

LITIGATION ABUSE IN TEXAS: Costs, Causes, and Policy Implications



THE ISSUE

Greed-driven litigation practices—often associated with high-volume “billboard lawyers,” inflated medical billing, and third-party litigation funding—are increasing insurance costs, limiting coverage availability, and burdening Texas families and businesses. Much of this impact is indirect and not readily visible to consumers.

EXECUTIVE SUMMARY

Texas faces growing challenges from litigation abuse, including:

- Nuclear verdicts (jury awards exceeding \$10 million or awards grossly disproportionate to actual damages)
- Inflated medical-billing practices
- Strategic litigation tactics that increase claim severity, prolong disputes, and raise system-wide costs

These trends place pressure on courts, insurers, employers, and ultimately consumers. National actuarial analysis estimates that legal system abuse **added \$232-\$281 billion to U.S. liability losses** over the past decade (2015-2024) — far exceeding normal economic inflation.

Texas is among the states most exposed to these dynamics, particularly in commercial auto, general liability, and other casualty lines, where high-severity claims and jury behavior significantly influence insurance pricing and capacity.

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— Far exceeding normal economic inflation. —



COURTS

Increased pressure and caseloads.



INSURERS

Higher losses and reduced capacity.



EMPLOYERS

Rising insurance costs and risk exposure.



CONSUMERS

Higher prices and fewer choices.

HOW LITIGATION ABUSE AFFECTS INSURANCE MARKETS

Casualty Lines (Commercial Auto, General Liability)

Casualty insurance is currently the most exposed to litigation abuse due to:

- Increased incentives to file lawsuits
- Higher risk of outsized jury awards
- Greater uncertainty in reserving and reinsurance pricing
- Reduced insurer capacity for high-risk sectors, particularly trucking

These pressures drive higher premiums and stricter underwriting standards, especially for businesses operating fleets or facing bodily-injury exposure.

These litigation pressures exacerbate other major Texas cost drivers (catastrophe frequency/severity and rebuild-cost inflation), and rampant and unnecessary litigation can materially amplify both claim costs and market volatility, contributing to a challenging affordability/availability environment.



Property Insurance (Homeowners, Wind and Hail)



While property insurance is less exposed today, Texas previously experienced widespread litigation abuse following major weather events. In the early 2010s:

- Attorney involvement and lawsuit frequency surged
- Claim resolution times lengthened
- Loss adjustment expenses and claim severity increased

In response, Texas enacted HB 1774 (2017), creating Insurance Code [Chapter 542A](#), which **introduced pre-suit notice requirements and restructured attorney-fee incentives**. These reforms significantly curtailed mass litigation and stabilized the homeowners insurance market.

NUCLEAR VERDICTS IN TEXAS

What Is a Nuclear Verdict?

A nuclear verdict typically arises in personal injury or wrongful death cases and is characterized by:

- Heavy reliance on noneconomic damages
- Emotional jury appeals rather than economic loss analysis
- Award amounts that can reach tens or hundreds of millions of dollars

Texas Exposure

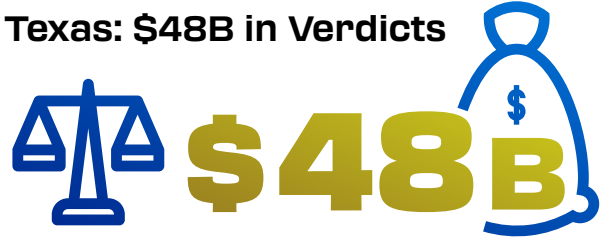


In 2024, Texas ranked fourth nationally in total nuclear-verdict awards, with approximately \$3.0 billion in verdicts.

Contributing factors include:

- **Trial tactics**, such as “Reptile Theory,” encouraging juries to punish defendants
- **Anchoring arguments** that normalize extreme damage requests
- **Attorney advertising**, which shapes public and jury expectations
- **Economic and social pressures** influencing jury sympathy
- **Inflated medical billing** networks, often coordinated with legal representation

Texas: \$48B in Verdicts



From 2009-2024, Texas recorded 230 verdicts exceeding \$10 million, totaling more than \$48 billion, leading the nation.

Reform Stalled, Priority Remains

Legislative efforts in 2025 (e.g., **HB 4806**, **SB 30**) sought to address inflated medical damages and excessive noneconomic awards, but these initiatives stalled.



Continued reform remains a priority.

WHY LITIGATION ABUSE MATTERS TO TEXANS The “Lawsuit Tax”

Litigation abuse does not appear as a line item on an insurance bill, but its cost is real. These expenses are embedded in:

Insurance premiums

Consumer prices

Business operating costs

14th Highest Litigation-Driven Costs



On average, Texans pay an estimated **\$1,725 per person** annually due to litigation-driven costs—ranking Texas **14th highest nationally**.

