




AMERICANS *for* TAX REFORM

Lawsuit Abuse is Leading to An Affordability Crisis
Americans for Tax Reform



Executive Summary

This policy brief focuses on the problem of lawsuit abuse and its role as a significant driver of rising costs for American households. When frivolous tort claims are brought, the litigation-related expenses are embedded across the economy, contributing to higher prices for goods and services. According to the American Tort Reform Association, each household now bears more than \$6,600 in hidden costs per year related to litigation, and these costs continue to rise. Auto insurance premiums, for example, have surged more than 50% on average between 2021 and 2024.

At the center of the issue is the legal principle of vicarious liability. The doctrine holds a superior party, such as a business, responsible for the wrongful acts of a subordinate committed within the scope of their employment or independent contractor relationship, even if the business was not involved in the wrongful conduct. In the context of rideshare companies, more formally known as Transportation Network Companies (TNCs), vicarious liability incentivizes an increase in frivolous litigation due to the potential for high payouts. In turn, the higher litigation-related and insurance costs have an inflationary effect on the price of fares for riders.

Congress can help combat these inflationary litigation costs. This report recommends extending the Graves Amendment of 2005, which limits vicarious liability for rental car companies, to also cover TNCs. The upcoming surface transportation reauthorization legislation, which must be passed by Congress before current provisions expire later this year, provides a timely opportunity to protect consumers by including a provision that expands the Graves Amendment to TNCs.

Report

Rising costs dictate decision-making in households across the country. There has been a discernible increase nearly every category of spending. Gas, utilities, groceries, and auto insurance costs are rising at a rate far exceeding wage growth. Auto insurance premiums, often considered the most burdensome expenses, alone have increased over 50% between 2021 and 2024, according to the Consumer Price Index. Recently, between 2024 and 2025, premiums rose another 12% on average. Today, individuals will pay nearly \$2,910 for full coverage auto insurance based on 2026 data. Families are left to adjust budgets and delay purchases to manage the essential costs.

The increases in auto insurance costs do not exist in isolation. In addition to the repeated increases in personal auto insurance premiums, these price increases permeate the broader economy, appearing in every transaction where transportation is involved. What appears to be a single line item in a business budget becomes a direct cost passed onto consumers across multiple touchpoints in their daily lives, including higher fees for rideshare services, food and grocery store delivery becoming more expensive, e-commerce and retail adding new delivery fees, and essential home repair services coming with new transportation surcharges.

Common explanations for rising costs tend to focus on inflation, supply chain disruptions, or energy prices, but they do not fully explain the scale or persistence of the surges families are experiencing.

One often overlooked factor is lawsuit abuse, a phenomenon in which tort claims are either exaggerated or entirely meritless, driving up premiums. The costs operate in the background, embedded in pricing structures and insurance models, making them less visible but no less impactful. The costs are borne by businesses and consumers, inadvertently creating financial burdens that are increasingly felt in everyday life, without a clear understanding of the underlying cause.

Insurance bills are not the only place these costs appear. The costs of litigation are passed through to consumers, who now bear more than \$6,600 in hidden costs each year related to litigation, according to the American Tort Reform Association. Individually, this translates to about \$1,666 per person annually. This affects all Americans, even those not involved in legal disputes. The impact extends further, with an estimated 4.8 million jobs lost each year due to litigation-related costs.

At the center of the issue is the legal principle of vicarious liability. The doctrine holds a superior party such as a business responsible for the wrongful acts of a subordinate committed within the scope of their employment or independent contractor relationship, even if the business was not involved in the wrongful conduct. For example, in a rideshare context, a platform could be sued if a driver was involved in an accident that occurs while the app is active or while the vehicle displays a company logo, even if the company had not been involved directly in the incident or engaged in any negligent behavior. This creates an incentive for litigation since companies are seen as dependable financial targets due to their insurance coverage, often reaching \$1 million per incident. The resulting dynamic encourages the filing of claims that are driven more by the potential for financial recovery than by clear evidence of wrongdoing. As TNCs have reported, the requirements have made rideshare platforms a target for litigation abuse and have directly increased the cost of rider fares.

When examining the data, the egregious scale is clear. Inflated insurance claims exceeded \$300 billion in losses in 2023 alone, as Carpe Data reports. The figure reflects systemic patterns, not exceptional incidents, and reveals how deeply embedded litigation costs have become in the economy. The possible litigation payout has increased sharply, with average awards rising from \$64 million to \$214 million between 2015 and 2019. The escalation in claim values feeds directly into higher insurance premiums.

Advertising conducted by trial lawyers has also expanded significantly, reaching \$2.5 billion in 2024, a 32% increase since 2020. Growth in advertising directly encourages claims and shapes expectations about potential payouts. In fact, public perception aligns with these trends, as 66% of respondents in a 2025 survey conducted by the American Property Casualty Insurance Association and Munich Reinsurance America agreed that deceptive legal tactics do contribute to higher costs for everyday goods. The trends do not exist in a vacuum and are reinforced by structural incentives within the legal and policy environment.

