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LC006268

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2026

A N A C T

RELATING TO INSURANCE -- UNAUTHORIZED INSURANCE BUSINESS -- MEDICAL MALPRACTICE INSURANCE

Introduced By: Representatives Spears, Cotter, Boylan, Fogarty, Donovan, Speakman, and McEntee

Date Introduced: April 03, 2026

Referred To: House Corporations

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 27-16-2.6 of the General Laws in Chapter 27-16 entitled
2 "Unauthorized Insurance Business" is hereby amended to read as follows:

3 ~~27-16-2.6. Hospitals affiliated with accredited medical schools — Indemnification of~~
4 ~~personnel~~ **Self-insurance for hospitals affiliated with accredited medical schools.**

5 ~~Nothing in §§ 27-16-1.2 — 27-16-2.2 shall be construed to limit or prevent hospitals~~
6 ~~affiliated with an accredited medical school from agreeing to indemnify hospital employees, and~~
7 ~~physicians, including physicians' incorporated or unincorporated practices and employees, and~~
8 ~~medical, nursing, or allied health students affiliated with the hospital, collectively "covered~~
9 ~~persons", for the legal liability of those covered persons for loss, damage, or expense incident to~~
10 ~~claims of bodily injury or death arising out of medical malpractice or professional error or mistake,~~
11 ~~"malpractice coverage", whether the hospital charges the covered persons for malpractice coverage~~
12 ~~or not. The hospitals making the agreements shall be required to establish and maintain a reserve~~
13 ~~fund with which the malpractice coverage will be provided, which may be either part of or separate~~
14 ~~from a self-insurance fund maintained by or on behalf of the hospital. Any self-insurance fund shall~~
15 ~~annually provide a certified financial statement with actuarial projections as to the soundness of its~~
16 ~~reserving to the director of the department of health and the director of the department of business~~
17 ~~regulation. The malpractice coverage provided by the agreements shall be in amounts that meet the~~
18 ~~minimum insurance coverage limits required by any regulation promulgated by the director of~~

1 ~~business regulation pursuant to § 42-14.1-2.~~

2 (a) Notwithstanding any provision of law, rule or regulation to the contrary, any hospital
3 affiliated with a Rhode Island accredited medical school may establish a self-insurance program
4 for medical malpractice liability; provided, however, that such program shall be subject to the full
5 regulatory authority, review, and approval of the department of business regulation.

6 (b) No such self-insurance program shall be established, maintained, or operated without
7 prior approval of the department of business regulation.

8 (c) The department of business regulation shall require demonstration of:

9 (1) Establishment of an entity, such as a captive insurance company, that is regulated as an
10 insurance entity;

11 (2) Actuarial soundness of the entity;

12 (3) Adequate capitalization and reserves;

13 (4) Claims-paying ability under reasonably foreseeable adverse conditions;

14 (5) Ongoing financial reporting and independent audit; and

15 (6) The hospital entity will establish to the satisfaction of the department of business
16 regulation that the self-insurance entities existence and reserves will survive the bankruptcy,
17 dissolution or reorganization of the hospital.

18 (d)(1) The department shall have authority to examine, audit, and require corrective action,
19 including suspension or revocation of approval in the same manner in which the department has
20 authority over licensed insurers under title 27.

21 (2) If the self-insured entity is domiciled outside of Rhode Island, the department of
22 business regulation shall be given access to all records of the entity and of the foreign jurisdiction
23 regarding the entity upon demand.

24 (e) The hospital will be responsible for all costs incurred by the department of business
25 regulation pursuant to § 27-13.1-7.

26 (f) The provisions of § 27-13.1-5(f) shall apply to all information received or created by
27 the department of business regulation in regulation of the self-insured entity.

28 (g) Any exemption from traditional insurance requirements under this section shall not
29 exempt such entities from solvency, reporting, or oversight requirements imposed by the
30 department of business regulation.

31 (h) No medical malpractice coverage provided under this section shall be recognized for
32 purposes of licensure unless approved by the department of business regulation.

33 (i) The department of business regulation may withdraw approval of the self-insurance
34 entity if the department determines that the entity is in hazardous financial condition pursuant to

1 chapter 14.2 of title 27 or is otherwise out of compliance with this statute.

2 (j) The department of business regulation shall prescribe the manner of application for
3 permissible self-insurance and shall require renewal of the permission to self-insure on an annual
4 basis.

5 (k) If a hospital that has been granted self-insured status, a general description of the self-
6 insured entity, including all contact information, shall be public along with information pursuant to
7 § 27-13.1-5(e). All other information provided to the department of business regulation shall be
8 subject to § 27-13.1-5(f).

9 SECTION 2. Chapter 27-16 of the General Laws entitled "Unauthorized Insurance
10 Business" is hereby amended by adding thereto the following section:

11 **27-16-2.7. Comprehensive regulation of medical malpractice coverage.**

12 (a) All forms of medical malpractice coverage for Rhode Island licensed providers,
13 including insurance policies, self-insurance programs, captive insurance arrangements, and risk-
14 sharing pools, shall be subject to the exclusive regulatory authority of the department of business
15 regulation.

