

INDEPENDENT INSURANCE AGENTS OF MARYLAND, INC.

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Senate Finance Committee

Senate Bill 894

Position: Favorable

Dear Chair Beidle, Vice Chair Hayes and the Members of the Senate Finance Committee,

The Independent Insurance Agents of Maryland supports Senate Bill 894, a crucial and timely piece of legislation addressing the pervasive and unregulated practice of third-party litigation financing (TPLF). This bill offers an appropriate and overdue response to an issue that has increasingly turned our legal system into a speculative financial market rather than a forum for justice.

The Independent Insurance Agents of Maryland is the State's oldest trade association of independent insurance agents. It represents 200 independent agencies, which employ over 2000 people in the state. We represent independent insurance agents and brokers who present consumers with a choice of policy options from a variety of different insurance companies. These small, medium, and large businesses offer a variety of insurance products – including property, casualty, life, health, employee benefit plans, and retirement products.

Our legal system is intended for the fair, just, and efficient resolution of disputes between parties. However, TPLF has distorted this fundamental principle, allowing hedge funds, sovereign funds, and other investors to profiteer off lawsuits, turning them into financial assets. This practice often incentivizes frivolous claims, needlessly prolongs litigation, and improperly inflates damages. The unfortunate reality is that plaintiffs in these cases frequently become an afterthought, ultimately receiving only a fraction of any award or settlement as lawyers and financiers get paid first.

The explosion of TPLF is alarming. These lawsuit lenders now manage assets totaling over \$16 billion in the U.S. alone, a number significantly grow in the coming years.¹ This unchecked growth has led to the abuse and misuse of our legal system, impacting all of us. TPLF raises the

¹ Regulatory Compliance Watch, February 4, 2026 article, "*Litigation funding goes mainstream.*"

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prices of products and services, reduces economic growth, and threatens unfairly targeted businesses.

Moreover, the effects of TPLF on insurance premiums are undeniable. Rates have been driven to higher levels than they would otherwise be. A recent study by Ernst & Young estimated that TPLF could impose up to \$50 billion in additional costs on the U.S. insurance industry over the next five years. These increases in claims costs will inevitably be passed on to consumers, families, and businesses in the form of higher premiums.

Currently, TPLF operates in a completely unregulated environment. Senate Bill 894 would establish reasonable regulations and common-sense guardrails, bringing much-needed sanity back to our legal system. It is important to emphasize that this proposal does not ban third-party litigation financing or hinder the ability of injured parties to be made whole. Instead, it introduces essential safeguards, transparency, and accountability to lawsuit loans of this nature.

This bill is not unprecedented. A rapidly growing number of states have begun to consider and enact similar transparency proposals, and individual federal district courts are increasingly requiring the disclosure of TPLF agreements.

Therefore, I urge you to vote favorably on Senate Bill 894. This thoughtful legislation is a vital step toward protecting the integrity of our legal system, safeguarding consumers, and ensuring a more just and equitable environment for all Marylanders.

Thank you for your time and consideration.