



HouseJudiciary@rilegislature.gov

February 4, 2025

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

Re: House 5179 – An Act Relating To Courts And Civil Procedure – Procedure Generally –
Judgements, Orders, And Decrees

Dear Chair Craven:

This statement in support of H.5179 is submitted by the American Property Casualty Insurance Association (APCIA).¹

In most jurisdictions, state mandated pre- and post-judgment interest rates have only marginal impacts on verdict size. That is not the case in Rhode Island which is part of a six-way tie for highest interest rate in the country.² Section 9-21-10 of the General Laws requires courts to add 12% prejudgment interest from the date of the cause of action and 12% post-judgment interest on both the principal and the prejudgment interest total.

Pre- and post-judgment interest laws have two goals: 1) compensate the plaintiff, making them whole for damages they were entitled to from the time the claim arose; and 2) encourage swift settlements.³ However, these goals cannot be accomplished if the interest rate is either too high or low. When judgment interest rates are too high, they become more punitive than compensatory. Plaintiffs are incentivized against settlement and to delay cases as long as possible to reap a windfall while defendants are incentivized against appeals even if the case outcome is unjust.

With legal cases increasing in complexity and duration, prejudgment interest is playing an outsized role in the justice system. For example:

¹ 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 72% of the property casualty insurance sold in the state.

² https://www.cozen.com/admin/files/publications/pre_post_judgment_interest_jurisidctional_chart.pdf

³ *It is well-settled that the purpose of the prejudgment interest statute is to promote the expeditious settlement of claims. ... Although there are three categories of damages — compensatory, nominal, and punitive — the Legislature employed the term pecuniary "as a synonym for compensatory," where "[c]ompensatory damages are awarded to a person in satisfaction of or in response to a loss or injury sustained."* See e.g. *Branch v. Cardillo*, C.A. No. PC 07-620, June 27, 2011, <https://casetext.com/case/branch-v-cardillo-1>

...assume the defendant breached a \$100,000 contract with no interest provision on January 1, 2016, and the plaintiff filed suit three years later on January 1, 2019. If judgment does not enter until January 1, 2024, then the total judgment after eight years would be \$196,000 including interest – nearly double the original value of the contract. (\$12,000 per year x 8 years).⁴

Furthermore, like any other flat tax or fee, it's important to regularly reassess the practicality of rate. It has been 44 years since Rhode Island set pre- and post-judgment interest at 12%. H.5179 would align Rhode Island with roughly half the country by converting the outdated flat rate to a variable rate tied to the coupon issue yield equivalent, as determined by the U.S. Secretary of the Treasury, of the average accepted auction price for the last auction of fifty-two (52) week U.S. Treasury bills settled immediately preceding the date of the filing of the action. Rhode Island has done similar with its laws on interest rates for certain debts, tying the alternate rate to the domestic prime rate as published in the Money Rates section of The Wall Street Journal.

For the reasons stated herein, APCIA requests that the committee recommend passage of H.5179 to strike a better balance between encouraging equitable settlements while protecting civil defendants from excessive judgements. Please reach out if you would like to discuss this issue further.

Very truly yours,



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⁴ [The Interesting Implications of the Massachusetts Interest Statutes](https://bostonbar.org/journal/the-interesting-implications-of-the-massachusetts-interest-statutes/), Boston Bar Journal, November 7, 2023, <https://bostonbar.org/journal/the-interesting-implications-of-the-massachusetts-interest-statutes/>