



2025-2026 General Assembly

HOUSE BILL 315: Prohibit Litigation Invest/Amend Workers' Compensation Benefits, Part I: Prohibit Litigation Investment

Analysis of: S.L. 2026-14, Part I

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Prepared by: Legislative Analysis
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Part I of S.L. 2026-14 (House Bill 315) enacts the Prohibit Litigation Investments Act (Act) to make it unlawful for a person to engage in litigation investment in this State or to furnish litigation investment to a party or counsel of record in a civil proceeding in this State.

In addition to any other remedies provided by law for a violation, the Attorney General is authorized to bring an action to enjoin violations of the Act, in which the court could impose a civil penalty of up to \$50,000 for each violation.

Any person injured by a violation can bring an action seeking damages. An injured person can elect at judgment between an award of compensatory damages as measured by the trier of fact or an award of treble the amount of the full potential litigation investment contemplated by the investor as statutory damages. As part of any judgment the injured person would also be entitled to an award of court costs and reasonable attorneys' fees.

As used in the Act, the term "litigation investment" means the provision of money for the fees, costs, and expenses related to a pending or potential civil proceeding in exchange for the right to receive repayment or other consideration that is contingent in any respect on the outcome of the proceeding.

The following activities are not a prohibited "litigation investment" under the Act:

- The provision of legal services on a contingency fee basis or the advance of costs and expenses by an attorney or law firm in accordance with the North Carolina Rules of Professional Conduct.
- An insurer's or other entity's contractual obligation to indemnify or defend a party to a civil proceeding.
- A nonprofit organization's provision of money for the fees, costs, or expenses of a civil proceeding commenced by the organization on behalf of itself or its members, or the provision of money to or by a nonprofit legal services organization for pro bono, cost-free representation of a client in a civil proceeding, so long as any repayment amount is limited to the original amount plus reasonable interest.
- A direct loan to a party, law firm, or attorney so long as repayment of the loan is not contingent on the outcome of any civil proceeding.
- The provision of financial support to a party for personal and household expenses during the pendency of a civil proceeding so long as it is not used for the fees, costs, or expenses of the proceeding.
- An immediate family member's provision of financial support to a party for fees, costs, or expenses of a civil proceeding or for personal and household expenses during the pendency of the

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proceeding, regardless of whether the immediate family member receives a right to any portion of the recovery in the civil proceeding or any other right to repayment that is contingent on the outcome of the proceeding.

This Part became effective June 22, 2026, and applies to civil proceedings commenced on or after that date, and applies to contracts entered into, renewed, or amended on or after that date.