



Rhode Island Insurance Federation

Via Email to HouseJudiciary@rilegislature.gov

February 4, 2025

Representative Robert E. Craven
Chair, House Judiciary Committee
Rhode Island State House
Providence, RI 02903

RE: House Bill 5221—Third-Party Litigation Financing Consumer Protection Act

Dear Chair Craven:

The Rhode Island Insurance Federation submits this statement in support of House Bill No. 5221, which regulates the ballooning third-party litigation funding industry. This legislation is a pro-consumer measure to inform them in a transparent manner of their obligations under the financing agreement and protects them from unscrupulous actors within litigation financing.

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 85 percent of the private passenger auto insurance market. Federation members include most of the major insurance companies doing every form of property-casualty (P&C) insurance business in the state. In addition, every national P&C insurance trade association is a member of the Federation.

Currently, the use of third-party litigation financing (TPLF) is on a significant rise in the United States, with some sectors of this funding more than doubling between 2017 and 2021, and the United States represents 52% of the global TPLF market. Still, little is known about this industry, since regulations have not kept pace with this evolving market. In addition to the consumer protections offered in this legislation, the reporting and subsequent data collection by Rhode Island regulators will help inform public policymakers of the next steps necessary to protect consumers from products that may leave them with a substantially lower recovery.

In 2023, the United States Government Accountability Office (GAO) took a comprehensive look at third-party litigation financing and found that these financiers “significantly cut into [a plaintiff’s] recovery amount.” This GAO analysis aligns with the study by the Swiss Re Institute, which estimated “that plaintiff compensation decreases by 21% relative to the same award in a case without TPLF.”

House Bill 5221 may not go as far as other states in setting the maximum rates for these litigation financing products, but it does require clear transparency through consumer disclosures, ensures they have an opportunity to exit the agreement, protects the sensitive information that may be part of the case from

being discussed with the litigation financier, safeguards consumers from the financier injecting themselves into the legal process, and protects consumers from nefarious kickback schemes.

While House Bill 5221 has a commercial litigation exemption contained in the current text, the Federation urges the Committee to consider the impact that TPLF has on Rhode Island's economy. Some of the most frequent activity in this space is to use these financial resources to attack patents, which may begin to stifle innovation and economic development in areas without some form of regulation over these financiers. In addition, businesses in Rhode Island should have the same protections from these financiers injecting themselves into the legal process or garnering access to this highly impactful patent information.

For the reasons set forth above, the Federation supports House Bill 5221, and we urge the Committee to recommend passage.

Respectfully submitted,



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