16 (b) No such coverage shall be valid for purposes of licensure unless approved by the
17 department of business regulation.

18 (c) The department shall establish standards for:

19 (1) Financial solvency;

20 (2) Reserve adequacy;

21 (3) Claims-paying ability; and

22 (4) Governance and risk management.

23 (d) The department shall have authority to examine, audit, and enforce compliance for all
24 entities providing such coverage.

25 (e) No form of medical malpractice insurance shall satisfy the requirement of coverage in
26 this statute unless it meets the limits and deductibles established by the department of business
27 regulation by rule or regulation.

28 (f) The identity of medical malpractice coverage, including the insurer or self-insured
29 entity, policy limits and deductibles shall be provided to the public upon demand.

30 SECTION 3. Section 42-14-2.1 of the General Laws in Chapter 42-14 entitled "Department
31 of Business Regulation" is hereby amended to read as follows:

32 **42-14-2.1. ~~Reporting by certain insurers—Settlements~~ Reporting of claims and**
33 **coverage.**

34 ~~(a) Every insurer or entity exempt pursuant to § 27-16-2.6 or entity permissibly self-insured~~

1 ~~pursuant to § 42-14.1-2 providing professional liability insurance to licensed healthcare~~
2 ~~professionals or licensed healthcare facilities shall send a complete report to the board of medical~~
3 ~~licensure and discipline established pursuant to chapter 37 of title 5, or the board of examiners in~~
4 ~~dentistry established pursuant to chapter 31.1 of title 5 and the department of business regulation~~
5 ~~as to any claim, notice, settlement, judgment, or arbitration award of a claim or action for damages~~
6 ~~for death or personal injury caused by such person's negligence, error, or omission in practice or~~
7 ~~the person's rendering of unauthorized professional services. The report shall be sent within thirty~~
8 ~~(30) days after service of such arbitration award on the parties or notice of the claim, settlement,~~
9 ~~judgment, or arbitration award.~~

10 ~~(b) Notwithstanding any other provision of law, an insurer or entity exempt pursuant to §~~
11 ~~27-16-2.6 or entity permissibly self-insured pursuant to § 42-14.1-2 providing professional liability~~
12 ~~coverage to licensed healthcare professionals or licensed healthcare facilities shall have the~~
13 ~~contractual right to settle any claim up to the limits of the policy without the insured's consent,~~
14 ~~unless the policy by its express terms prohibits the insurer from settling any claim without the~~
15 ~~consent of the insured.~~

16 ~~(c) All insurers doing business in the state of Rhode Island or entity exempt pursuant to §~~
17 ~~27-16-2.6 or entity permissibly self-insured pursuant to § 42-14.1-2 providing professional liability~~
18 ~~insurance for healthcare professionals or licensed healthcare facilities shall file an annual report~~
19 ~~with the commissioner of insurance. This report must be filed for each year by March 1 of the next~~
20 ~~year. The information required for each year shall include, for each rating class:~~

21 ~~(1) The number of insured;~~

22 ~~(2) The total premiums paid;~~

23 ~~(3) The total number of claims made, the years in which the incidents giving rise to the~~
24 ~~claims occurred, and the total number of those claims outstanding at the end of the year;~~

25 ~~(4) The total amount of claims paid, the years in which the incidents giving rise to the~~
26 ~~claims occurred, and the amount of the costs that can be identified with these claims for~~
27 ~~investigation, processing, and defense of these claims; and~~

28 ~~(5) The number of lawsuits filed.~~

29 (a) All insurers, self-insurance programs, captive arrangements, risk retention groups, or
30 any entity providing professional liability coverage to Rhode Island licensed providers shall
31 provide all information requested by the department of business regulation regarding their financial
32 status, claims and coverage.

33 (b) The information shall include, but not be limited to:

34 (1) Claims activity;

- 1 (2) Coverage limits and structure;
2 (3) Financial condition of the coverage provider; and
3 (4) Actuarial reserve status for self-insured programs.
4 (c) Reporting shall occur as directed by the department of business regulation.
5 (d) The department of business regulation shall have the authority to require additional
6 financial and actuarial reporting necessary to assess solvency.
7 (e) The department of business regulation shall share data and coordinate enforcement
8 actions with the department of health or with other jurisdictions in accordance with § 27-13.1-
9 5(e)(2).
10 (f) The provisions of § 27-13.1-5(f) shall apply to all information received or created by
11 the department of business regulation in regulation of the self-insured entity.
12 (g) Any material impairment, insolvency risk, or regulatory action identified by the
13 department of business regulation shall be reported to the department of health and may trigger
14 licensure review or action.
15 (h) In addition to any action taken by the department of health, the department of business
16 regulation may take action against the self-insurance entity pursuant to § 27-13.1-5(d) independent
17 of any action taken by the department of health.
18 (i) If the department of business regulation believes that the solvency of the self-insured
19 entity is at risk, it may take action against the self-insured entity under the provisions of § 27-13.1-
20 5(d).
21 (j) The hospital will be responsible for all costs incurred by the department of business
22 regulation pursuant to § 27-13.1-7.

