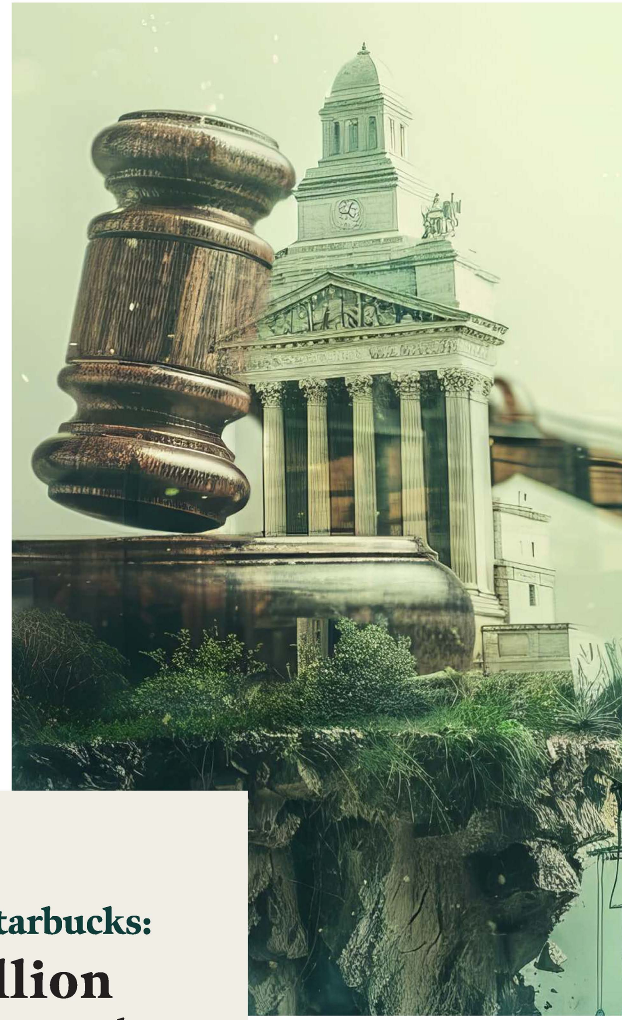
Executive Summary

Verdicts in liability lawsuits have skyrocketed and are especially notable in product liability and commercial auto, **rising 7.1% annually** between 2016 and 2022, according to the U.S. Chamber of Commerce.



CASE COMPARISON

1994
Liebeck v. McDonald's:
$160,000 Compensatory Damages
Punitive Damages **$2.7 million**

Reduced to $480,000 by the judge, with the appeal settled out of court for an undisclosed amount.

2025
Garcia v. Starbucks:
$50 million
in compensatory and punitive damages

Policyholders should be made whole when appropriate, but the plaintiff's bar is exploiting the judicial system for financial benefit.

➨ That abuse leads to higher insurance costs for all consumers.

What kinds of damages are awarded?

COMPENSATORY: Awarded to reimburse a plaintiff for actual losses, such as medical expenses, lost income, or pain and suffering.

PUNITIVE: Intended to punish the defendant for especially harmful or reckless behavior and deter similar conduct in the future.

When loss of earnings due to lawsuit abuse is included, the **cost to the average American family is $5,135 per year.**

(Perryman Group Study)

- Third-party litigation financing (TPLF) invites sophisticated investors – including foreign funders – to profit from the U.S. court system, driving up the cost of insurance for policyholders.

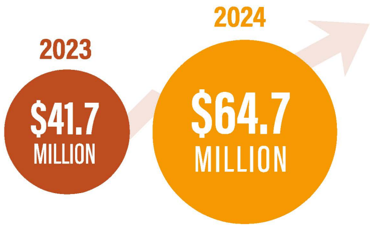
  TPLF assets under management in the U.S. were $16.1 billion in 2024, with $2.3 billion in new commitments across 287 new deals — an average of $8 million of assets invested per deal. (Westfleet Advisors)

$8M

AVERAGE TPLF ASSETS INVESTED PER DEAL

- U.S. corporations were hit with record average damages in 2024.

  The average award against a corporate defendant in cases brought in the U.S. rose to $65.7 million in 2024, up from $41.7 million just one year earlier. (LexisNexis data reported by Financial Times)



- Constant advertising by trial lawyers across the United States is conditioning people to assume that they need an attorney any time they have been involved in an accident.

