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Testimony of
Christopher Carlozzi, NFIB State Director
In Support of Senate Bill No. 2494
An Act Relating to Commercial Law – Third-Party Litigation Financing Consumer Protection Act
Before the Senate Committee on Judiciary
March 3, 2026

Chair LaMountain and Members of the Senate Committee on Judiciary:

My name is Christopher Carlozzi. I am the Rhode Island State Director for NFIB. A non-profit, non-partisan organization, NFIB is the nation's and our state's largest small business advocacy group. In Rhode Island, NFIB represents hundreds of small and independent business owners involved in all types of industry, including manufacturing, retail, wholesale, service, and agriculture. The average NFIB member has five employees and annual gross revenues of about \$450,000. NFIB represents the small Main Street business owners from throughout Rhode Island. On behalf of those small and independent business employers, I urge you to support Senate Bill No. 2494 creating a regulatory framework for third-party litigation financing.

For small business owners, the cost of a lawsuit ranks second only to the cost of health insurance as a non-governmental impediment to business growth and opportunity. Small business owners are just one frivolous lawsuit away from being forced to close the doors forever. And, even if the small business owner prevails in the lawsuit, he or she loses due to the cost of attorneys' fees, the impact on insurance premiums, and time spent away from the business to mount an effective defense. The threat of excessive costs of defending a lawsuit often forces small business owners to pay a settlement and plaintiffs' lawyers know that.

An emerging trend in the court system deals with commercial litigation financing and involves investment firms fully or partially funding lawsuits and for doing so, will receive a portion of the settlement. These types of suits are particularly difficult for small employers to mount a defense against because there is little to no transparency under current Rhode Island law. These businesses have no idea the amount money being poured into the lawsuit from outside, often well-funded, sources. Senate Bill No. 2494 will require these entities to register with the state providing a level of disclosure.

On behalf of small business, we urge you to support Senate Bill No. 2494 to help restore integrity to the judicial system by demanding transparency for the third-party funding of lawsuits. Thank you.