

HOUSE BILL REPORT

HB 1001

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 certain tort judgments.

Sponsors: Representatives L. Thomas, Dyer and Mielke.

Brief History:

Committee Activity:

Financial Institutions & Insurance: 1/20/97, 1/27/97 [DP].

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: Do pass. Signed by 7 members: Representatives L. Thomas, Chairman; Smith, Vice Chairman; Zellinsky, Vice Chairman; Benson; DeBolt; Sullivan and Wensman.

Minority Report: Do not pass. Signed by 4 members: Representatives Wolfe, Ranking Minority Member; Grant, Assistant Ranking Minority Member; Constantine and Keiser.

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 and loses the appeal. 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 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. Calculations are based on the date of the judgment. For private litigants, this rate also applies to contracts that do not contain provisions for interest rates upon default, and to other actions except child support.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: The judgment interest rate should better reflect the market interest rate. Plaintiffs receive a windfall when they receive a judgment interest rate of 12 percent when the market interest rate is much lower.

Testimony Against: Reducing the minimum interest rate on judgments below 12 percent encourages appeals from judgments, increases hardship and inequity on victims, raises transaction costs, and promotes protracted litigation. Victims often must obtain financial help through consumer loans or credit cards while the appeal is processed. The rates on this consumer financing are much higher than the 12 percent minimum judgment rate victims now receive; it's wrong to lower the judgment rate even more.

Testified: Larry Shannon and John Budlong, Washington State Trial Lawyers Association (oppose); Basil Badley, American Insurance Association (supports); Betty Reed, Department of General Administration (neutral); and Representative Marlin Appelwick (opposes).