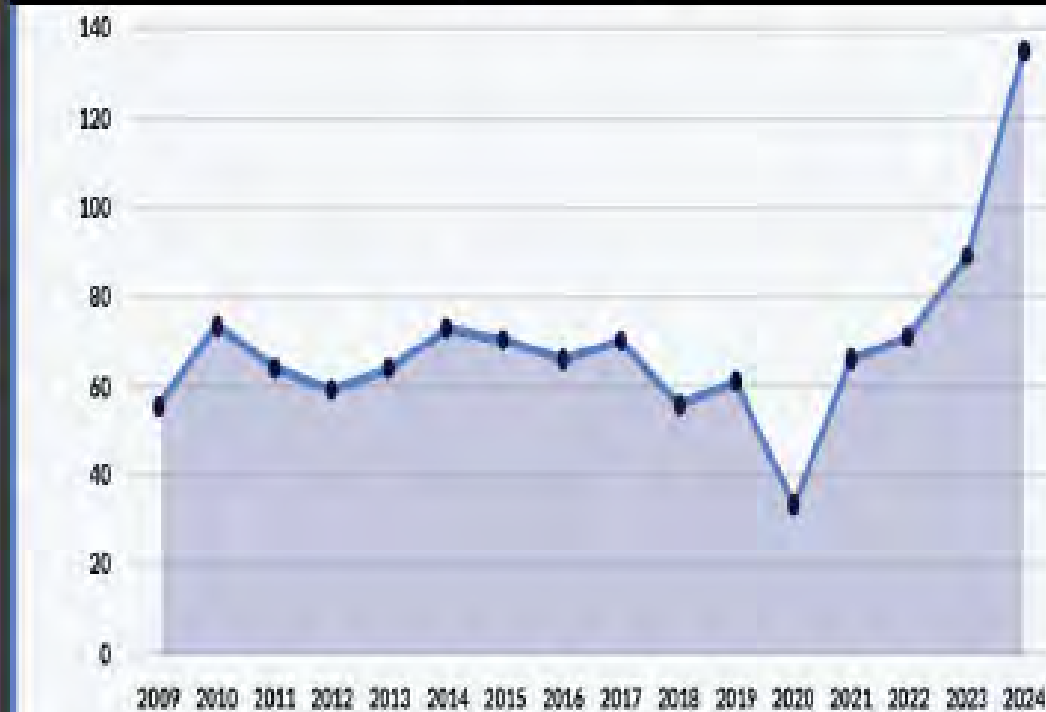


Legal System Abuse



The Big "I" Has Your Back

Number of Corporate Nuclear Verdicts: 2009-2024



Source: Marathon Strategies.

- \$4,207 annually in higher costs of goods and services per household
- 4.8 million jobs lost
- \$160 billion higher small business costs
- 220% increase in typical personal injury awards between 2010 (\$39,300) and 2020 (\$125,366)
- U.S. liability claims as a % of GDP are more than twice as high as most EU countries
- Plaintiffs receive only 53% of legal expenditures