Trial lawyers and related associations are among the most active participants in political fundraising, with the vast majority of their donations going to the Democratic Party. The consumer advocacy group Alliance for Consumers revealed in a 2025 report that 99% of trial lawyers' political action committee (PAC) funds, about \$21.5 million, were funneled to Democratic candidates. Between

2017 and 2020, top firms donated about \$15 million in campaigns, overwhelmingly favoring Democrats. The contributions usually concentrate on candidates who oppose tort reform efforts. Proposals to limit litigation exposure often face organized resistance, even when the data show rising costs for consumers and businesses.

The impact of these trends at the state level is not evenly distributed but is reflected in different ways to demonstrate the same underlying mechanism.

In a state like California, litigation pressures are especially visible. Uber reported in a 2025 RICO (Racketeer Influenced and Corrupt Organizations Act) lawsuit that “approximately 45% of the fare of every Uber ride goes to mandated insurance costs, driving up prices for riders and pushing down earnings for drivers.” Fraud is a major factor in these costs as staged auto accidents cost insurers between \$1.5 billion and \$2 billion annually, which represents a substantial portion of fraudulent claims. The costs contribute to higher payouts and likely higher premium costs for drivers. California drivers are paying nearly \$3,000 per year for full coverage auto insurance, and families are paying more than \$2,400 annually in hidden litigation-related costs.

Drivers in Indiana experience pressures from higher costs as well. On average, Indiana drivers pay an average of \$2,250 for full coverage auto insurance a year, with rates increasing by approximately 24% between 2023 and 2024, according to Axios.

Massachusetts presents another example of elevated costs in lieu of reform. Drivers expect to pay more than \$3,500 for full auto insurance coverage, which is more than 20% higher than the national average. Households in the state pay more than \$2,500. But that is not all. Insurance data shows that minimum coverage costs are expected to rise by about 36%, and premiums have increased by as much as 40% in recent years, even without claims or at-fault incidents. Systemic cost drivers can affect even low-risk policyholders.

Missouri offers a detailed case study of the broader economic impact of litigation within the state. The Missouri Department of Commerce and Insurance released a report that found that lawsuit abuse has created financial strain for families and businesses. Dishonest litigation tactics lead to inflated damages and excessive payouts within the state, making insurance unaffordable for many families and businesses. The costs generate a chain reaction of higher premiums even for those who have never been involved in a lawsuit, including healthcare and hospital providers, as well as working families. Missouri residents pay more than \$1,200 per year while more than 65,000 jobs are lost each year due to litigation-related expenses. In St. Louis, the burden is worse, as families pay more than \$1,600 in hidden costs. All in all, the statewide economic impact includes \$7.6 billion in lost economic activity and \$384 million in lost state revenue. Missouri drivers pay nearly 4% above the national average for full coverage auto insurance, about \$2,400 annually.

In Nevada, families are paying more than \$1,200 per year, driven higher by excessive litigation. Meanwhile, insurance premiums are rising in the state, expected to rise approximately 15%.

New Jersey continues to experience the rising costs due to litigation as well. Drivers in the state already pay more than \$3,400 for full coverage auto insurance, which is nearly 20% above the national average. Auto insurance prices are expected to increase by about 10.46% in 2026 alone, placing the state among those with the sharpest rate hikes.

Washington reflects similar burdens, as drivers shell out nearly \$3,000 for full coverage auto insurance, and families in the state see litigation-related costs rise by more than \$2,500. Between 2021 and 2023, premium rates have increased by 18% for drivers as well. The figures align with the national trends and confirm that litigation costs are a consistent driver of rising premiums across states.

One of the most significant examples of litigation-driven cost pressures is exhibited by New York State. Widespread concern has saturated public opinion, with 73% of voters agreeing that lawsuit-related costs are out of control and that high legal fees charged by personal injury lawyers contribute to the rising insurance rates for all Americans. The cases are often meritless. Greedy trial lawyers scheme with corrupt medical providers to inflate medical bills and maximize potential insurance payouts. One litigation funder in New York, Adrian Alexander, was found guilty of orchestrating a \$31 billion trip-and-fall scheme, as reported by the U.S. Attorney's Office in 2023. The scale of abuse in the state is drastic, and insurance providers struggle with difficult decisions of raising premiums or leaving the market altogether. The American Transit Insurance Company, which insures 64% of rideshare drivers in the state of New York, has been at risk of closure. In December 2025, the company's policyholders were warned that their rates would be increasing 25% over the next three years. On top of that, drivers pay more than \$3,600 annually for full coverage insurance, and families pay more than \$2,500 each year in litigation costs, which amount to 20% above the national average.

Across all regions, the pattern remains consistent in states that have not passed some form of tort reform.