$2.5B+

ADVERTISING SPENDING - LEGAL SERVICES (2024)

26.9 M

NUMBER OF ADS FOR LEGAL SERVICES OR SOLICITING LEGAL CLAIMS (2024)

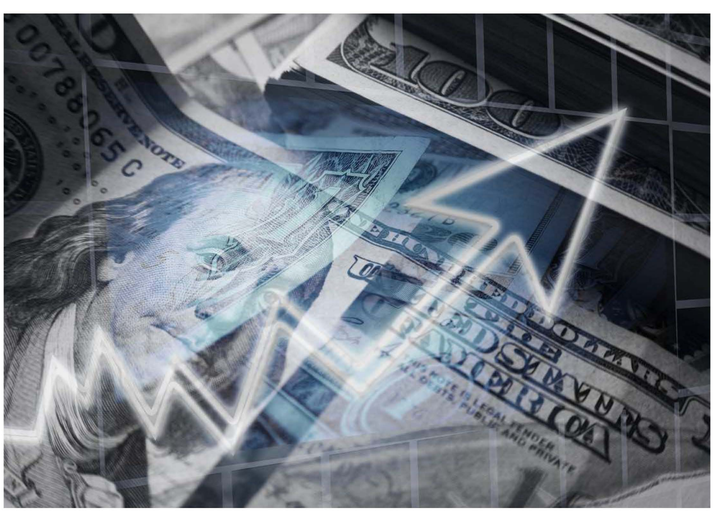
(American Tort Reform Association)

The Costs of Legal System Abuse

Legal system abuse is rife across the United States. According to the Insurance Information Institute, it typically involves:

- Disputes that could have been resolved without judicial intervention.
- Unnecessary litigation that racks up attorney and court fees.
- Plaintiffs using dodgy claims-filing tactics, such as assignment of benefits, trumped-up damages, or inflated or false medical care.

A 2025 Perryman Group study, The Economic Impact of Excessive Tort Costs on US Households, says consumer prices in the United States are estimated to be 1.32% higher than they would be without excessive litigation. When loss of earnings due to lawsuit abuse is included, the cost to the average American family is $5,135 per year.



Adding to the problem, the median size of so-called "Nuclear Verdicts®"— defined as jury awards of $10 million or greater—has more than doubled since 2020, jumping to $44 million from $21 million, according to Marathon Strategies' "Corporate Verdicts Go Thermonuclear: 2024 Edition." Moreover, the study found that 2023 saw the largest number of nuclear verdicts against corporate defendants, 89, since 2009.

And it is not just the severity of the verdicts. The frequency of litigation is trending upward. According to U.S. Courts caseload data for FY 2023-2024:

- Healthcare/pharmaceutical filings skyrocketed **98%**
- Personal injury/product liability filings surged **78%**
- Other personal injury filings rose **30%**
- Civil rights filings rose **30%**

Legal system abuse is a problem for policyholders, consumers and the economy as a whole. It drives up prices, drives out insurers and investors, and clogs the court system with frivolous cases that could be handled fairly without litigation. Moreover, the beneficiaries are opportunists in the legal field and their financial backers.

While state laws differ, plaintiff attorneys often charge about 33% to 40% of settlements, according to Consumer Shield, and potentially more if a lawsuit goes to trial. Further, that doesn't include interest rate payments consumers must pay to litigation investment firms, which may range from 15% to 124%, TransRe reported in November 2024.

> "Not every consumer understands the compounding effect of high interest rates: one litigant received an $18,000 advance and owed $33,000 to the funder six months later. Another plaintiff borrowed $27,000 to pursue a 'slip and fall' case which settled. After the funder took almost $100,000 and attorney fees were paid, the plaintiff was left with $111."
>
> (Source: TransRe, "Claims Update: Third Party Litigation Funding," November 2024)

Of the $366.8 billion in business tort costs in 2022, commercial general liability and professional liability bore the brunt.

