

HOUSE BILL REPORT

HB 1175

As Reported By House Committee On:

Financial Institutions & Insurance

Title: An act relating to interest on tort judgments.

Brief Description: Revising the rate of interest on tort judgments against the state and political subdivisions.

Sponsors: Representatives L. Thomas, Beeksma and Huff; by request of Department of General Administration.

Brief History:

Committee Activity:

Financial Institutions & Insurance: 1/23/95, 2/23/95, 2/27/95 [DPS].

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives L. Thomas, Chairman; Beeksma, Vice Chairman; Smith, Vice Chairman; Benton; Campbell; Dyer; Huff; Mielke and Pelesky.

Minority Report: Do not pass. Signed by 6 members: Representatives Wolfe, Ranking Minority Member; Grant, Assistant Ranking Minority Member; Costa; Dellwo; Kessler and Ogden.

Staff: Charlie Gavigan (786-7340).

Background: Current law generally requires that interest be paid on judgments if the losing party appeals the decision of the court. In tort claims, the interest rate is the general usury limit. The general usury limit is the greater of 12 percent per year or four percentage points above the 26-week treasury bill average rate as of the first auction of the previous month.

Summary of Substitute Bill: The judgment interest rate when the state, local governments, or private litigants appeal adverse decisions of courts in tort cases is four percentage points above the 26-week treasury bill average rate as of the first auction of the previous month, calculated based on the date of the judgment.

Substitute Bill Compared to Original Bill: The judgment rate applies to both public and private appellants; the original bill applied only to public appellants.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: Ninety days after adjournment of session in which bill is passed.

Testimony For: This bill will save the public money; interest rates have been below 12 percent for the last few years, but the applicable judgment rate has been 12 percent. This bill uses a judgment rate based on the market rate which is fairer.

Testimony Against: The current approach has been working; there is no need to change it. This bill will remove an incentive to settle when the bill results in lower interest rate costs.

Testified: Larry Shannon, Washington State Trial Lawyers Association (con); Mark Barber, Washington State Trial Lawyers Association (con); Rep. Marlin Appelwick (con); Bill Henselman, Department of General Administration (pro); Betty Reed, Risk Manager, Department of General Administration (pro); and Jim Justin, Association of Washington Cities (pro).