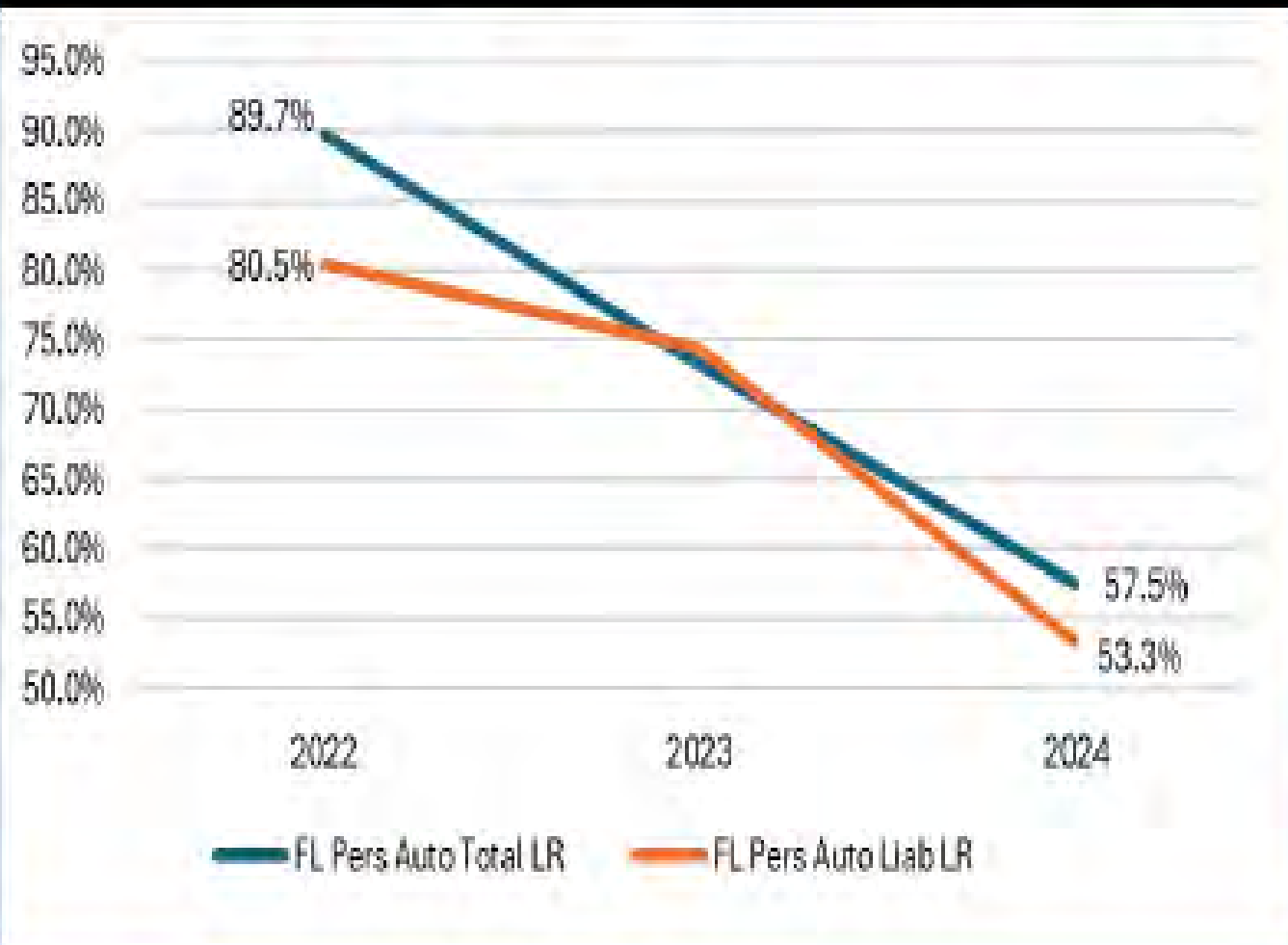


Florida Took Action

- According to the Florida OIR, in 2021 the state had only 9% of the nation's homeowner claims but accounted for 79% of lawsuits filed nationwide.
- Over a 10-year period, 71% of the \$51 billion paid by Florida insurers went to attorney's fees and public adjusters.
- Governor DeSantis and the Legislature took action in December 2022 and March 2023.
- Cracked down on bad faith litigation, removed Florida's one-way attorney's fees provision in favor of policyholders, and permitted insurers to include mandatory binding arbitration in a policy.
- Prohibited the Assignment of Benefits under any residential or commercial insurance policy.



