

**Statement to the House Commerce Committee  
Regarding H.12, “An act relating to licensing consumer litigation funding companies”  
April 15, 2015**

As the Committee is considering H.12, “An act relating to licensing consumer litigation funding companies,” we would like to offer our perspective regarding establishing necessary consumer protections including a reasonable limitation on interest charged for litigation loans.

NAMIC is the largest property/casualty insurance trade association in the country, serving regional and local mutual insurance companies on main streets across America as well as many of the country’s largest national insurers. NAMIC consists of more than 1,300 property/casualty insurance companies serving more than 135 million auto, home, and business policyholders, with more than \$208 billion in premiums accounting for 48 percent of the automobile/homeowners market and 33 percent of the business insurance market. More than 200,000 people are employed by NAMIC member companies.

NAMIC has been concerned with the potentially pernicious effects of litigation funding for several years as the practice has expanded. In 2011, we published a paper “Third-Party Litigation Funding: Tipping the Scales of Justice for Profit,”<sup>1</sup> which critically examined the business of litigation funding, identified various forms of third-party litigation funding, and analyzed its effect on attorneys, plaintiffs, defendants, insurers, and the civil litigation system as a whole. The paper found that the growth of third party litigation funding could “radically change the legal landscape and the civil justice system in ways that are mostly negative,” and concluded that the practice could reasonably be expected to increase that amount of litigation and ultimately result in higher insurance premiums.

We believe an interest rate limitation is a meaningful step in the right direction to establish a measure of necessary consumer protection. Capping interest rates will ensure that a larger portion of judgment and settlement amounts is preserved for injured parties.

This type of legislation enjoys diverse support from a number of business groups as well as national legislative caucuses. The National Hispanic Caucus of State Legislators has adopted a resolution resolving to “urge that the lawsuit lending industry be subjected to the same proper disclosures, regulations, and consumer protections as conventional loan makers and banks.” The National Black Caucus of State Legislators has adopted a similar resolution which urges the passage of legislation that caps the interest rates these lenders can charge and calls for other consumer protections.

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<sup>1</sup> Available at [www.namic.org/pdf/publicpolicy/1106\\_thirdPartyLitigation.pdf](http://www.namic.org/pdf/publicpolicy/1106_thirdPartyLitigation.pdf).

From a national perspective, legislative debate of this issue is trending toward reasonable and rational regulation, which includes capping interest rates. Last year, Tennessee became the first state to cap interest rates by statute (six additional states, Colorado, Kansas, Louisiana, Maryland, North Carolina, and South Carolina, have determined by attorney general opinion, court decision, or regulation that lawsuit lending is a matter of consumer credit and subject to existing laws against predatory lending). And, earlier this month Arkansas Gov. Asa Hutchinson signed legislation subjecting lawsuit lenders to the state's consumer protection laws, thereby capping the interest they can charge at 17 percent.

Thank you for considering NAMIC's views. We would be happy to provide Committee members with any other information that might be helpful to the Committee's consideration of this bill.

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