



Rhode Island Insurance Federation

January 29, 2026

The Honorable Carol Hagan McEntee
House Judiciary Committee
Rhode Island State House, Room 205
Providence, RI 02903
Delivered via e-mail HouseJudiciary@rilegislature.gov

Statement of the Rhode Island Insurance Federation In SUPPORT of House Bill 7080 to Regulate Third-Party Litigation Financing

Dear Chair McEntee:

The Rhode Island Insurance Federation submits this statement in strong support of House Bill 7080. This legislation provides consumer protection against predatory litigation lending. We also continue discussions with the sponsor to strengthen this legislation to include commercial transactions, which are quickly becoming a major source of abuse.

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 and casualty (P&C) insurance premiums in the state. Federation members include most of the major insurance companies doing every form of P&C insurance business in the state. In addition, every national P&C insurance trade association is a member of the Federation.

Predatory litigation lending is the relatively recent phenomenon of external entities (hedge funds, foreign actors, etc.) financing civil legal actions on behalf of plaintiffs, in exchange for a percentage of the plaintiff's recovery. In essence, these private finance firms turn the judicial system into a gambling market as an otherwise uninterested party is betting on the outcome of litigation for prospective profit.

While we strongly support this text, the best final bill may indeed be some combination of both consumer and commercial protections. We recognize that stepping into the consumer realm may come with greater risks, but we trust the Committee to balance consumer access with protections.

The value of these "loans" in the consumer context is to help individuals with legitimate claims litigate to the fullest extent possible. We support this outcome, but it is impossible to achieve if consumers don't understand the loan structure, specifically that lender paydays are uncapped and they can continue operating in secret. Without protections in place, consumers, especially those with less education or finances, are ripe for abuse. In one very notable and graphic example, a New York litigation lender would recruit poor, homeless, and drug addicted victims to stage slip-and-fall accidents, have real surgeries, and file fraudulent lawsuits against businesses.¹

Predatory litigation lending operates in a legal gray area without disclosure requirements or regulatory guard rails. As a result, there is little transparency in lending or protections for consumers and unscrupulous lenders can gain access to sensitive attorney-client privileged information. For example, though predatory litigation lending acts like a loan from the consumer's perspective, they are not treated as such under the law. Consumer predatory litigation

¹ <https://www.justice.gov/usao-sdny/pr/new-york-litigation-funder-convicted-trip-and-fall-fraud-scheme-sentenced-36-months>

lending rates often range from 15% to 124%², six times the Rhode Island contractual usury limit (21%)³. And, because predatory litigation lenders are paid first, plaintiffs who suffered injuries are encouraged to reject reasonable settlements in favor of riskier higher payouts and are often still left with only a small fraction of the verdict.⁴

Over the last few years, large hedge funds have been generating explosive growth in predatory litigation lending. In 2022, the Center for Strategic and International Studies found that \$3.2 billion was deployed during the year into the U.S. market by litigation funders, a 16 percent increase over the previous year.⁵ There are now dozens of active funders holding a combined \$13.5 billion in assets under management.⁶ Yet they are allowed to operate in Rhode Island today with negligible oversight.

Predatory litigation lending also presents a significant threat of international interference whereby rogue foreign actors attempt to exploit the U.S. legal system, especially in patent cases. This drives out small businesses and entrepreneurs, raises costs for consumers, and depresses innovation. The Software and Information Industry Association estimates that “more than 80% of all patent suits are brought by patent trolls, often funded by undisclosed third-party beneficiaries.”⁷ This is particularly concerning in Rhode Island, which aims to create more economic development through patent-based businesses like biotechnology firms.

For the reasons stated herein, the Rhode Island Insurance Federation strongly urges passage of this legislation, and prior to the vote on consideration we will work with the sponsor and any interested committee members to find ways to protect both consumers and businesses in Rhode Island.

Very truly yours,



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² [Claims Update: Thid Party Litigation Funding](https://www.transre.com/claims-update-third-party-litigation-funding/), TransRe, November 2024, <https://www.transre.com/claims-update-third-party-litigation-funding/>

³ MGL CH. 271, Section 49, <https://malegislature.gov/Laws/GeneralLaws/PartIV/TitleI/Chapter271/Section49>

⁴ Id. “[...]ne litigant received an \$18,000 advance and owed \$33,000 to the funder six months later. Another plaintiff borrowed \$27,000 to pursue a ‘slip and fall’ case which settled. After the funder took almost \$100,000 and attorney fees were paid, the plaintiff was left with \$111. In 2016, plaintiffs received 55% of compensation paid in the commercial liability tort system. However, where TPLF was involved, that figure dropped to 43%. A plaintiff using TPLF would need to receive a 27% higher award to receive the same payment as one not doing so.”

⁵ [Litigation Funders Deployed \\$3.2 bln in US Investments Last Year - Report](https://www.reuters.com/markets/us/litigation-funders-deployed-32-bln-us-investments-last-year-report-2023-02-16/), Reuters, (February 16, 2023) <https://www.reuters.com/markets/us/litigation-funders-deployed-32-bln-us-investments-last-year-report-2023-02-16/>

⁶ Id.

⁷ [SIIA Endorses the Litigation Transparency Act of 2024](https://www.siia.net/siia-endorses-the-litigation-transparency-act-of-2024/), October 15, 2024, <https://www.siia.net/siia-endorses-the-litigation-transparency-act-of-2024/>