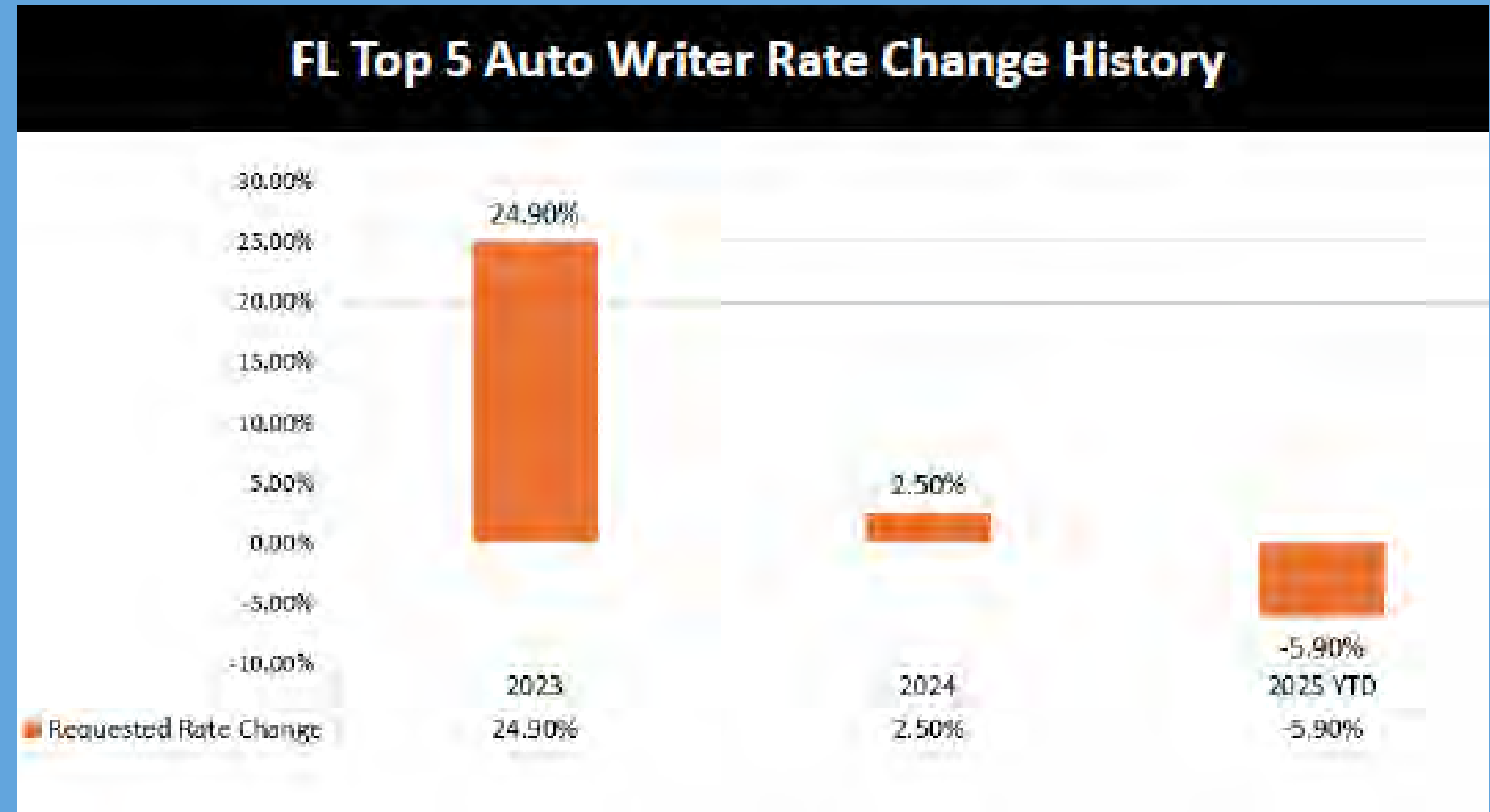
Florida Personal Auto Loss Ratio Improvement



2024 FL Post-Reform Improvements

- Property litigation down nearly 30%
- Defense & cost containment expenses only 1/3rd of 2022 levels
- Auto insurers filed for rate reductions between 6% to 10.5%.
- Lowest average property rate increase in nation (1%)
- Reinsurance costs decreased
- Citizens is depopulating
- Legal filings down 36% since 2021
- Drop in nuclear verdicts national ranking

Florida's Top 5 Auto Writers Reduce Rates



Tort Reform in Florida Is Working- Increased Affordability & Availability

“Critics claim reform enriches insurance companies, but Florida’s recent rate reductions and market stabilization prove these arguments are baseless.”

Paul Renner, Former Speaker of the FL House
(2022-2024), WSJ, May 2, 2025

“These improvements are largely due to historic legislative reforms championed by Governor Ron DeSantis.”

Florida OIR, July 29, 2025





Legal Reform in Georgia

- A multiyear effort culminated this spring with the enactment of a comprehensive package of reforms, which passed by a single vote.
- The reforms address premises liability standards, eliminate the ability of billboard lawyers to recover legal fees twice, allow evidence of seat belt use and non-use to be admitted, tackle “phantom damage” awards, make TPLF arrangements more transparent, and implement other procedural and substantive improvements.
- Georgia had the 3 C’s – an insurance *crisis*, the right political *climate* (e.g., strong support from Governor Kemp and others), and a broad-based *coalition*.
- The Big “I” played a central and leading role in the effort.



Continuing the Momentum

- Interest in legal reform is growing in other states and is driven in part by the positive results in Florida and Georgia.
- Indiana is a state that could be ripe for similar comprehensive reform.
 - There is strong support from Governor Braun and legislative leaders for a Georgia-like set of reforms, and a broad coalition of business and policyholder groups is already working together.
 - Elected leaders and stakeholders continue to discuss what could be in the package, but possibilities include fair compensation limits on non-economic damages, premises liability reforms, etc.
 - This may be a multiyear effort, and enactment in 2026 could be challenging because the legislature adjourns in mid-March.
- States such as Alabama, Kentucky, Missouri, South Carolina, and Texas are also contemplating reforms.
- The aggressiveness of the trial bar is a political challenge, and they have heavily supported certain populist/Republican legislators.



Third Party Litigation Funding

- Third Party Litigation Funding (TPLF): when an outside agent – someone not involved in the legal dispute – pays a plaintiff’s legal fees with the expectation of financially profiting off any settlement or judgment. It is a growing multibillion-dollar industry with sophisticated investors threatening the integrity of the U.S. court system.
- An estimated \$15.2 billion in assets were allocated to U.S. commercial litigation investments in 2023, and a separate analysis predicts that commercial litigation funding could reach \$31 billion in the U.S. by 2028.
- In many cases third-party litigation funders pay a more favorable tax rate on their share of a court award than the injured plaintiff. This perversely incentivizes foreign investment in U.S. litigation. The Big “I” supports efforts to close this tax loophole that foreign and domestic TPLF investors exploit.
- Sophisticated investors treat our court system like a casino.

