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February 26, 2026

The Honorable Carol Hagan McEntee
House Committee on Judiciary
State House
Providence, RI 02903

Re: H.7645 Arbitration

Dear Chairwoman McEntee and Committee Members,

The Northern RI Chamber of Commerce (NRICC) represents businesses in the communities of Burrillville, Central Falls, Cumberland, Foster, Glocester, Johnston, Lincoln, North Providence, North Smithfield, Pawtucket, Scituate, Smithfield and Woonsocket. The Chamber strongly supports the passage of H.7645, An Act Relating to Courts and Civil Procedures – Arbitration, and we thank Chairwoman McEntee for introducing the bill at the Chamber's request.

In 2024, arbitration legislation was passed at the end of session. Many in the business community tried to get a handle on what the bill would do, but the complexity and the limited experience in other states created a challenge to provide meaningful testimony. In a nutshell, the 2024 bills, now law, make it easier to avoid arbitration and therefore force a court system solution to certain disputes.

The third edition of *Tort Costs in America* was released November, 2024. This report was composed by The Brattle Group and published by the US Chamber of Commerce Institute for Legal Reform. The study found that the costs and compensation paid into the U.S. tort system reached over \$529 billion in 2022 – equating to 2.1 percent of the US GDP and over \$4,200 per U.S. household. The study also found that tort costs continued to grow faster than inflation, at an average annual rate of 7.1 percent between 2016 and 2022. The costs paid into the Rhode Island system was \$1.7 billion, or 2.4% of our state's GDP, and a total burden per Rhode Island household at \$3,966.¹

While the court system has an important role to play in dispute resolutions, so too does arbitration. In many cases, the arbitration process is faster and less expensive. The Northern RI Chamber believes some of the provisions contained in the 2024 law curtail the use of arbitration agreements.

¹ Tort Costs in America Third Edition, An Empirical Analysis of Costs and Compensation of the U.S. Tort System; The Brattle Group published by the U.S. Chamber of Commerce Institute for Legal Reform. November, 2024. https://instituteforlegalreform.com/wp-content/uploads/2024/11/2024_ILR_USTorts-CostStudy-FINAL.pdf



Rhode Island's new law:

States if any provision of an arbitration agreement discriminates against or penalizes a party for retaining an attorney, the entire agreement is null and void, so arbitration is no longer a viable option to resolve the dispute.

- Like most contracts, H.7645 (10-3-22) states that in the event a provision of an arbitration agreement is ruled illegal, **only that provision** is null and void. The remainder of the agreement remains valid. Without this change, arbitration agreements could be set aside as businesses may not know Rhode Island even adopted a law and that some arbitration agreements must be rewritten and re-executed. Even many of our statutory laws include provisions allowing for severability in order to ensure the statute remains in effect if one segment is deemed illegal by the courts.

Creates a difficult payment deadline that is one-sided against business. In most arbitration circumstances, a business must pay certain fees and costs before the arbitration can proceed. Under the current RI law, these fees must be paid "**within 30 days**" after the "**due date**" otherwise the party is considered to be in breach and the employee/consumer may choose to (1) withdraw the claim from arbitration and proceed to court (the court must impose harsh sanctions on the business) or (2) compel arbitration and subject the business to attorneys' fees and costs related to the arbitration. ***The business can ask for more time to pay the bill, but the arbiter cannot grant more time unless the employee/customer agrees to the new due date.*** California has two current cases before its Supreme Court that include a payment timing problem. One business was three days late. Another business asked for extra time, was granted the time, paid the bill and now is in a battle over whether the dispute must go to court.

- H.7645 allows the business to cure a default of payment within 15 days after the party receives a notice of default. The bill also gives a business the right to file an action in court or a motion in arbitration to challenge whether the notice of default was proper.

Gives businesses only 20 days to respond to a notice to arbitrate. This timeframe is very short, especially if the arbitration is a mass arbitration. Imagine receiving notice of arbitration on behalf of one hundred customers (sometimes thousands) and the business has 20 days to determine if those one hundred people even fit the situation raised in the notice? If the business fails to respond in the 20 days, it loses its right to raise certain objections later.

- H.7645 increases the number of days from 20 days to 180 days after receipt of notice of intention to arbitrate (10-3-2(b)).



Ignores the Federal Arbitration Act. Congress passed the FAA in 1925 primarily to reverse long-standing judicial hostility toward arbitration and to ensure that private, written arbitration agreements in commercial and maritime contracts were valid, irrevocable, and enforceable. It was designed to provide a faster, cheaper, and less formal alternative to traditional court litigation. The FAA excludes employment contracts for interstate transportation workers (seamen, railroad employees, and others directly moving goods across borders) and claims involving sexual harassment or sexual assault. These exemptions apply to both employees and independent contractors.

- H.7645 (under §10-3-2) exempts arbitration agreements governed by the Federal Arbitration Act (FAA), 9 U.S.C. §§ 1–16. The Chamber believes the passage of this provision will avoid costly litigation relating to the applicability of the FAA preemption to Rhode Island law.

Thank you for your consideration of these important changes. If amended as we request in H.7645, the Chamber believes that businesses will be able to use a value dispute resolution tool, but also be held accountable should they act in an unfair manner.

Respectfully,

A handwritten signature in blue ink that reads "Monika Zuluaga".

Monika P. Zuluaga
President & CEO