



February 16, 2016

Dear Members of the Virginia House of Delegates,

At a time when Virginia has been dropping in nearly every business climate ranking, it is unwise to pass SB 111, which raises the caps on punitive damages from \$350,000 to \$500,000.

Virginia's longstanding reputation as a reasonable and balanced state for tort liability makes us more attractive to new businesses wishing to relocate here. Bills such as SB111 that will make litigation more costly would put that reputation and our existing businesses at risk. We should be finding ways to promote job creation and attract new businesses to Virginia, not creating new impediments to growth.

When businesses spend scarce resources to fight and settle tort cases, they have less capacity to hire and expand. Three quarters of attorneys at U.S. companies say a state's lawsuit environment is likely to impact important business decisions at their company, including where to locate or expand according to a recently released survey by the U.S. Chamber Institute for Legal Reform (ILR). That is an 18 percent increase from eight years ago and an all-time high.

The United States already has the costliest legal system in the world. Lawsuits cost the U.S. economy \$264 billion dollars per year, or about \$850 for every man, woman, and child in the United States. Small businesses face some of the highest burdens under our tort system; with a recent report estimating that the tort liability costs for small businesses with less than \$10 million in annual revenue was more than \$100 billion a year. One in three small business owners report that they have been sued or threatened with a lawsuit – and if sued, more than two-thirds say they would likely have to pass legal costs on to consumers, reduce employee benefits and hold off on hiring new employees. Finally, The US Supreme Court expressed serious concern in recent years that punitive damages awards in the nation have “run wild,” jeopardizing constitutional rights.

Maintaining our current caps on punitive damages will help keep Virginia from falling further behind other states in our business climate rankings, and will prevent a new roadblock to economic recovery. An equitable and fair legal system is one of the core priorities for long-term economic growth.

Passing legislation that favors the trial bar at the expense of Virginia businesses takes us in the wrong direction, especially when many other states are currently reducing their punitive damages caps. For instance, North Carolina limited their punitive damage awards to three times the award of compensatory damages or \$250,000 whichever is greater. The following businesses, local

chambers, and trade associations respectfully ask that you vote No on SB 111 in order to ensure that Virginia stays competitive economically and to protect our reputation as a “business friendly” state.

Sincerely,

American Insurance Association

Associated Builders and Contractors – Virginia Chapter

Chesterfield Chamber of Commerce

Dulles Regional Chamber of Commerce

Fredericksburg Regional Chamber of Commerce

Greater Richmond Chamber of Commerce

Greater Williamsburg Chamber & Tourism Alliance

Halifax County Chamber of Commerce

Hampton Roads Chamber of Commerce

The ILEX Group

Loudoun County Chamber of Commerce

National Association of Mutual Insurance Companies

National Federation of Independent Business

Northern Virginia Chamber of Commerce

PhRMA

Prince William Chamber of Commerce

Property Casualty Insurers Association of America

Roanoke Regional Chamber of Commerce

Twin County Regional Chamber of Commerce

Virginia Asian Chamber of Commerce

Virginia Manufacturers Association

Virginia Peninsula Chamber of Commerce

Virginia Retail Federation

Virginia Society of CPAs