State Action on TPLF

- TPLF distorts the civil justice system, yet the existence of such arrangements remains hidden from judges and defendants.
 - Those concerned with TPLF's abusive nature are working to (1) create transparency and/or (2) eliminate the financial incentive to engage in such arrangements.
 - A growing universe of states have also established business registration and contract requirements, reporting rules, financial prohibitions, restrictions on the control of litigation and access to sealed material, and special requirements for foreign entities.
- Disclosure/Transparency
 - Wisconsin (2018), Montana (2023/2025), and West Virginia (2024) require the proactive disclosure of TPLF agreements.
 - Additional states allow TPLF agreements to be obtained in some form through discovery or request: Indiana (2024), Louisiana (2024), Georgia (2025), and Oklahoma (2025).
- A year ago, NCOIL adopted a comprehensive model that includes all of the elements identified above (including disclosure).
 - This was sponsored by Indiana State Rep. Matt Lehman, an active Big "I" member.
- Although it has been less common, some states (including Arkansas and Tennessee) have enacted caps on the interest rates that funders may charge.

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Federal Efforts

- When legislative text for the Senate tax bill was released in mid-June, it included a Big "I"-supported provision that would tax third party litigation funding (TPLF) proceeds at a 40.8% rate.
- Litigation finance firms and the plaintiffs' bar launched an aggressive campaign to strip this provision, reportedly spending tens of millions of dollars over a three-week period. The Senate parliamentarian ultimately stripped the provision due to procedural reasons.
- Despite this setback, the Big "I" actively supports two bills tackling different aspects of the issue:
 - The Litigation Transparency Act of 2025 (H.R.1109) requires disclosure of third-party litigation funding (TPLF) agreements and payments in civil lawsuits.
 - The Tackling Predatory Litigation Funding Act (S. 1821/H.R.3512) would close the TPLF tax loophole.



Legal System Abuse - Education

Independent insurance agents & brokers, as respected members of their communities and trusted advisors to their customers, have a special role to play in the education and advocacy needed to combat legal system abuse.

- **Education and Awareness**

Successful advocacy begins with education. Remain aware of priority topics and use brief talking points with legislators and clients. Explain the effects that LSA has on both availability and affordability of insurance.

- **Working Together**

Successful advocacy relies on the power of numbers. Legal system abuse is an issue facing every policyholder – both personal lines and commercial.

Resources for Independent Agents



The Trusted Choice Legal System Abuse Toolkit equips independent agents with the information they need on this issue. The toolkit includes tip sheets to help explain the various impacts of legal system abuse, quick-reference information; and infographics and videos designed to help make complex information easy to understand and share.



Equip Yourself Today

Access the full Legal System Abuse Toolkit now!

trustedchoice.independentagent.com/legal-system-abuse



Insurance Campaign Institute

- Placing more insurance professionals in elected office is critical to shape public opinion and to enact good policy.
- Objective: recruit, train and equip insurance professionals with the knowledge to run and win campaigns for elected office.
- Candidates will come from the insurance industry (agents, brokers, underwriters, CSRs, company personnel, spouses & family, etc.), have a strong business orientation, regardless of party affiliation, and desire to run for elected office.
- The program is open to individuals seeking office at any level of government – local, state, or federal.



Insurance Campaign Institute contd.

- The Institute is essentially a boot camp training program conducted over one full day, is comprehensive and will cover topics such as:
 - Campaign organization, fundraising, polling, grassroots mobilization;
 - Social media, messaging and advertising; and
 - How to put the insurance community to work for you.
- The only cost to participants will be transportation to/from DC.
- The Institute will be conducted yearly with the inaugural program taking place on April 20-21 prior to the 2026 Big “I” Legislative Conference.
- The Campaign Institute, working with IIABA state associations and industry partners, will identify prospective candidates (regardless of party affiliation) to participate.

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2025 Legislative Conference – Recap

- Nearly 1,000 attendees – agents, brokers, company executives, association staff and industry partners – joined the Big "I" in Washington, DC April 30 – May 2.
- Attendees met with nearly 400 Congressional offices (out of 535).
- Guest speakers included House Majority Leader Steve Scalise (R-LA), Rep. Scott Peters (D-CA), Sen. Steve Daines (R-MT), NRCC Chair Richard Hudson (R-NC), Rep Bill Huizenga (R-MI) and Rep. Grace Meng (D-NY).
- Save the date for the 2026 Big "I" Legislative Conference: April 22-24.