23 SECTION 4. Section 42-14.1-2 of the General Laws in Chapter 42-14.1 entitled
24 "Department of Business Regulation — Medical Malpractice Insurance" is hereby amended to read
25 as follows:

26 **42-14.1-2. Malpractice insurance Professional liability insurance required.**

- 27 ~~(a) The director of business regulation shall promulgate rules and regulations requiring all~~
28 ~~licensed medical and dental professional and all licensed healthcare providers to be covered by~~
29 ~~professional liability insurance insuring the practitioner for claims of bodily injury or death arising~~
30 ~~out of malpractice, professional error, or mistake. The director of the department of business~~
31 ~~regulation is hereby authorized to promulgate regulations establishing the minimum insurance~~
32 ~~coverage limits that shall be required; provided, however, that such limits shall not be less than one~~
33 ~~hundred thousand dollars (\$100,000) for claims arising out of the same professional service and~~
34 ~~three hundred thousand dollars (\$300,000) in the aggregate. The director of the department of~~

~~business regulation is further authorized to establish rules and regulations allowing persons or entities with sufficient financial resources to be self-insurers.~~

~~(b) Every licensed healthcare provider in direct patient care within a licensed hospital shall obtain liability insurance in a minimum amount determined by the board of trustees of that hospital.~~

(a) Every physician, hospital, and healthcare provider shall maintain professional liability coverage as a condition of licensure.

(b) Such coverage shall be obtained from:

(1) An insurer licensed or approved by the department of business regulation; or

(2) A self-insurance entity expressly approved by the department of business regulation pursuant to the provisions of title 27.

(c) The department of health shall not issue, renew, or maintain any license unless proof of such approved coverage is provided.

(d) The department of health shall not recognize, approve, or accept any form of professional liability coverage that has not been reviewed and approved by the department of business regulation.

(e) Any lapse, suspension, or revocation of such coverage shall constitute grounds for licensure action, including suspension or revocation by the department of health.

SECTION 5. Section 23-17-6 of the General Laws in Chapter 23-17 entitled "Licensing of Healthcare Facilities" is hereby amended to read as follows:

23-17-6. Issuance of license — Posting — Transfer — Conditions.

(a) Upon receipt of an application for a license, the licensing agency shall issue a license if the applicant and healthcare facility meet the requirements established under this chapter and any rules and regulations that may be established in accordance with the requirements established under this chapter. A license issued under the provisions of this section shall be the property of the state and loaned to the licensee, and it shall be kept posted in a conspicuous place on the licensed premises. Each license shall be issued only for the premises and persons named in the application, and shall not be transferable or assignable except with the written approval of the licensing agency. Home nursing-care providers and home-care providers operating under a single license may establish branch offices under that same single license and that license shall be maintained and posted in the central office.

(b) Any change in owner, operator, or lessee of a licensed healthcare facility, (except for single-practice physician ambulatory-surgery centers, multi-practice physician ambulatory-surgery centers, single-practice podiatry ambulatory-surgery centers and multi-practice podiatry ambulatory-surgery centers as defined in subsections (17) and (18) of chapter 17, section 2) which

1 license shall be transferable or assignable by decision of the licensing agency as shall be provided
2 by regulation, shall require prior review by the health services council and approval of the licensing
3 agency as a condition precedent to the transfer, assignment, or issuance of a new license. Issuance
4 of the license may be made subject to any condition; provided, that no condition may be made
5 unless it directly relates to the statutory purpose expressed in § 23-17-3 or to the review criteria set
6 forth in § 23-17-14.3. This shall not limit the authority of the licensing agency to require correction
7 of conditions or defects which existed prior to the proposed change of owner, operator, or lessee
8 and of which notice had been given to the healthcare facility by the licensing agency.

9 [\(c\) Issuance of the license shall be conditioned on obtaining and maintaining a medical](#)
10 [malpractice policy in compliance with § 42-14.1-2 or otherwise being in compliance with § 27-16-](#)
11 [2.6. If a healthcare facility license fails to maintain such coverage, its license may be denied,](#)
12 [suspended or revoked pursuant to § 23-17-8.](#)

13 SECTION 6. This act shall take effect on January 1, 2027.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF

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RELATING TO INSURANCE -- UNAUTHORIZED INSURANCE BUSINESS -- MEDICAL
MALPRACTICE INSURANCE

- 1 This act would provide for greater oversight and regulation by the department of business
- 2 regulation on medical-malpractice insurance among self-insured entities.
- 3 This act would take effect on January 1, 2027.

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