U.S. Chamber of Commerce, "Tort Costs in America 2024"

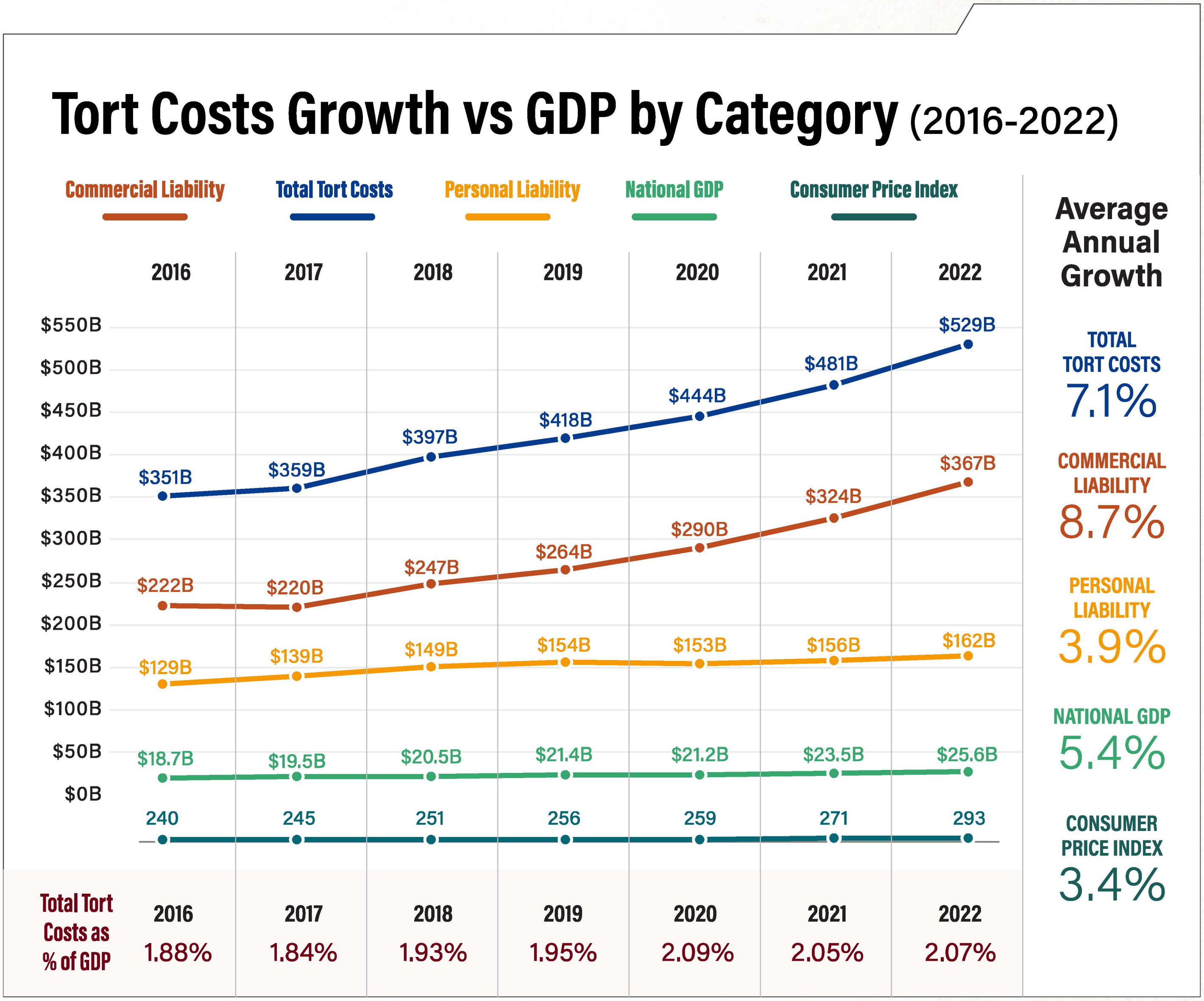
On the personal lines side, auto was the overwhelming target. Of the $162.1 billion in personal tort claims $156.9 billion was for personal auto and $5.2 billion was for homeowners, renters or condo