Evidence has shown that states which have enacted targeted policies can change the outcome. In Florida, reforms enacted in 2023 provide a path forward. State Farm has decreased auto insurance rates by more than 20% since 2023, and Uber has reported that fares are down by as much as 6%, translating into millions in savings by riders in the state. When litigation-related cost pressures are reduced, the effects are measurable for insurers and consumers.

In Georgia, following reforms passed in 2025, State Farm policyholders saw 10% in savings on auto insurance premiums, which came with applause from the broader business community in the state, as reducing frivolous claims saves businesses from business-ending judgments. In February of 2026, the Insurance and Safety Fire Commissioner announced new savings as a rate reduction by Allstate North American Insurance Company had been filed. The announcement includes a further 5% reduction in insurance rates and will affect thousands of Georgia drivers. The decrease is projected to generate \$17.7 million in total savings for Georgia policyholders in 2026. According to a 2025 study published in *Productions and Operations Management*, researchers establish how state-level tort reform laws on non-economic damages affect hospital performance. State hospitals are seeing

defensive medicine costs drop as wasteful medical practices have been reduced between 1996 and 2018. Hospitals spent \$372 less per patient on defensive medicine, a measure that will save an average hospital about \$2.38 million per year. Operating costs dropped \$664 per patient or \$4.23 million for a typical hospital as well.

The results garnered from states like Florida and Georgia demonstrate clear support for the effectiveness of tort reform. When litigation-driven costs are addressed, insurance premiums can decrease, insurance markets stabilize, and customers experience an ease of cost-of-living expenses. The outcomes are measurable and immediate. The outcomes also emphasize that these reforms protect accountability, not bad actors. When companies are negligent, they remain fully liable, and individuals retain access to courts when real harm occurs. The reforms target lawsuits that are filed because of opportunity, not wrongdoing. In a rideshare context, the reform would curb the frivolous lawsuits that target rideshare platforms, often exploiting loopholes for massive payouts. In such a way, the legal system can focus on legitimate cases rather than incentivizing insurance payouts separated from negligence.

The importance of these measures is evident in considering the role of transportation in everyday lives. Affordable transportation is an essential infrastructure that supports economic mobility and access to necessary services. Rideshare platforms, for example, provide flexible and reliable options for seniors accessing healthcare, families managing responsibilities, workers commuting to jobs, patients attending medical appointments, travelers headed to the airport, or even students riding to campuses. When lawsuit abuse drives up insurance costs, the affordability and availability of these services are threatened, limiting access for the individuals and communities that rely on them the most. The underlying cost drivers must be addressed to ensure these services remain accessible.

The path forward is achievable. Congress addressed similar issues in lawsuit abuse for rental car and leasing companies through the Graves Amendment. The Graves Amendment, introduced by Sam Graves (R-Mo.), was created as part of the federal highway bill in 2005 that established a national standard that rental car and leasing companies should only be held liable for their own negligence, not merely for owning a vehicle involved in an accident. For example, companies would still be liable in cases where the vehicle was not properly maintained or if the company rented to an unqualified driver. The Graves Amendment lowered litigation-driven costs while preserving accountability and brought consistency to a patchwork of state laws, exposing companies to unpredictable risks, providing a framework adaptable to modern market conditions.

The rideshare economy emerged after the law's passage, meaning transportation network companies remain exposed to the same kind of frivolous lawsuits under vicarious liability that Congress sought to address two decades ago. Transportation network companies operate in a similar fashion to rental car companies, connecting drivers to passengers rather than controlling every aspect of the trip, yet because their platform is being used, the companies remain vulnerable. Companies see the same conditions that existed prior to the Graves Amendment, where companies face lawsuits regardless of fault, forced to settle to avoid litigation. As a result, premiums rise and those costs are passed to the consumer through added fees and higher fares.

Modernizing the Graves Amendment to include transportation network companies presents an opportunity to extend the proven reforms to a sector that plays an indispensable role in the economy. The reform builds on proven federal structures instead of introducing untested policies. The original Graves Amendment was successful in addressing the same issues for rental car companies. Extending the same principles to transportation network companies is an evolution of the modern economy and ensures that the legal context reflects the reality of how services are delivered today. Drivers would be protected from the frivolous lawsuits that are currently plaguing their rideshare platforms while safeguarding riders from bearing the cost through higher fares. It is necessary to reduce the economic distortion created by excessive litigation.

Congress is currently working on surface transportation reauthorization legislation, which must be passed before current provisions expire in September 2026. This legislative window provides a timely opportunity to expand the Graves Amendment to apply to transportation network companies.

Evidence from national and state-level outcomes points to a singular conclusion. Litigation-driven costs lead to rising insurance premiums and affordability challenges. Building on federal law and applying it to the modern landscape of the transportation industry can address key drivers of economic burdens. With action, affordability will be in reach for the families and communities that depend on reliable, accessible transportation in their daily lives.