

# A Consumer Guide

How legal system abuse  
impacts you



# What is legal system abuse?

In the United States, the courts — which play a vital role in our legal system — interpret the laws, resolve disputes, and provide remedies for individuals and businesses. However, in recent years, the legal system has faced significant challenges from plaintiff attorney practices that have reportedly increased costs, settlement times, and inflated verdicts. These practices are referred to as legal system abuse.



# How does legal system abuse impact consumers?

Common tactics used by plaintiff attorneys have caused [claims costs to rise above general economic inflation](#), and are leading to higher costs for consumers. It also causes the depletion of municipal resources, financial strain on insurers, and disincentives for businesses to take risks.



# Four common tactics of legal system abuse

## 1 Aggressive attorney advertising

Attorneys use TV, radio, billboards, social media, and more to encourage plaintiffs to file lawsuits. Attorneys are promising large and rapid payouts to entice clients, file more lawsuits, and desensitize the public to large jury awards.

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## 2 Jury anchoring

Once a case goes to trial, plaintiff attorneys intentionally mention an extremely high award amount as a starting point for the jury to consider — even well beyond what juries typically award in similar cases or even a judge may deem fair. This starting point often serves as an “anchor,” significantly elevating the final award.

### 3 Phantom damages

Plaintiff attorneys sue for damages calculated using the dollar amount a patient was billed for a medical service provided, instead of the amount the patient, their insurer, Medicare, Medicaid, or workers' compensation paid for treatment. Essentially, it's the portion of the bill that's never actually paid and is therefore a fictional or "phantom" cost.

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### 4 Third-party litigation financing (TPLF)

TPLF enables hedge funds and other financiers to invest in litigation, in exchange for a percentage of any settlement or judgment and provides high enough rates of return to attract billions of dollars of new deal commitments each year.

There is growing concern about foreign adversaries using TPLF to undermine the interests of the US. The involvement of these external funders is usually not disclosed, and often contributes to more lawsuits, longer times to resolve cases, and ultimately less money for the injured parties.

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*While these tactics may increase jury awards, often plaintiffs only receive a portion of the award. In addition, the increased costs of litigation ultimately fall on consumers and business owners.*

# Dollars fueling legal system abuse in 2024

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**\$2.5bn**

Spent on legal advertising [source](#)



**\$16bn**

TPLF assets under management [source](#)

# How much does legal system abuse cost?

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**\$6,664**

Per family of four due to increased costs for consumer goods and services as a result of tort costs\* [source](#)



**4.8m**

Jobs lost due to the impact of excessive tort costs on the US economy [source](#)



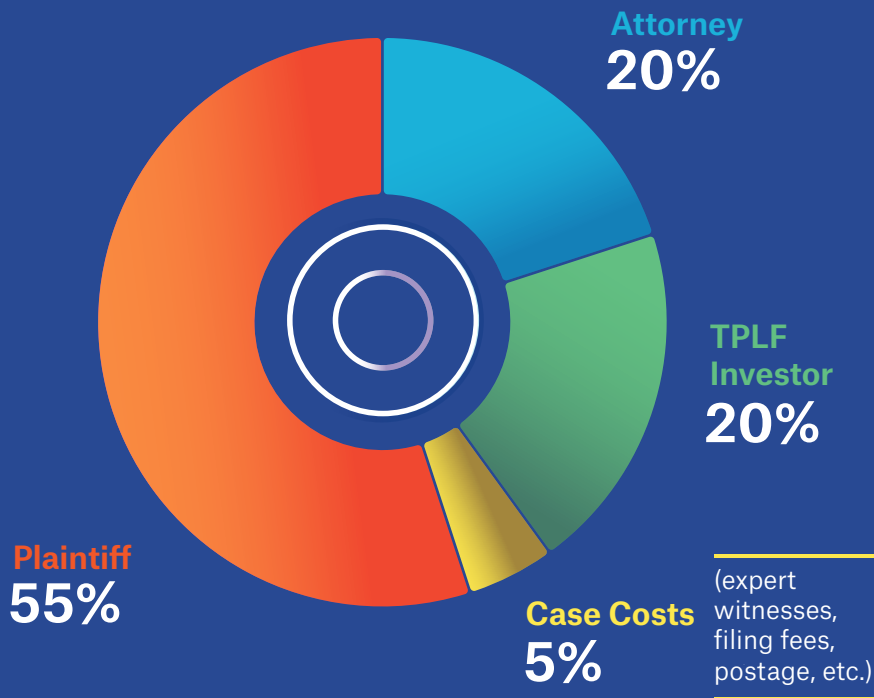
**\$160bn**

Small business tort costs [source](#)

\*Tort costs are expenses incurred due to civil wrongs or injuries, including compensation for damages like medical bills, lost wages, and pain and suffering, as well as legal fees and insurance costs.

# How much of the award is left for the plaintiff?

For illustrative purposes only. Source: Bloomberg Law



While lawyers and their ads claim plaintiffs win big, the reality is different. Plaintiffs typically receive just a portion of the awards. In some cases, investors can earn [20-40%](#) or more of the proceeds of the case. Additionally, the plaintiff may incur other costs, such as medical expenses, which could affect the final amount they receive.



# Impact on consumers and business owners

Legal system abuse, driven by aggressive attorney advertising, third-party litigation financing, jury anchoring, phantom damages, and other tactics, is contributing to a growing litigious environment that is increasing costs for both consumers and business owners.

**Aggressive attorney advertising and other practices**



**Increased claims involving attorneys**



**Increase in number of lawsuits**



**Higher insurance claim payments**



**Increased insurance premiums**



**Higher costs of goods and services**



**“Raising awareness and educating people about the negative impacts of legal system abuse is critical. If left unchecked, it will continue to increase costs for all.”**



**Joshua Hackett**  
Head of Casualty  
Munich Re US

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**“While consumers and business owners believe they’re receiving large settlements, in reality, injured parties can be left with less money — in some cases substantially less — than if they had settled their claim and had their injuries paid for directly without attorneys or funders involved.”**



**Sean Kevelighan**  
Chief Executive Officer  
Insurance Information Institute

# How can you help combat legal system abuse?

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By accessing the resources below, you can further educate yourself about legal system abuse and its impact.



## Related links

### Insurance Information Institute (Triple-I)

- [Stop legal system abuse](#)
- [How legal system abuse drives social inflation](#)
- [Third-Party Litigation Funding \(TPLF\)](#)

### Munich Re US

- [Legal system abuse reforms are needed to lower consumer costs](#)
- [Legal system abuse inflates costs for all](#)
- [Impact of legal system abuse on the US civil justice system](#)
- [Infographic: Legal system abuse](#)



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