What Litigation Abuse Looks Like in Practice

Common indicators in Texas property and casualty insurance include:

- Elevated attorney involvement in claims
- Higher lawsuit frequency in auto claims
- Larger jury awards and settlements
- Increased defense, expert, and discovery costs
- Aggressive advertising and solicitation practices that increase claim volume

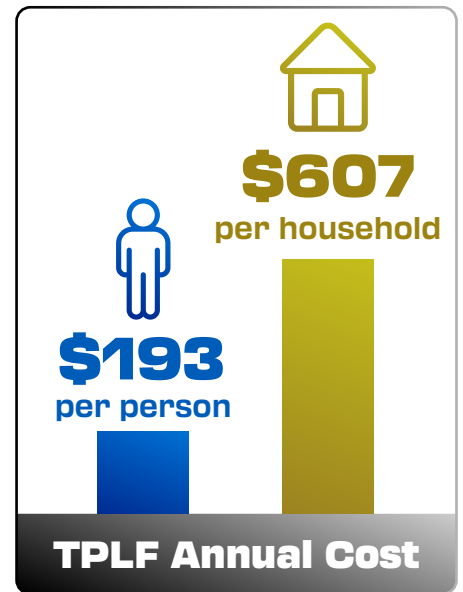
The Role of Third-Party Litigation Funding (TPLF)

Third-party litigation funding allows outside investors to finance lawsuits in exchange for a portion of any recovery.

These arrangements:

- Encourage prolonged litigation
- Increase settlement demands
- Elevate the likelihood of nuclear verdicts
- Reduce transparency regarding who controls litigation strategy

Some funding originates outside Texas—or outside the U.S.—raising additional concerns about oversight and accountability. National studies estimate that **TPLF contributes approximately \$193 per person and \$607 per household** annually in added consumer costs.



Who Is Harmed?

Litigation abuse ultimately harms:

- Accident victims, who may be drawn into prolonged, adversarial litigation
- Businesses, facing higher insurance costs and reduced coverage availability
- Consumers, who absorb these costs through higher prices and premiums

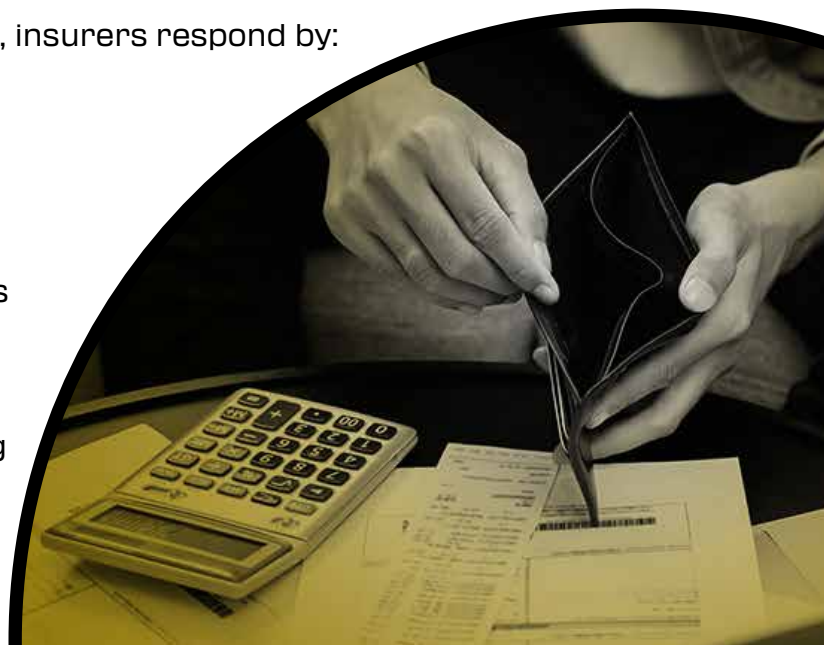
Even when defendants prevail, litigation imposes substantial defense costs, longer resolution timelines, and higher settlement pressure due to the risk of extreme verdicts.

Overall Impact on Texas

As litigation severity and frictional costs rise, insurers respond by:

- Raising premiums
- Tightening underwriting standards
- Increasing deductibles and retentions
- Limiting coverage terms
- Reducing exposure in high-litigation areas

These effects are most pronounced in commercial auto, general liability, and product liability lines, particularly in trucking and logistics — industries critical to the Texas economy.



Texas Needs Reform

Lessons from Other States

- **Florida (2023-2024):** Tort reforms **reduced litigation by nearly 30%** and **lowered auto-insurance rates by 6-10.5%**.
- **Georgia (2025):** Reforms curtailed anchoring tactics and improved apportionment standards, directly addressing nuclear-verdict risks.

30%



Policy Priorities for Texas

- Increase medical-billing transparency,
- Limit non-evidence-based jury-influencing tactics,
- Modernize standards for noneconomic damages, and
- Improve disclosure and oversight of third-party litigation funding.

Conclusion

Texas has historically addressed litigation abuse through prior reforms in medical malpractice and property insurance. However, rising verdict inflation, abusive billing practices, and evolving litigation finance models now pose renewed risks.

With proven reform models in other states, Texas has a clear opportunity to enact targeted, balanced solutions:



Reduce abusive litigation



Improve judicial efficiency



Lower costs for consumers and businesses



Preserve legitimate access to the courts

Sources

- [Citizens Against Lawsuit Abuse](#) - 03/2025
- [Marathon Strategies Nuclear Verdicts Report](#) - 05/2025
- [ILR 2024 Nuclear Verdicts Study](#) - 05/2024
- [Casualty Actuarial Society-III: Increasing Inflation in Liability Insurance](#) - 08/2025
- [CALA - Impact of TPLF](#) - 12/2025

For Additional information on the importance in tort and lawsuit reforms visit [ICT's lawsuit abuse website.](#)

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