

HOUSE BILL No. 1206

DIGEST OF INTRODUCED BILL

Citations Affected: IC 24-11.

Synopsis: Third party lawsuit lending. Prohibits a loan to a plaintiff in an action in exchange for the contingent right to receive a part of the potential proceeds of the action.

Effective: July 1, 2012.

Culver, Foley, Steuerwald

January 9, 2012, read first time and referred to Committee on Judiciary.

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Second Regular Session 117th General Assembly (2012)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2011 Regular Session of the General Assembly.

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HOUSE BILL No. 1206



A BILL FOR AN ACT to amend the Indiana Code concerning trade regulation.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 24-11 IS ADDED TO THE INDIANA CODE AS
 2 A **NEW** ARTICLE TO READ AS FOLLOWS [EFFECTIVE JULY 1,
 3 2012]:
 4 **ARTICLE 11. PROHIBITED LEGAL FUNDING**
 5 **Chapter 1. Definitions**
 6 **Sec. 1. (a) As used in this article, "legal action" means:**
 7 (1) a bona fide civil action or statutory claim in which
 8 damages may be awarded; or
 9 (2) a cause of action or legal claim upon which a civil action
 10 or statutory claim described in subdivision (1) may be based.
 11 **(b) The term includes:**
 12 (1) any settlement or negotiations toward settlement of a civil
 13 action described in subsection (a)(1); or
 14 (2) any agreement or negotiations toward an agreement under
 15 which a civil action based upon a cause of action described in
 16 subsection (a)(2) would not be initiated.
 17 **Sec. 2. As used in this article, "legal funding transaction" means**



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a transaction in which:

- (1) a lender provides legal funding to another person; and**
- (2) the person receiving the legal funding assigns to the lender the contingent right to receive a part of the proceeds of the settlement, insurance payment, or award of damages obtained in the person's legal action.**

Sec. 3. As used in this article, "lender" means a person or entity that enters into a legal funding transaction with a person.

Sec. 4. As used in this article, "person" means an individual, a partnership, a corporation, a limited liability company, or another organization.

Chapter 2. Legal Funding

Sec. 1. (a) A lender may not enter into a legal funding transaction with another person.

(b) A legal funding contract entered into in violation of this section is void.

Sec. 2. (a) A violation of this chapter is a deceptive act that is actionable by the attorney general.

(b) The attorney general may bring an action under this article to obtain any or all of the following:

- (1) An injunction to enjoin future violations of this chapter.**
- (2) A civil penalty of not more than ten thousand dollars (\$10,000) per deceptive act.**
- (3) The attorney general's reasonable costs in:**
 - (A) the investigation of the deceptive act; and**
 - (B) maintaining the action.**

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