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March 11, 2025

Representative Robert E. Craven, Sr.  
Chair, House Committee On Judiciary  
Rhode Island State House  
Providence, RI 02903

Re: House 5932 – An Act Relating To Courts Insurance – Motor Vehicle Insurance – Mandatory Arbitration Provision

Dear Chair Craven:

This statement in opposition to House 5932 is submitted by the American Property Casualty Insurance Association (APCIA).<sup>1</sup> House 5932 would double the threshold for arbitration in motor vehicle liability cases, from \$50,000 to \$100,000. This will have a detrimental effect on arbitration, a service designed to amicably and quickly resolve disputes to the benefit of involved parties and society at large.

Over the last 50 years, American businesses, including insurers, have experienced an unprecedented increase in litigation. The main reasons behind this steady, at times explosive, growth have been the expansion of causes of action and the liberalization of tort rights. The consequences are felt throughout the economy:

- The US Chamber of Commerce cites that costs and compensation in the U.S. tort system amounted to \$529 billion in 2022, equivalent to 2.1% of U.S. GDP and \$4,207 per American household.<sup>2</sup>
- In Rhode Island, total tort costs in 2022 exceeded \$1.7 billion. That's \$3,966 per household and 2.4% of Rhode Island's GDP.
- The annual tort cost growth rate since 2016 is 7.1%, and that figure rises to 8.7% for businesses.<sup>3</sup>
- If the current trend continues, overall tort costs will surpass \$900 billion by 2030.<sup>4</sup>

Arbitration, a form of alternative dispute resolution, was authorized by a one-hundred year-old federal law. Arbitration is a procedure used to resolve common disputes and avoid costly and time-consuming court-based litigation. In arbitration, an independent third party, the arbitrator, reviews the facts and circumstances of the dispute, applies the appropriate legal standard, and issues a ruling to resolve the conflict. For over a century, arbitration has reduced the cost of lawsuits for businesses and consumers alike.

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<sup>1</sup> Representing nearly 65% 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 represents the broadest cross-section of home, auto, and business insurers of any national trade association. 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. Together, APCIA members write almost 68.5% of the commercial insurance sold in the state.

<sup>2</sup> <https://www.uschamber.com/lawsuits/hidden-costs-lawsuits-grow>

<sup>3</sup> Id.

<sup>4</sup> Id.

For disputes between property and casualty insurers, the use of binding arbitration is even more widespread. The bottom line is this: property and casualty insurers use binding arbitration because it is an effective, efficient, and speedy means of resolving disputes without destroying business and customer relationships. This last point is key. Not only is litigation costly and time-consuming, but the strong adversarial nature of the process tends to erode relationships between the litigants. Because it is generally less formal and more “user-friendly,” arbitration tends to minimize hostility and to emphasize post-dispute relationships.

As a result, Rhode Island should support and promote the use of arbitration, rather than increasing the threshold for its use. For these reasons, APCIA respectfully requests that H.5932 be held for further study and not advance in this session.

Very truly yours,



Jonathan Schreiber  
Associate Vice President, State Government Relations  
American Property Casualty Insurance Association  
[Jonathan.schreiber@apci.org](mailto:Jonathan.schreiber@apci.org)  
(202) 828-7121