



# LEGISLATIVE POSITION

PROFESSIONAL INSURANCE AGENTS OF NEW YORK STATE INC.

**Memorandum in support of: S.1104-A—by Sen. Cooney  
A.804-C—by MOA Magnarelli**

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*AN ACT to amend the General Business Law, in relation to consumer litigation funding.*

The Professional Insurance Agents of New York State Inc. (PIANY) strongly supports S.1104-A/A.804-C, the Consumer Litigation Funding Act, which would establish much-needed regulation of consumer litigation financing. Litigation-funding companies market their services as a financial lifeline for plaintiffs, but in reality, these companies frequently trap vulnerable individuals in predatory contracts that leave them with little to no recovery from their legal claims. Furthermore, unchecked litigation financing significantly increases settlement costs, ultimately driving up insurance premiums for New York state businesses and consumers.

PIANY urges the New York State Legislature to pass this legislation to protect consumers from exploitative financial arrangements, and to ensure fairness in the legal system.

## **Litigation finance: a harmful trap for plaintiffs**

Litigation finance allows third-party companies to provide cash advances to plaintiffs in exchange for a portion of their future lawsuit settlements or judgments. Unlike traditional lending, these funding arrangements often feature exorbitant, compounding fees that quickly deplete a plaintiff's potential recovery.

Studies have shown that plaintiffs who utilize litigation financing frequently receive little or no compensation after attorneys' fees and financing costs are deducted. Unlike traditional loans, these funding contracts are non-recourse, meaning the company only gets paid if the plaintiff wins. The trade-off often is extreme, with repayment obligations that far exceed the original amount borrowed. The lack of transparency in the industry leaves many consumers unaware of the full cost of these arrangements until it is too late.

Without proper regulation, litigation-finance companies will continue to exploit injured plaintiffs who are already facing financial hardship. S.1104-A/A.804-C introduces critical protections, including fee limitations, required disclosures, and a right to rescind—which would ensure that plaintiffs understand the true costs of these agreements.

## **Litigation finance drives up insurance premiums for New Yorkers**

Beyond the harm to individual plaintiffs, litigation-finance companies contribute to higher insurance premiums across New York state. The involvement of these firms often leads to inflated settlement demands and prolonged litigation. These costs significantly increase the overall cost of legal claims.

When litigation financiers are involved, settlements are often delayed as financiers push for higher payouts to maximize their own returns—forcing insurers to either pay excessive sums or engage in costly, drawn-out litigation.

Ultimately, the added cost of litigation financing is passed on to policyholders in the form of higher insurance premiums, making coverage less affordable for businesses and consumers alike.

By setting reasonable caps on fees and prohibiting abusive practices, S.1104-A/A.804-C will help reduce unnecessary litigation expenses and protect New York state policyholders from skyrocketing insurance rates.

**S.1104-A/A.804-C establishes fair and necessary regulations**

The Consumer Litigation Funding Act brings much-needed oversight to an industry that has long operated in the shadows. By requiring licensing, clear disclosures, and reasonable charge limitations, this legislation will ensure that plaintiffs receive fair financial assistance without falling into exploitative contracts.

Importantly, the bill does not ban litigation funding—it simply establishes basic consumer protections to prevent abuse and reduce unnecessary cost inflation in New York state’s legal system. This balanced approach would allow responsible funding practices while protecting the integrity of the judicial process and preventing excessive costs from burdening policyholders.

**Protect consumers, reduce costs, and support S.1104-A/A.804-C**

The passage of S.1104-A/A.804-C is a crucial step toward ensuring fairness in New York state’s legal and insurance systems. Without regulation, litigation-funding companies will continue to take advantage of vulnerable plaintiffs and contribute to rising insurance costs for all New Yorkers. PIANY urges you to act swiftly in support of S.1104-A/A.804-C.