

Please VOTE YES on HB 225, Civil Judgment Interest - the legal system is supposed to promote fair and just civil judgments, not excessive one

Summary of bill:

HB 225 would amend the civil judgment interest rate on a claim for an injury from the current 10% per year to *an interest rate equal to the prime rate* published by the federal reserve system in its statistical release H.15 18 Selected Interest Rates, or in any publication that may supersede it, on the day judgment is entered, *plus 2% per year. (Emphasis added).*

Reasons to VOTE YES of HB 225:

- **The proposed legislation will promote fair and just civil judgments for all litigants** – As a general equitable principle, claimants should receive no less and no more than what they need to be restored to their pre-injury condition, and defendant, except in cases where punitive damages are appropriate, should be required to pay no less and no more than what is necessary to properly compensate the plaintiff for his/her actual damages. The current 10% per year civil judgment interest rate provides claimants with an economic windfall, because the plaintiff can recover an interest rate on their damages, which far exceeds what the plaintiff could earn if he/she invested the damages money in a traditional financial investment. Claimants seeking a legal redress of their injury should be *fully compensated* for their loss, but they should not be allowed to *profit* from their claim.
- **HB 225 will help discourage the filing of frivolous lawsuits and needlessly protracted litigation, which are unavoidable insurance cost-drivers that adversely impact insurance rates for all consumers and businesses** – By lowering the civil judgment interest rate to the prime rate plus 2%, there will be less of an economic incentive to file questionable legal claims that take years to be fully adjudicated. Under the current law, there is a clear economic incentive for plaintiffs to let their case slowly meander through the judicial system, because their damages claim increases each year at a guaranteed interest rate – one that beats conventional financial investments. Such a practice creates needless congestion of court dockets and increases legal defense costs that ultimately affect the price of goods and services for consumers.
- **The current 10% civil justice interest rate is based upon an arbitrary number and has no logical connection to the world of interest rates** – In contrast, the Federal Reserve Prime Interest Rate used in HB 225 is used by major lending institutions (traditional banks, credit unions, thrifts, etc.) as the foundational benchmark rate index for pricing various loan and investment products. The Federal Reserve Prime Interest Rate is used in most consumer loan products such as: student loans, home equity lines of credit, car loans, and credit cards. Consequently, using this adjustable government financial interest rate index makes sense and allows for the civil judgment interest rate to reflect the financial condition of the country at the time the judgment is entered. Moreover, with the “plus 2%” provision in the bill, the claimant is guaranteed to receive an interest rate that is, at least, equal to the most competitive investment products on the market.

Please VOTE YES on HB 225, so that civil judgments are fair for all parties!