



January 11, 2008

TO: Members of the Senate Committee on Judiciary

**SUBJECT: SB 423 (HARMAN) EXEMPLARY DAMAGES
SCHEDULED FOR HEARING TUESDAY, JANUARY 15, 2008
SUPPORT**

The below-listed employer and business organizations strongly **SUPPORT SB 423 (Harman)**, which would provide a clear standard for reasonable punitive damages awards by limiting them to no more than three times compensatory damages. Improving the clarity and objectivity of California's punitive damages system will safeguard against excessive, runaway punitive damages awards.

Many state legislatures have already adopted limits to prevent excessive punitive damages amounts: Five states prohibit punitive damages altogether in civil actions. Twenty-two states impose some form of cap or formula, thirteen of which have a cap of a 3-to-1 or smaller ratio to compensatory damages that applies to some or all cases.

SB 423 (Harman) will help improve California's legal climate reputation, which continues to register near bottom nationally for fairness and reasonableness – 45th out of 50 in the 2007 US Chamber/Harris legal climate survey of in-house counsel and senior attorneys across the nation representing businesses. In the same survey, punitive damages reform was the top-requested state-level policy reform for the past two years. Additionally, in 2007, California's punitive damages system ranked 3rd worst. Only Mississippi and West Virginia ranked worse.

The absence of any limits on punitive damages amounts, combined with California's growing reputation as a high-risk legal forum negatively distinguishes California as one of the highest risk states for runaway punitive damages awards.

We believe that the State of California should take a proactive step to improve California's legal climate by adopting the common sense punitive damages reform contained in **SB 423 (Harman)**.

For these and other reasons, we are pleased to **SUPPORT SB 423 (Harman)** and urge your "aye" vote.

Sincerely,

California Chamber of Commerce
Civil Justice Association of California
Association of California Insurance Companies
Association of California Life and Health Insurance Companies
California Association of Health Facilities
California Association of Joint Powers Authorities
California Bankers Association
California Building Industry Association
California Business Property Association
California Farm Bureau Federation
California Hotel and Lodging Association
California Independent Grocers Association
California Manufacturers and Technology Association
California Professional Association of Specialty Contractors
California Restaurant Association
California Retailers Association
Engineering Contractors Association
Personal Insurance Federation of California

cc: The Honorable Tom Harman
Mike Proso, Office of the Governor
Gene Wong, Senate Judiciary Committee
Mike Petersen, Senate Republican Caucus
Kaye Bassett, Governor's Office of Planning & Research
Senate Floor Analyses