies provide for defense within policy limits (DWL). Management liability products such as directors and officers liability typically have extremely high defense costs and the ability to erode the limits of liability by such costs is essential to keeping premium increases to a minimum.

This also is particularly true for complex commercial litigation. As Rhode Island continues to struggle with the availability and affordability of homeowners' association master policies, injecting another unknown, but likely substantial, increase in their rates will likely lead to further degradation of that market.

Additionally, DWL helps with predictability in the market, as a pre-determined maximum exposure allows insurers to calculate premiums more accurately, as the risk is known and bounded. To limit predictability in this way could allow for more variable swings in insurance premium calculations, which is typically a disadvantage to both consumers and insurers alike.

One of the most common themes that we hear by the legislature is the need to ensure prompt settlement of claims, yet this legislation will take away one of the key incentives that insurers have, which is to utilize DWL to settle claims within those limits to avoid further depletion of available funds.

This legislation is not pro-policyholder, as it will significantly impact the settlement time of claims, increase the costs of insurance products, and remove predictability from the market.

For the reasons set forth above, the Federation opposes House Bill 5812.

Respectfully submitted,



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