Issue Focus: Third Party Litigation Funding (TPLF)

What is the Liability Reform Coalition?

For over 30 years, the Washington Liability Reform Coalition has been a source of education and advocacy on issues related to the costs and unintended consequences of expanding tort liability in Washington. It is an association made up of small and large businesses, trade associations, insurers, local governments entities and their risk pools, and non-profit organizations and their risk pools. The impact of tort lawsuits on the cost and availability of insurance, and promoting balance in the civil justice system, are key priorities of LRC.

What is TPLF and Why is it a Concern?

Third-Party Litigation Funding (TPLF) is the practice by which outside investors, often private equity or hedge funds, and sometimes foreign government wealth funds, provide money to plaintiffs or their attorneys to cover the costs of litigation in exchange for a share of any eventual settlement or judgment. Known TPLF in the U.S. has grown to $16.2 billion as of 2024. While this kind of funding is described as improving access to justice for individuals that may lack resources to pursue claims, it has raised growing concerns about consumer protection, transparency, fairness, and the integrity of the civil justice system. Because funders may have financial interests that differ from those of the plaintiff, undisclosed funding can influence litigation strategy, prolong cases, discourage reasonable settlements, and inject speculative capital into the tort system, ultimately hurting the availability and affordability of insurance for individuals and entities.

What Have Other States Done?

As third-party litigation funding grows nationally, Washington currently has no statute or court rule requiring disclosure of outside funding in civil cases. Meanwhile, nearly a dozen other states have enacted laws to increase transparency around funding arrangements and/or regulate funder involvement in litigation:

- Arizona
- Colorado
- Georgia
- Oklahoma
- Kansas
- Louisiana
- Indiana
- West Virginia
- Wisconsin
- Montana

Common provisions of these laws include automatic disclosure of TPLF arrangements or making them discoverable upon request; registration of funders; prohibition of funder control; consumer disclosure of costs and fees; and limits on returns.

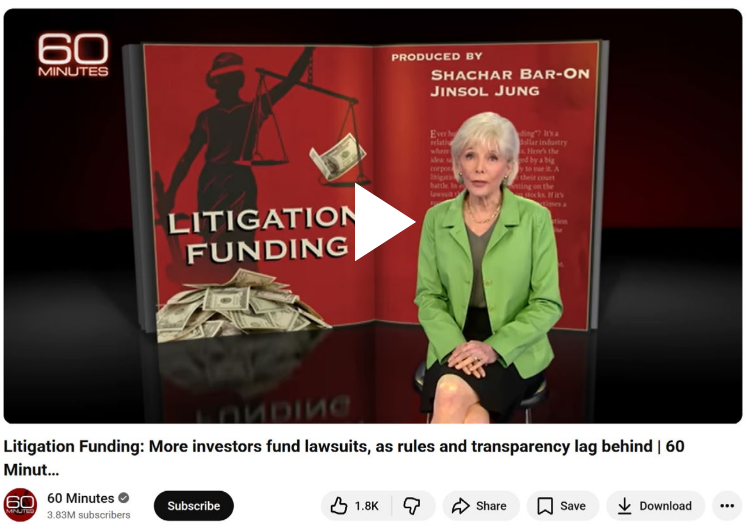
Montana's recent approach, SB 269, passed unanimously in 2023 to:

- Require registration of funders with the Secretary of State
- Place consumer protection restrictions on funders including a 25% limit on recovery
- Regulate the content of funding agreements
- Require automatic disclosure of funding agreements

In 2025, Montana passed SB 511 to revise and strengthen the 2023 law, including restrictions, and in some instances prohibition, of foreign investment in litigation funding.

More Information

60 Minutes special on TPLF (click to play):



American Property Casualty Insurance Association Presentation on TPLF Facts and Figures

Rebecca Ellis, In the biggest sex abuse settlement in U.S. history, some claim they were paid to sue, Los Angeles Times, Oct. 2, 2025, *available at* https://www.latimes.com/california/story/2025-10-02/settlement-story-ab218-sex-abuse.

Alex Dahl, Litigation funding's influence on cases warrants disclosure rule, Bloomberg Law, Oct. 3, 2025, *available at* https://news.bloomberglaw.com/legal-exchange-insights-and-commentary/litigation-fundings-influence-on-cases-warrants-disclosure-rule

Letter from Coalition of Employers to the United States Administrative Office of the Courts Seeking Disclosure Rule in Federal Rules of Civil Procedure