

Spring 2003

2002 Survey of Rhode Island Law: Legislation: Business Law: An Act Relating to Corporations, Associations and Partnerships - Limited Liability Partnerships and the Rhode Island Limited Liability Company Act

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Recommended Citation

Nicasastro, Eric W. (2003) "2002 Survey of Rhode Island Law: Legislation: Business Law: An Act Relating to Corporations, Associations and Partnerships - Limited Liability Partnerships and the Rhode Island Limited Liability Company Act," *Roger Williams University Law Review*: Vol. 8: Iss. 2, Article 26.

Available at: http://docs.rwu.edu/rwu_LR/vol8/iss2/26

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Business Law. *An Act Relating to Corporations, Associations and Partnerships – Limited Liability Partnerships and the Rhode Island Limited Liability Company Act.* This Act provides that a registered limited liability partnership or limited liability company may render professional services, so long as they meet specific insurance requirements. Personal liability of a member of a limited liability company is limited to his or her own negligence or misconduct so long as that individual proves that the company is in compliance with the insurance requirements. Effective July 28, 2002. 2002 R.I. Pub. Laws ch. 205.

SUMMARY

Prior to the enactment of this legislation (the Act), limited liability partnerships could not perform certain professional services.¹ The Act amends section 7-12-31.1 of the Rhode Island General Laws in chapter 7-12 entitled “Partnerships,” by allowing limited liability partnerships to render any lawful professional services.² Regulatory agencies may adopt rules and regulations that shall not be inconsistent with law “regarding a domestic and foreign limited liability partnership rendering professional services.”³ Similarly, section two of the Act amends section 7-16-3, entitled “The Rhode Island Limited Liability Company Act,” to allow limited liability companies to render professional services as well.⁴ The rules and regulations adopted by the regulatory agencies shall not be inconsistent with law.⁵

Section three of the Act amends Chapter 7-16 of the Rhode Island General Laws entitled “The Rhode Island Limited Liability Company Act,” by adding various sections.⁶ The Act provides that the liability of a person authorized to practice a profession, his or her own negligence shall not be affected merely because the individual provides professional services in this state as a member or agent of a limited liability company (LLC).⁷ The individual is only liable for his or her own negligence and not the negligence of an-

1. 2002 R.I. Pub. Laws ch. 205 (codified as amended at R.I. GEN. LAWS § 7-12-31.1(b) (2002)).

2. R.I. GEN. LAWS § 7-12-31.1(b) (2002).

3. *Id.*

4. *Id.* § 7-16-3.

5. *Id.* § 7-16-3.1.

6. *Id.*

7. *Id.* § 7-16-3.2(a).

other member solely by being a member of the organization.⁸ Any personal liability of a member of an LLC shall not be less than or greater than the personal liability of a shareholder of a professional corporation rendering the same professional services as the LLC.⁹ However, section 7-16-3.3 mandates that the LLC must carry insurance designed to cover the negligence of a member of the LLC that falls outside of the limitation set forth in section 7-16-3.2.¹⁰ The insurance coverage must not be less than \$100,000, nor should the required coverage exceed \$500,000.¹¹

The Act places the burden of proving that the negligence, wrongful acts, or misconduct of a member of an LLC falls outside the personal limitation in section 7-16-3.2, on the person claiming the limitation.¹² The burden is met by proving that the LLC is in compliance with the requirements of the statute, or that there is \$500,000 segregated, and designated specifically for the satisfaction of judgments against the LLC.¹³

Finally, the Act provides that a general partnership may be converted to an LLC by filing articles of organization accompanied by a certificate of conversion including the various listed items set forth in section 7-16-5.3.¹⁴ After conversion, the LLC shall "possess all rights, privileges, immunities, powers, and franchises, of a public as well as a private nature, of the former general partnership," and be subject to all restrictions as applicable to the former general partnership and to the extent applicable to the new LLC.¹⁵

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8. *Id.* § 7-16-3.2(b).

9. *Id.* § 7-16-3.2(c).

10. *Id.* § 7-16-3.3.

11. *Id.*

12. *Id.* § 7-16-3.3(b)(2).

13. *Id.* § 7-16-3.3(e).

14. *Id.* § 7-16-5.3.

15. *Id.* § 7-16-5.3(c)(1).