



Rhode Island Insurance Federation

February 26, 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 7751 to Regulate Third-Party Litigation Financing

Dear Chair McEntee:

The Rhode Island Insurance Federation submits this statement in strong support of House Bill 7751. This legislation provides consumer protection against predatory litigation lending, by making these financing products subject to the state's usury laws.

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 this legislation with House Bill 7080, which takes a more comprehensive approach to regulating these loans.

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

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.² There are now dozens of active

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

² [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/>

fundholders holding a combined \$13.5 billion in assets under management.³ Yet they are allowed to operate in Rhode Island today with negligible oversight and the ability to skirt our usury laws.

For the reasons stated herein, the Rhode Island Insurance Federation strongly urges passage of House Bill 7751, House Bill 7080, or some rational combination of the two.

Very truly yours,



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³ Id.