

March 3, 2025

Chair Mike Stevens and Members of the Committee
Committee on Judiciary
South Dakota House of Representatives

RE: Senate Bill 175 – Litigation Financing – SUPPORT

Dear Chair Stevens and Members of the Committee:

The National Insurance Crime Bureau (NICB) is a national, century-old, not-for-profit organization supported by approximately 1,200 property and casualty insurance companies, including many who write business in South Dakota. Working hand-in-hand with our member companies and South Dakota state and local law enforcement, we help to detect, prevent, and deter insurance fraud and crimes. While NICB provides value to our member companies, we also serve a significant public benefit by helping to stem the estimated billions of dollars in economic harm that insurance fraud causes to individual policy holders across the country every year.

Insurance fraud is not a victimless crime. The FBI estimates that over a 10-year period, insurance fraud costs the average U.S. family between \$400 and \$700 per year in the form of increased premiums. Fraudsters will exploit every avenue, forum, and opportunity to bilk consumers and their insurers to line their own pockets, which ultimately increases costs for everyone. Unfortunately, the courtroom is not immune. Fraudsters and their affiliates have engaged in predatory and abusive litigation tactics and employed tools to advance—and conceal—their aims. NICB is concerned that, absent additional transparency and accountability, litigation financing can serve as a facilitator of fraud.

For example, NICB recently assisted the U.S. Department of Justice's investigation and prosecution of a massive trip-and-fall fraud scheme in New York, which defrauded businesses and their insurance providers of more than \$31 million. This organized insurance fraud scheme included deliberate, unnecessary surgeries performed on victims simply to drive insurance claims and lawsuits upward. The surgeries, as well as other medical procedures, were funded by litigation financing companies. The financiers also paid the fraud scheme organizers and participants referral fees for each patient who signed a funding agreement, charged the patients (who were overwhelmingly poor) absurdly high interest rates, and the majority of the proceeds awarded in the fraudulent lawsuits went right back to the financiers themselves.

Senate Bill 175 would provide important consumer protections and much-needed transparency on third-party litigation financing. Specifically, the bill would: require litigation financiers to disclose their name and address on a litigation financing contract; require litigation financiers to provide written disclosures and statements to consumers regarding their right of rescission and charges and fees related to the contract; and establish guardrails around prohibited activities by a litigation financier. These reforms, among others, would help protect consumers and provide regulators with critical information to identify and combat fraudulent activities.

Accordingly, NICB respectfully requests your support for Senate Bill 175.

We thank you for considering our views as you deliberate the merits of this bill. We encourage you to utilize NICB as a resource and partner in the fight against insurance crime. If you have any questions or need additional information, please contact me at csepich@nicb.org or 847.772.7667.

Sincerely,

Craig Sepich

Craig Sepich
Director
Office of Strategy, Policy, & Government Affairs
National Insurance Crime Bureau