$156.9 B PERSONAL AUTO

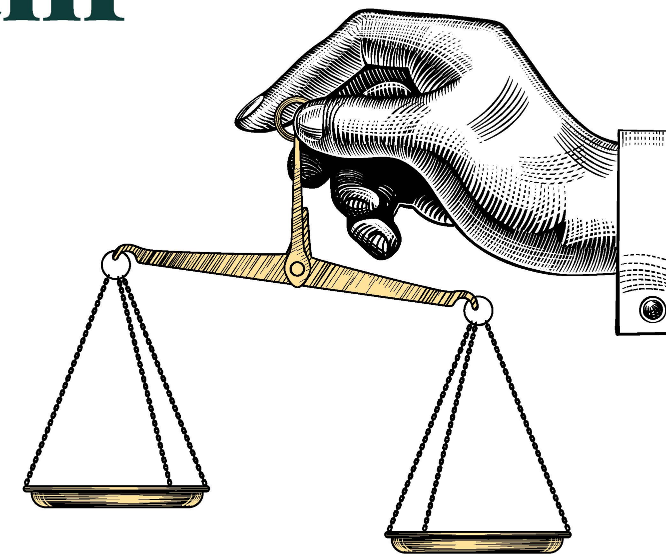
HOMEOWNERS, RENTERS OR CONDO $5.2 B

Not only are the nominal costs of tort cases going up across lines of insurance, "increases in tort costs have outpaced increases in GDP," rising as a percentage of GDP from 1.88% in 2016 to 2.07% in 2022, U.S. Chamber of Commerce's 2024 "Tort Costs in America" study.

That same study adds that liability costs in the United States decrease manufacturing competitiveness by 3.7% relative to its top nine trading partners. "Nationally, the commercial auto defense and cost-containment expense (DCCE) ratio—a key measure of the impact of litigation on insurers—has nearly tripled over the past decade," according to "Commercial Auto: Trends and Insights", published by the Insurance Information Institute (Triple-I) in October 2024.



How the Plaintiff Side Operates



Those who abuse the legal system to capture large settlements and awards have a modus operandi characterized by four key components, all focused on driving up costs, so insurance companies are incentivized to settle.

TACTICS INCLUDE:

- Many frivolous or over-valued small filings.
- Deep and non-transparent sources of funding.
- Manipulative tactics to influence juries.
- Massive advertising campaigns to demonize insurers and lure plaintiffs.

Plaintiffs bar predators look for everything from medical malpractice to personal injury, storm damage, product and environmental liability, and even stock underperformance to garner clients who will file lawsuits seeking hefty damages and attorneys fees.

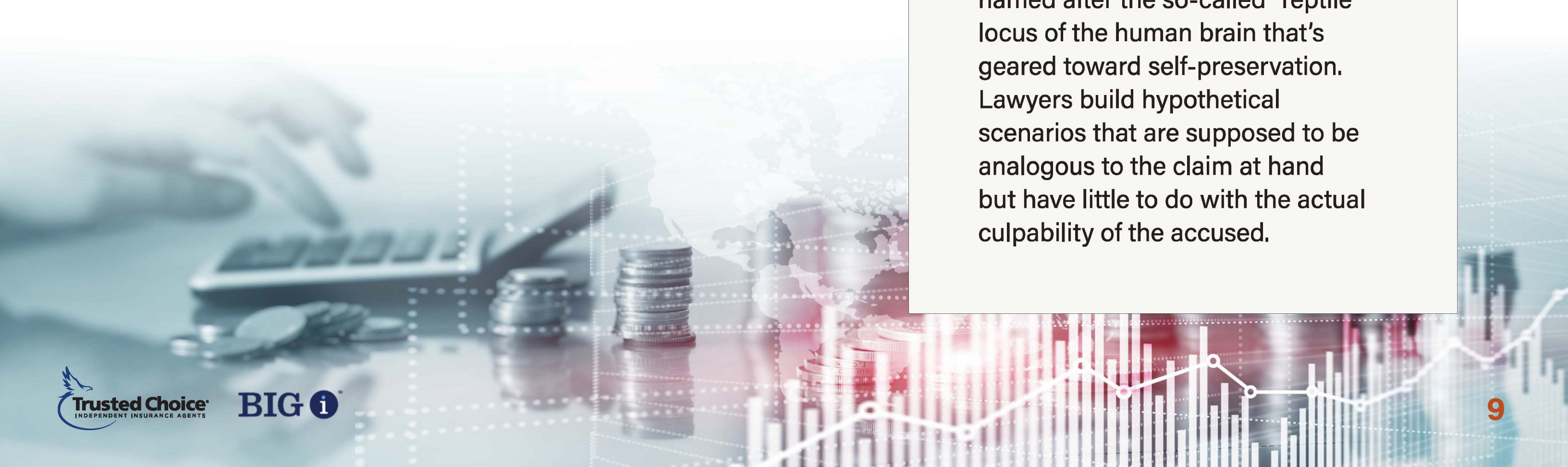
They develop new theories of law, such as the "public nuisance theory," and new approaches to influence juries, such as the "reptile theory," to get around traditional liability law and definitions.

