



U.S. Legal System Abuse Trends and Developments

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Legal System Abuse Trends in the United States

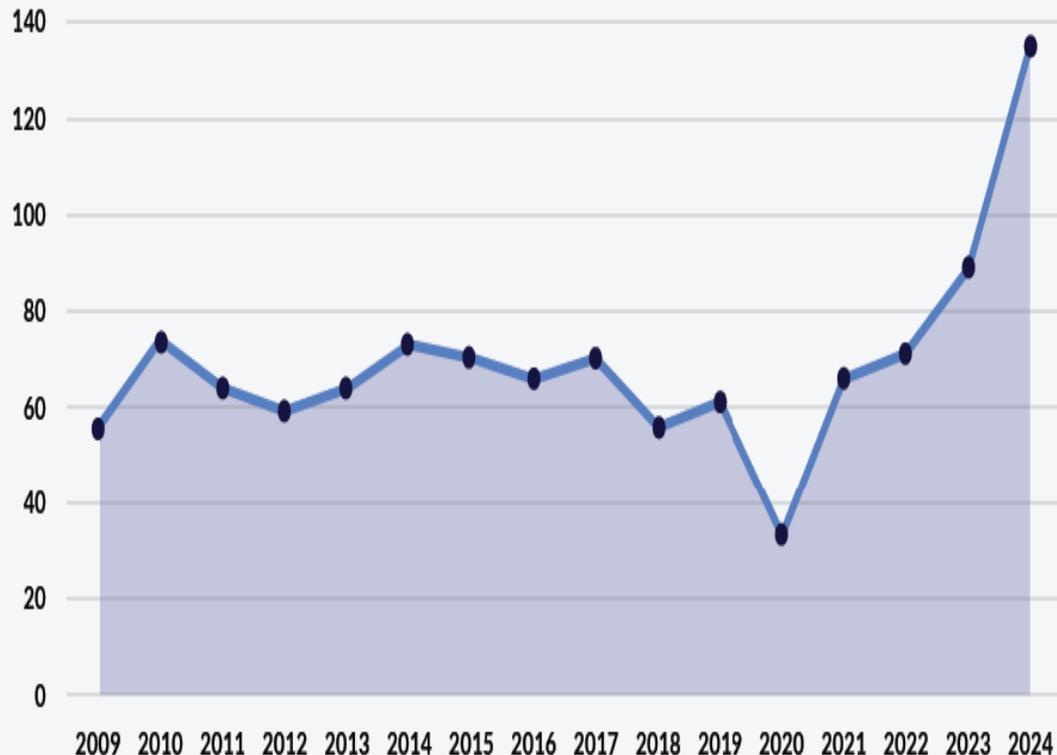


- Deceptive Attorney Advertising
- Increasing Populism & Declining Reputation
- Nuclear Verdicts and Settlements
- Damages
- Third Party Litigation Financing (TPLF)
- Other Abuse Trends (Joint & Several Liability, Jury Anchoring, etc.)



Societal Costs of Legal System Abuse

Number of Corporate Nuclear Verdicts:
2009-2024



- Higher costs of \$1,666 per person or \$5215 per family
- 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





Garcia v. Starbucks Case (L.A. Superior Court)

