



Legal System Abuse Toolkit

What independent agents need to know about legal system abuse, how it impacts claims and customers, and strategies for how you can help counter the trend.

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Legal System Abuse: *A Problem We Can Solve*

Nearly 6 in 10 independent insurance agents (58%) responding to a Trusted Choice survey said insurance customers are minimally aware or not aware at all about the impact of legal system abuse on the insurance industry.

A 2024 study by the Institute for Legal Reform revealed that businesses incurred \$366.8 billion in financial liability, with individuals incurring an additional \$162.1 billion in costs in one year alone.

Agents must begin educating clients about how legal system abuse:

- Raises insurance premiums for everyone.
- Leads to higher deductibles.
- Reduces insurance availability.
- Can delay settlement and recovery, as well as reduce net payment to the injured party.
- Benefits lawsuit financiers, including foreign investors, on the backs of U.S. policyholders.

Trusted Choice is equipping independent agents with the information they need on this issue so they can help their customers understand the impact of lawsuit abuse and avoid becoming victims of predatory lawyers at claim time.

This toolkit includes tip sheets to help agents explain the various impacts of legal system abuse; quick-reference information on the issues at hand; and infographics that make complex data easy to understand and share.

The toolkit also includes steps agents and their customers can take to directly influence the legal and regulatory system.



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.

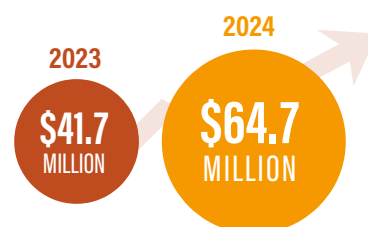
TPLF assets under management in the U.S. were \$16.1 billion in 2024, with \$2.3 billion in new commitments across 287 new deals — an average of \$8 million of assets invested per deal. (Westfleet Advisors)

\$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)



Legal System Abuse Toolkit

Successful advocacy begins with education, and the first step is understanding the issues in your state. The Trusted Choice™ toolkit will provide resources beyond this report to help you identify important topics and develop brief talking points that can be used with legislators and clients. With this knowledge, insureds are less likely to become frustrated with their agents and insurers or become victims of predatory attorneys and contractors.

Together, in a concerted effort, we can bring needed attention to the issue of legal system abuse in the insurance industry and create the energy needed to restore balance to the legal system. Doing so will allow for a healthy, competitive insurance marketplace that benefits all consumers.

The Trusted Choice Legal System Abuse Toolkit provides information and resources exclusively for Big “I” members.

Join now or log in to access the full toolkit.

THE FULL TOOLKIT INCLUDES:

- A breakdown of the cost of legal system abuse
- How the plaintiff side operates
- Strategies for combatting legal system abuse
- Social graphics and materials you can use to communicate with clients



The Big “I” represents more than 25,000 independent agency locations across the country. Members have access to a range of programs, including a suite of free marketing resources from Trusted Choice.



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Thank You

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