PUBLIC NUISANCE CLAIMS:
These lawsuits attempt to subject businesses to liability over societal and political issues–regardless of fault, how the harm developed or was caused, whether the elements of the tort are met, or even if the liability will actually address the issue.

Their mantra is, 'Let's make "Big" [insert business] pay.'

Source: ATRA's The Plaintiffs' Lawyer Quest for the Holy Grail: The Public Nuisance "Super Tort"

REPTILE THEORY:
This tactic focuses jurors not on the legal issues in the insurance lawsuit but on the emotional, empathetic issues of danger, fear and anger—named after the so-called "reptile" locus of the human brain that's geared toward self-preservation. Lawyers build hypothetical scenarios that are supposed to be analogous to the claim at hand but have little to do with the actual culpability of the accused.



Trusted Choice INDEPENDENT INSURANCE AGENTS BIG i

With massive advertising budgets, attorneys are predisposing Americans to consider legal action as a primary method of compensation.

More than $2.5 billion was spent on nearly 27 million ads in 2024 alone, according to “Legal Services Advertising in the United States – 2020–2024,” published by the American Tort Reform Association.

Making matters worse, many policyholders don’t fully understand their insurance coverage limits and related contract language. Therefore, they easily buy into the narrative that they should sue their carrier or get legal representation at the outset to maximize claim payouts.

$2.5B+

ADVERTISING SPENDING - LEGAL SERVICES (2024)

26.9 M

NUMBER OF ADS FOR LEGAL SERVICES OR SOLICITING LEGAL CLAIMS (2024)

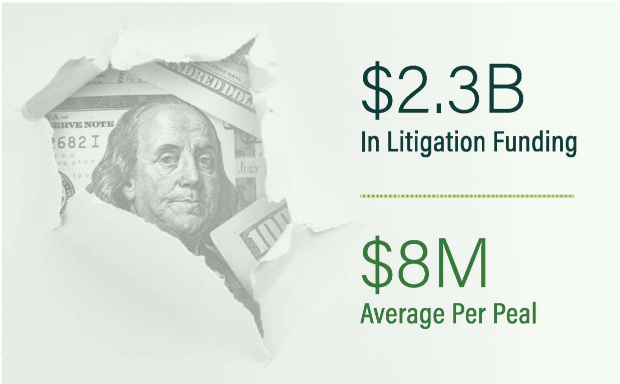
(American Tort Reform Association)

Possibly the most distressing concern is the evolution of third-party litigation financing (TPLF), which is a system of lending to plaintiffs in exchange for a portion of any settlement or jury award.

TPLF firms, some backed by sovereign wealth funds or other foreign investors, have deep pockets and can finance all sorts of "lottery-style" cases that attempt to score a financial windfall for plaintiffs—deserving or not—as well as discovery and filings that drive up case costs.

The goal is to force a favorable settlement where the suing attorney and TPLF firm get first dibs on the payout. Attorneys benefiting from the excess availability of litigation funding may even reject or delay reasonable settlements to draw out the money-making process, according to "Legal System Abuse: State of the Risk," a brief from the Insurance Information Institute.

According to Westfleet Advisors' 2024 "Litigation Finance Market Report," there is $16.1 billion in TPLF assets under management in the United States. Between July 2023 and June 2024, litigation funders committed $2.3 billion in new money to 287 deals, averaging $8 million per deal. Currently there are no disclosure requirements for litigation funders, with jurors often never knowing that an investment firm will benefit handsomely from an injury or damages award.



The plaintiffs bar actively seeks the most favorable venues for case filings, seeking jurisdictions known for their anti-corporate or excessively pro-plaintiff leanings. Known as forum shopping, this involves choosing a court where the legal rules, jury pools or judges are more likely to lead to a favorable outcome for their clients.

The plaintiffs bar is also very active in opposing tort reform proposals, arguing that such reforms negatively impact consumers, deny victims access to justice and undermine the judicial system. The national association representing the plaintiffs bar spent $4.9 million lobbying the U.S. Congress in 2024 alone, according to the American Association for Justice (AAJ), on top of the millions of dollars spent lobbying state legislatures.