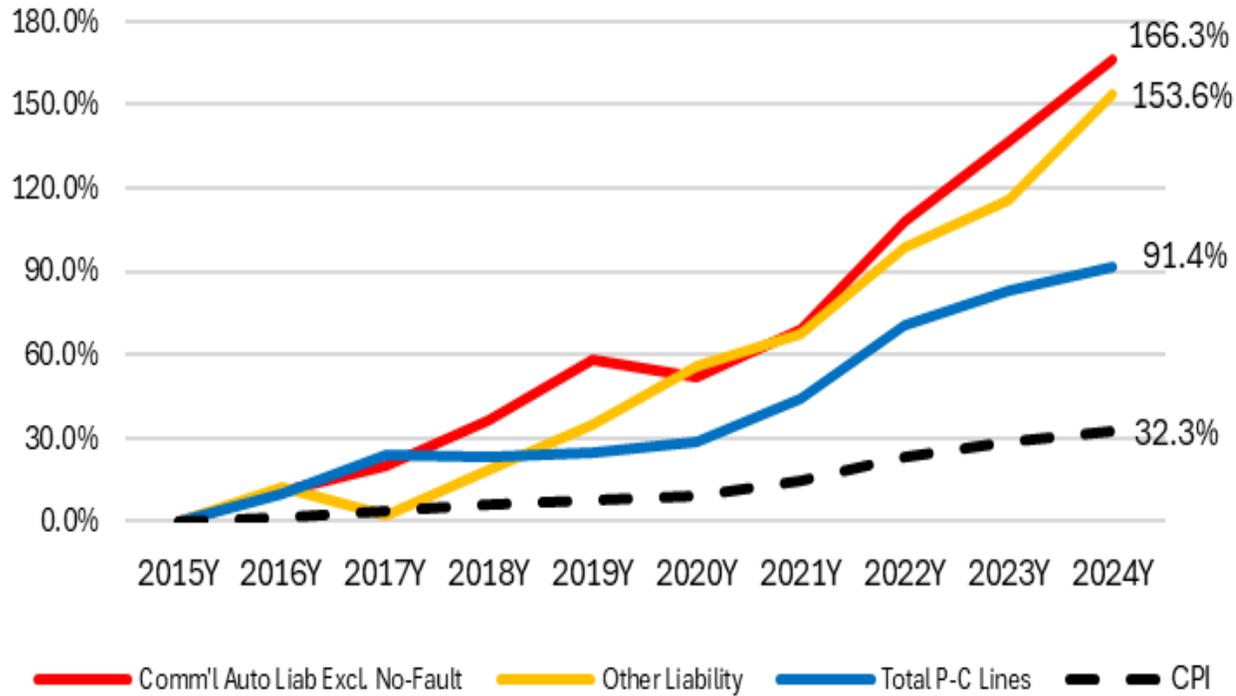


- Hot tea spill in Starbucks store drive-thru
- NO economic (wage or medical) damages introduced by plaintiff
- Jury deliberated 40 minutes for liability and 2 hours for damages
- **\$50M** award – all non-economic damages
- **Motion for New Trial and/or remittitur just denied by trial judge (6/4/25)**
- With attorney's fees and interest - \$61.7M
