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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2026

AN ACT

RELATING TO INSURANCE -- FIRE INSURANCE POLICIES AND RESERVES

Introduced By: Senators Thompson, and Murray

Date Introduced: March 04, 2026

Referred To: Senate Commerce

WRITTEN TESTIMONY IN SUPPORT OF PASSAGE OF PROPOSED R.I. GEN. LAWS § 27-5-3.10

Dear Honorable Members of the Senate Commerce Committee:

New England Property Services Group, LLC ("NEPSG") respectfully submits this written testimony in strong support of this new proposed legislation establishing R.I. Gen. Laws § 27-5-3.10. This legislation creates uniform minimum limitations standards, enhances consumer disclosures, and enhances consumer protection by prohibiting unfair claim closure practices in structural property damage insurance claims.

INTRODUCTION AND PURPOSE

This proposed bill addresses a persistent and structural imbalance in the handling of residential and commercial property damage claims in Rhode Island. Section (a) applies broadly to Rhode Island consumers who purchase property insurance policies, including homeowners, small businesses, and their lawful assignees. These parties are frequently confronted with contractual provisions and claims-handling practices that effectively curtail their ability to obtain the full benefits for which they have paid.

By way of example, NEPSG has handled property damage claims that demonstrate the significant disparity that can exist between an insurer's initial valuation and the true amount of loss.

In one such matter, the insurer initially valued the claim at less than \$1,100, yet the final resolution, through a duly executed appraisal award, exceeded \$400,000 after the application of statutory interest. This stark disparity illustrates just how severely claims may be undervalued at the outset, as this represents an increase of more than Thirty-Five Thousand (35,000%) percent.

NEPSG has encountered numerous similar instances of claim handling. In another matter, a signed appraisal award was issued in March 2025, yet to date, no payment has been issued. This is not an isolated occurrence. NEPSG routinely observes claims where the amount of loss has been definitively established, yet payment is delayed, withheld, or otherwise contested.

From a financial standpoint, this conduct benefits insurers. Funds remain under their control and available for investment or other internal use, while claimants are forced to incur ongoing costs and delays to secure payment. As this Committee is well aware, these delays often persist for months or even years, despite the fact that the amount owed has already been determined. This practice directly undermines Rhode Island's legal requirement that insurance claims be adjusted and paid promptly and in full.

This legislation restores fairness to claimants by ensuring that statutory rights granted to Rhode Island consumers cannot be unilaterally diminished or extinguished by insurers through contractual provisions, and requires that claims are adjusted transparently and in good faith.

### **1. Establishing Uniform Minimum Limitations Periods**

Sections (b), (c), and (d) establish clear, enforceable minimum limitations periods for residential and commercial property damage claims. While Rhode Island law already provides a twenty-four (24) month limitations period for fire and lightning-related losses under R.I. Gen. Laws § 27-5-3, and a ten (10) year statute of limitations for injury to real property under R.I. Gen. Laws § 9-1-13(a), insurers often attempt to impose shorter contractual deadlines that create confusion and prejudice claimants.

By expressly voiding any attempt to shorten these statutory timeframes, the bill ensures consistency, predictability, and fairness in the claims process. This protection is particularly critical in cases involving latent, progressive, or concealed damage, such as water intrusion, mold, and mechanical or structural damage, which may not be discoverable within artificially shortened time periods.

### **2. Protecting Against Improper Claim Closure Practices**

The legislation directly addresses a widespread and problematic practice: insurers unilaterally declaring claims "closed," "paid in full," or "settled" without obtaining a valid, formal signed release. Section (e) properly requires that any full and final settlement must be documented through a written release executed in compliance with Rhode Island's Unfair Claims Settlement Practices Act, including independent witnessing and notarization safeguards.

This provision is critical to protecting policyholders from unknowingly waiving substantial statutory and contractual rights through routine or ambiguous initial payments, correspondence, or internal claim designations. In practice, these actions often operate as de facto waivers, without the

policyholder's informed consent, and create the false impression that a claim has been fully resolved when, in reality, substantial benefits remain unpaid.

From a financial standpoint, this conduct disproportionately benefits insurers. Funds remain under their control and available for investment or other internal use, while claimants are forced to incur ongoing costs and endure prolonged delays to secure payment. As this Committee is well aware, such delays frequently persist for months or even years, despite the fact that the amount owed has already been determined. This practice directly undermines Rhode Island's legal requirement that claims be adjusted and paid promptly and in full.

### **3. Enhancing Transparency Through Mandatory Disclosures**

The proposed bill requires insurers to provide clear, accurate disclosures at both the first notice of loss and upon issuance of any payment. These disclosures must inform claimants of their legal rights, including applicable limitations periods, and clarify that acceptance of payment does not constitute a final settlement absent a properly executed release. This requirement promotes informed decision-making and reduces disputes arising from the misunderstanding or misrepresentation of claim status.

### **4. Preserving Coverage While Addressing Neglect**

Importantly, Section (f) strikes a fair balance regarding post-loss duties and obligations of claimants. Insurers often attempt to deny otherwise valid claims based on alleged noncompliance with duties after loss. This section preserves an insurer's ability to deny coverage for additional damage caused by an insured's neglect, but ensures that coverage for the original, covered loss is not improperly denied. This aligns with established principles of proximate cause and prevents overbroad or unsupported denials that deprive claimants of legitimate benefits.

### **5. Strengthening Regulatory Oversight and Enforcement**

Sections (g) through (j) of the proposed statute significantly strengthen regulatory oversight and enforcement. The legislation requires the Department of Business Regulation to: mandate the disclosures to be issued by insurers; prohibits the approval and continued use of noncompliant policy forms and provisions; declares inconsistent contractual limitations void and unenforceable; directs the Department of Business Regulation to promulgate standardized disclosure requirements; and establishes that violations constitute unfair or deceptive act under chapter 13.1 of title 6 ("deceptive trade practices"), chapter 9.1 of title 27 ("unfair claims 9 settlement practices act"), and § 9-1-33. This proposed legislation establishes uniform, enforceable standards and ensures consistent application of existing law, addressing gaps in enforcement that have allowed noncompliant practices to continue.

The bill further clarifies that violations are enforceable under Rhode Island's deceptive trade practices and unfair claims settlement statutes by the Office of Attorney General and Department of Business Regulation, and clarifies that such violations are enforceable through existing statutory remedies and private rights of action where administrative enforcement alone has proven insufficient to ensure compliance. These enforcement mechanisms are essential to ensuring the statute has meaningful and practical effect.

## CONCLUSION

This legislation is a measured and necessary reform that reinforces a fundamental public policy: insurance contracts should not operate to deprive Rhode Island policyholders of their statutory rights, nor should claims practices obscure or extinguish valid claims through technicalities or unilateral action. By establishing minimum limitations standards, requiring transparency, and prohibiting unfair claim closure practices, this bill promotes fairness, accountability, and confidence in Rhode Island's residential and commercial insurance system.

This legislation does not expand the scope of coverage available under existing policies. It ensures that Rhode Island policyholders receive the full benefit of the coverage they have already purchased under current law, free from contractual provisions or claims practices that would otherwise undermine those rights. This naturally raises a straightforward question: why should there be opposition to compliance with existing statutory and regulatory requirements designed to ensure fair and transparent claims handling?

For these reasons, NEPSG respectfully urges the Committee to vote in favor of passage.

Thank you for your consideration.

Respectfully submitted,



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New England Property Services Group, LLC