

House Insurance Committee – June 17, 2025
Substitute House Bill 105 Written Proponent Testimony

Chair Lampton, Vice Chair Craig, Ranking Member Tims, and members of the House Insurance Committee, thank you for the opportunity to provide testimony in support of Substitute House Bill 105, legislation that revises non-recourse litigation funding agreement regulations. This written proponent testimony is submitted on behalf of State Farm, a strong advocate for transparency and consumer protection in third-party litigation financing and lawsuit lending practices.

House Bill 105 is an important step in ensuring that Ohio’s legal system remains fair, balanced, and free from undue financial exploitation. Third-party litigation financing allows outside investors to fund lawsuits in exchange for a share of the settlement or damages, often at high returns that can financially burden plaintiffs. Lawsuit lending, a similar practice, advances funds to plaintiffs with interest rates that can exceed 60%, sometimes resulting in repayment obligations of more than twice the borrowed amount.

The increasing prevalence of these financial arrangements raises several concerns:

- **Encouragement of frivolous litigation**
By removing financial risk, plaintiffs and investors may be incentivized to pursue weak claims, clogging our judicial system.
- **Discouragement of settlements**
These arrangements often complicate resolution by artificially inflating settlement demands, prolonging litigation, and increasing costs for all parties involved.
- **Financial exploitation of plaintiffs**
Many borrowers, facing significant financial stress, accept lawsuit lending under terms that could leave them in deeper financial hardship.
- **Interference with attorney-client relationships**
The involvement of third-party financiers has the potential to disrupt the essential trust between clients and their legal counsel.

States like Wisconsin, West Virginia, and Tennessee have already taken legislative action to address these concerns. By supporting House Bill 105, Ohio can ensure proper oversight and consumer protections are in place, reducing unnecessary litigation costs and safeguarding plaintiffs from predatory lending practices. This bill promotes transparency and accountability, ensuring that our legal system remains accessible to those with genuine claims while protecting Ohio consumers from financial exploitation.

We deeply appreciate the thoughtful discussions and careful deliberations that have shaped this legislation during the committee process. We urge the committee to advance Substitute House Bill 105. Thank you for your time and consideration.