- Starbucks' Motion for New Trial denied by trial judge
- Starbucks plans to appeal



Liability Insurance Losses Spiking

Incurring Losses vs. Consumer Price Index (CPI) Percent Change Since 2015



Source: APCIA via S&P Global Market Intelligence and BLS Consumer Price Index

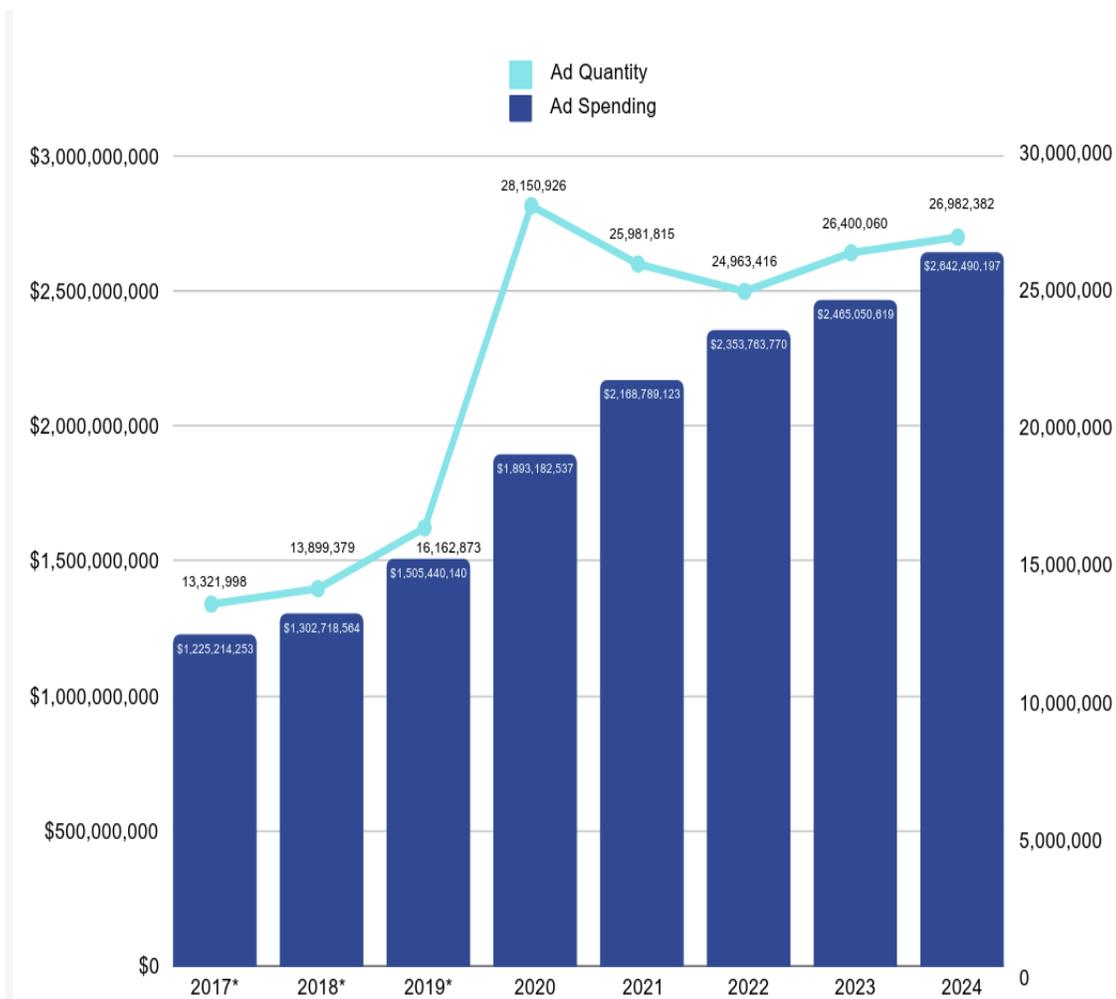
Other Liability Occurrence Adverse Reserve Development



