



March 31, 2026

Senator Robert Britto  
Chair, Senate Committee On Commerce  
Rhode Island State House  
Providence, RI 02903

Re: S.2771 - A N A C T RELATING TO INSURANCE -- DOMESTIC INSURANCE COMPANIES

Dear Mr. Chairman:

This statement in opposition to S.2771 is submitted by the American Property Casualty Insurance Association (APCIA).<sup>1</sup> This bill would add a timeline for claims settlements and penalties for noncompliance to the Domestic Insurance Company law. Specifically, it would require domestic insurers to issue determinations of coverage, settlement offer, or requests for additional information within 30 days of receiving a notice of claim or face fines.

**The bill's interplay with existing law is confusing at best, and would, especially in the homeowner's context, harm insurers located in Rhode Island and increase the likelihood of assignment of benefit abuses, which would harm the Rhode Island homeowner's insurance market and increase costs for insurers and residents alike.**

#### **Harming Rhode Island Domestic Insurers**

Domestic insurers are insurance companies located in Rhode Island. They employ thousands of Rhode Islanders and pay significant taxes in the state. They represent roughly 13% of the homeowners market and 6% of all lines. Adding additional confusing administrative burdens and liability to these companies alone is unprecedented and anticompetitive.

#### **Interplay with Existing Law**

Insurers are already required to respond to claims within 30 days unless the insured agrees to a longer period under Section 27-9.1-4(16). Under the standard fire insurance policy (27-5-3), which has operated to the benefit of Rhode Islanders for over 100 years, insurers are required to pay for losses within 60 days proof is provided. The process of proving loss is extremely important to ensure the accuracy and legitimacy of claims. The timing is based on the insured's rather than the insurer's timeline, with up to 60-days (unless extended) to provide proof of losses. If the parties agree on the claim, the insurer is beholden to the 60-day timeline noted above. If the parties disagree, the law contains an umpire appraisal procedure with its own additional timelines. Under this bill, even if insureds act quickly, there is essentially no ability for an insurer to verify the validity of a claim. Insurers would always have to request more information, likely on pretextual terms since they would otherwise be required to attempt blind settlements. At a minimum, this seems likely to generate significant legal cases and puts insurers in a challenging position.

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<sup>1</sup> Representing 67% of the U.S. property casualty insurance market, APCIA promotes and protects the viability of private competition for the benefit of consumers and insurers. APCIA members represent all sizes, structures, and regions, which protect families, communities, and businesses in the U.S. and across the globe. Several APCIA members are located in Rhode Island and many more do business here. APCIA members are integral to the state of Rhode Island. They write 76% of the property casualty insurance sold in this state. The P&C insurance industry employs over 3,200 Rhode Islanders, provides annual assistance of \$1.5 billion in claim payments to help customers in the state, and contributes over \$160 million annually to the state in premium taxes.

## **Bill Impacts**

Overriding these processes in favor of forcing insurers to pay out claims or settle in 30 days or face the prospect of \$250 per day penalties will harm Rhode Island's insurance market and residents. At a minimum, it will incentivize disputes generally and further empower assignment of benefits (AOB) abusers.

AOB is the legal practice of a homeowner assigning their benefits to a restoration contractor they have hired to complete repairs following damage. An AOB can streamline the process from the homeowners' perspective if it is limited to allowing the insurer to pay a contractor directly. However, it is also ripe for abuse as unscrupulous contractors may try to get as much money from the insurer as possible and complete the work for as cheaply as possible. In the worst cases, unscrupulous contractors will follow this process for fabricated claims, often using the courts (this was especially extreme in Florida because of their since repealed one-way attorney fee statute) as a means of exerting pressure and adding expense for insurers in the hopes that they can encourage inaccurate or completely unsubstantiated settlements. The time pressure, severe limits on the ability for insurers to accurately assess damages, and penalties included in S.2771 will add another element for AOB abusers to use.

We are seeing this practice emerging in Rhode Island<sup>2</sup> where litigation laws make it a particularly enticing state for these types of practices. Shortening the timeline to substantiate the legitimacy of claims will only embolden AOB abuse. In Florida, rampant AOB abuse contributed to fifteen insurer insolvencies, a 280% increase in non-renewals, and a \$423 billion concentration of risk in their Fair Plan equivalent that was on the verge of triggering an unprecedented taxpayer bailout in the early 2020s.<sup>3</sup>

Ultimately, this bill will significantly harm the Rhode Island insurance market, decreasing affordability and likely availability for Rhode Islanders. For these reasons, we urge you to hold S.2771 for further study and we welcome the opportunity to better understand any benefits this bill could provide Rhode Island residents.

Very truly yours,



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<sup>2</sup> See e.g. *Vermont Mutual Insurance Company v. New England Property Services Group, LLC*, 2025 RI 20 (March 20, 2025) <https://law.justia.com/cases/rhode-island/supreme-court/2025/24-67.html>. The Rhode Island Supreme Court posited - "The Plaintiff's actions make clear its willingness to use every judicial avenue available to it, irrespective of efficient conflict resolution." A footnote cites "dozens of pending cases in the Superior Court involving the plaintiff and a multitude of homeowners' insurance companies" and issued a warning - "The plaintiff should beware of continually arguing inconsistent positions in litigation." This observed litigiousness and inconsistent positions strongly suggests the lawsuits are to perpetuate AOB abuse.

<sup>3</sup> See e.g. Storm-Driven Insurer Insolvencies Stir State Actions: Explained, Dec. 2022

<https://www.fltortreform.com/news/storm-driven-insurer-insolvencies-stir-state-actions-explained/>

Next to Fall: The Climate-Driven Insurance Crisis is Here – And Getting Worse, Senate Budget Committee Staff Report Dec. 2024, <https://www.documentcloud.org/documents/26217177-senate-the-climate-driven-insurance-crisis-is-here-and-getting-worse/>

Climate Change, Housing, and Homeowners Insurance in Florida: Lessons for California

Brief, Newamerica.org, Sept, 2025, <https://www.newamerica.org/future-land-housing/briefs/insurance-in-florida-lessons-for-california>