Source: APCIA via IBNR/Dowling.



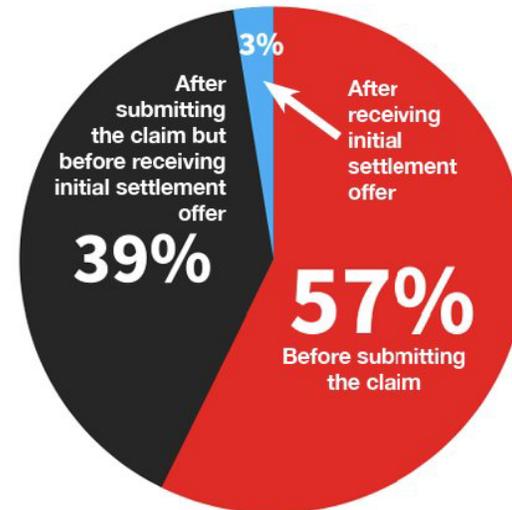
Attorney Advertising Attacking Insurers



Billboard Attorney False Narrative:

- Insurers are your adversary.
- Trial attorneys are your ally.
- We can help you get rich.

LexisNexis Survey: When Did You Decide to Hire An Attorney?
Percent of Respondents

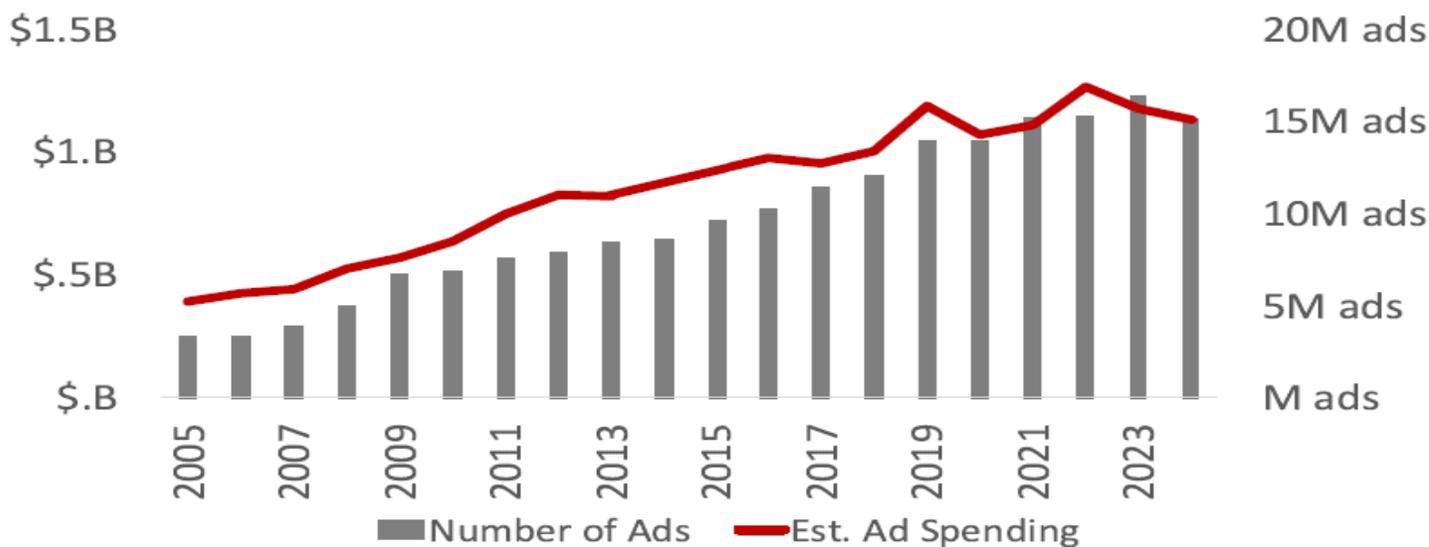




Rise in TV Attorney Advertising Spending

Total Legal Services TV Advertising

	Est. Ad Spending	Number of Ads
2005	\$393M	3.4M
2024	\$1.1B	15.1M
% Increase	+188%	+350%



Note: TV advertising data covers all airings of television advertisements on local broadcast networks in 210 media markets, nationally syndicated broadcast programming and on 11 national broadcast networks and more than 80 national cable networks. Estimated ad spending is estimated based on publicly available ad rates provided by media sellers and, since January 2019, transaction data from ad agencies and media buyers. Data are estimates and may vary over time. Our system reviews the database over time and edits it to account for duplicates or errors.

Source: X Ante analysis using data provided by Vivvix CMAG.



APCIA/Munich Re Survey of Perceptions of U.S. Legal System

- 84% agree that some plaintiff attorneys utilize tactics such as advertising/marketing to lure in clients even for small claims.
- 81% agree attorney advertising that touts large settlements or awards encourages lawsuits.
- 59% do not know that third parties, like hedge funds or foreign entities, often secretly finance litigation in exchange for a share of the jury award/settlement.
- 88% believe there should be full transparency and disclosure of all the parties who have a financial stake in a civil lawsuit.
- 86% agree that state and federal lawmakers should address abuses of the legal system (i.e., undisclosed third-party funding and plaintiff attorney advertising) to restore fairness and balance to the civil justice system.

Survey Finds Americans Agree Lawmakers Need to Address Abuses of the Legal System

The American Property Casualty Insurance Association (APCIA) and Munich Re US commissioned a survey on certain perceptions of the U.S. legal system. The online survey, conducted by The Harris Poll, among more than **2,000 U.S. adults**, shows that among Americans:

Majority of Americans Want Reforms

86% Agree that state and federal lawmakers should address abuses of the legal system.

88% Believe there should be full transparency and disclosure of all the parties who have a financial stake in a civil lawsuit.

Key Findings

Plaintiff lawyer advertising is pervasive 89% Have seen or heard lawyers advertising on TV, billboards, social media, radio, or web search results.	Third parties investing in lawsuits 59% Do not know that third parties, like hedge funds or foreign entities, often secretly finance litigation in exchange for a share of the jury award or settlement.
Plaintiff lawyers keeping a substantial stake 47% Not aware the plaintiff lawyer in a civil lawsuit is likely to receive a significant portion of the jury award or settlement.	Increasing costs for everyone 65% Not aware every household pays an estimate "tort tax" that is an average of \$3,621 per American household per year.

Consumers and businesses are negatively impacted by plaintiff lawyers' tactics, including the use of third party litigation funding and predatory advertising and marketing. These tactics increase costs and impact business viability.

SURVEY METHOD: This survey was conducted online within the United States by The Harris Poll on behalf of APCIA from January 19th, 2024, among 2,087 adults ages 18 and older. The sampling precision of Harris online polls is measured by using a Bayesian credible interval. For this study, the sample data is accurate to within +/- 2.5 percentage points using a 95% confidence level. For complete survey methodology including weighting, variables and subgroup sample sizes, please contact APCIA.

American Property Casualty Insurance Association

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APCIA Commissioned Milliman Study on Attorney Involvement

MILLIMAN REPORT

Trends in Attorney Representation: US Commercial Automobile Insurance

Prepared for: American Property Casualty Insurance Association

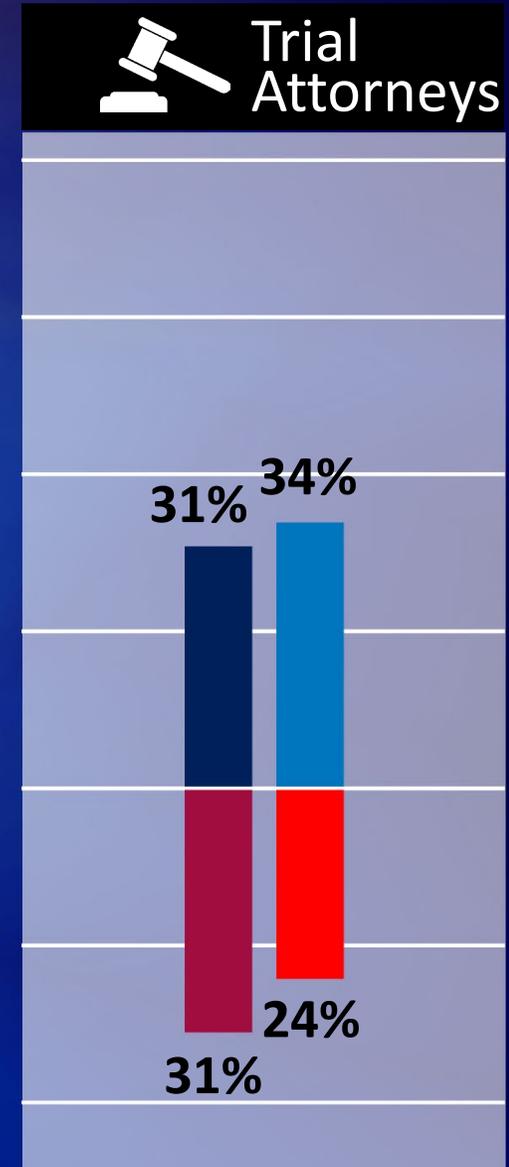
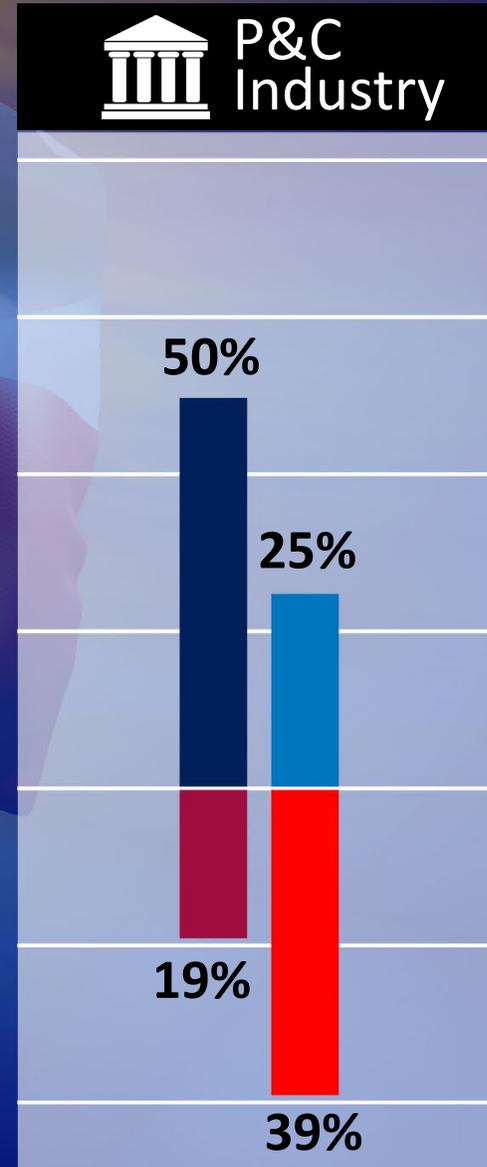
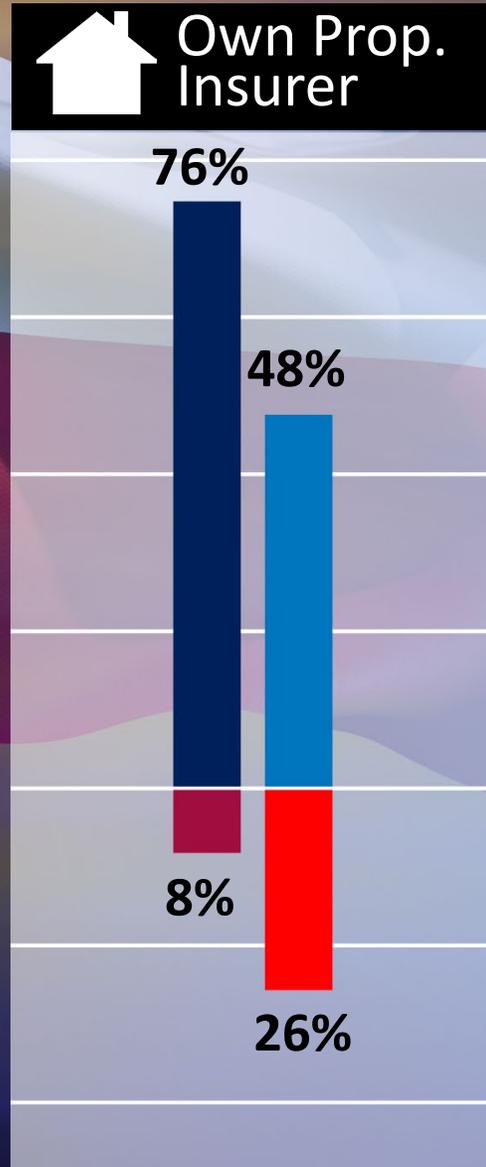
January 7, 2022

Derek Jones, FCAS, MAAA
Philip S. Borba, PhD, CSPA



- Average cost of claims with a plaintiff attorney was **14.3 times higher** than those without an attorney.
- Average cost to resolve a claim with an attorney **34 times higher** than to resolve a claim without an attorney.
- Average total loss and allocated loss adjustment expenses for claims with an attorney was **15.3 times** higher than claims without an attorney.
- In five years, there was a **50% increase** in claims of more than \$500,000.

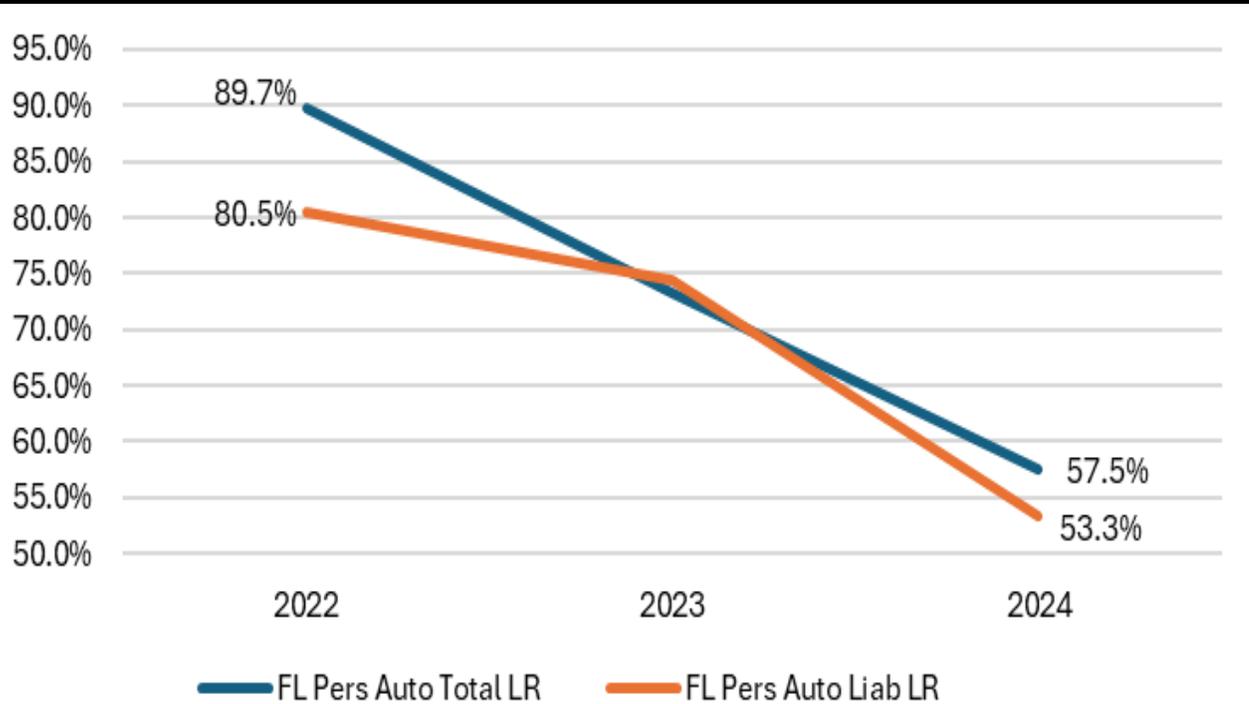
Reputational Harm to Insurers in TX





Benefits of Legal System Abuse Reform (FL)

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 (1.3m policies approved for take-out)