



Estimated Cost-Savings to the State of California and Its Municipalities from Passage of California Initiative 25-0022

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Abstract

This study examines the potential fiscal impact on the state of California and certain of its municipalities if California Initiative 25-0022 (Initiative), “Protecting Automobile Accident Victims from Attorney Self-Dealing Act,” were to be approved by voters.² Based on prior analogs, such as medical liability reform in California and the passage of legislation in Florida similar to the Initiative, we estimate, based on Federal Highway Administration data on publicly-owned vehicles in California, annual savings from the passage of the Initiative of at least \$90 million and potentially as high as \$250 million to \$300 million. Included within those savings are individual municipalities within California, such as cities, counties, school districts, and other special districts, as well as transportation departments responsible for road design and construction, that are likely to experience significant cost-savings annually. These cost-savings will grow in subsequent years, given the rate at which the costs associated with settling legal claims have been growing recently and could potentially reach \$600 million annually by 2031. In addition to the savings realized by California and its municipalities, and consistent with Florida’s experience with litigation reform, reforms that reduce litigation abuse have been associated with broader stabilization and downward pressure on automobile insurance rates for all drivers, including personal policyholders. We would expect similar benefits to accrue to personal policyholders in California as well.

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² See Letter from Kurt Oneto, Nielsen Merksamer LLP to the Honorable Rob Bonta, Re: Request for Title and Summary for Proposed Initiative Constitutional Amendment, dated October 3, 2025 (Oneto Letter”).

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I Economic Consequences of the Current System

In recent years, California’s current litigation system for motor vehicle accidents has seen an increasingly large number of lawsuits filed, as well as increasingly large payouts resulting from those lawsuits. The State of California and its municipalities are often the entities making these large payouts, either directly when they are self-insured or indirectly through increased insurance or excessive insurance premiums. Accident victims often are not the ones benefitting from these large payouts. Some of them undergo unnecessary medical procedures, while many are left with large medical bills that they lack the ability to pay.

I.A Cost to California Municipalities

The State of California (State) and its municipalities bear the large and rapidly growing costs of the State’s system for resolving claims resulting from automobile accidents. These government entities potentially face higher liability limits and potentially have greater exposure to legal abuse than private individuals. This due, at least in part, to the broader scope of their operations, such as the vast fleets of vehicles they operate, as well as the perception that government entities have “deep pockets.”

Many of California’s entities are self-insured for liability in connection with such accidents. This means that rather than paying premiums to a third-party for insurance coverage, these municipalities pay out of their own pockets for claims against them stemming from motor vehicle accidents. The State, for example, is self-insured for motor vehicle liability under the State Motor Vehicle Liability Self-Insurance Program, known as VELSIP. When an accident occurs involving a vehicle driven by a State employee, the State’s Office of Risk and Insurance Management pays third-party claims and expenses and also works with either California’s Office of the Attorney General or the legal division of the Department of Transportation to resolve any legal claims stemming from the accident.³

VELSIP covers its costs by levying an assessment on various state agencies that utilize vehicles for their operations.⁴ As explained by VELSIP, these funds are used to “pay claims for damages as a result of the ownership or operation of motor vehicles used in the course and scope of state employment” and “reflect[] the projected amount to be expended to pay claim settlements and administrative expenses such as adjusting and defense costs.”⁵ VELSIP further contends that increasing assessments on state agencies are the result of “[r]ising costs for medical and legal services as well as higher settlements and verdicts.”⁶

³ See, e.g., the explanation provided by the California State University on how self-insurance in California works. (Vehicle Insurance,” CSUSM, available at <https://www.csusm.edu/risk/vehicleinsurance.html>). See also “Motor Vehicle Liability Self-Insurance Program – 2420,” California Department of General Services, available at <https://www.dgs.ca.gov/Resources/SAM/TOC/2400/2420>.

⁴ See Department of General Services, State of California, State Motor Vehicle Insurance Account Fiscal Year 2025-26 Assessment, effective date July 1, 2025, at p. 1.

⁵ Department of General Services, State of California, State Motor Vehicle Insurance Account Fiscal Year 2025-26 Assessment, effective date July 1, 2025, at p. 1

⁶ *Id.*

Below we report the increase in VELSIP assessments going back to Fiscal Year 2021-22. Given that VELSIP sets its assessments to reflect anticipated costs, we believe these assessments are a reasonable proxy for what the State has paid, or anticipates paying, in claims and related expenses for motor vehicle accidents. As the table indicates, over the last five fiscal years the total amount assessed on State agencies by VELSIP has more than doubled.

Table 1. Increase in VELSIP Assessments⁷

Fiscal Year	Assessment
2021-2022	\$35.5 million
2022-2023	\$45.5 million
2023-2024	\$54.5 million
2024-2025	\$72.9 million
2025-2026	\$80.2 million

Many California municipalities are also self-insured and consequently bear the direct costs of increasing levels of legal claims and legal payouts associated with motor vehicle accidents. The table below reports the increase in total and average litigation claims paid by the cities of Los Angeles, Sacramento, and San Francisco, between 2021 and the year for which the most recent data is available.⁸

Table 2. Increase in Payouts Resulting from Litigation over Motor Vehicle Accidents⁹

	2021		Year	Most Recent Data	
	Total Payout	Average Payout		Total Payout	Average Payout
City of Los Angeles	\$18.6 million	\$151,101	2024	\$45.4 million	\$360,333
Sacramento	\$3.4 million	\$187,527	2023	\$5.5 million	\$287,072
San Francisco	\$5.2 million	\$90,980	2024	\$21.0 million	\$473,488

⁷ California Department of General Services, State Motor Vehicle Insurance Account Fiscal Year 2025-26 Assessment, Management Memo No. 25-01 (Rev. 05-16-2025), available at <https://www.dgs.ca.gov/ORIM/News/Page-Content/Office-of-Risk-and-Insurance-Management-News-List-Folder/2025-26-State-Motor-Vehicle-Premium-Assessment>; State Motor Vehicle Insurance Account Fiscal Year 2024-25 Assessment, Management Memo No. 24-01, available at <https://www.dgs.ca.gov/ORIM/News/Page-Content/Office-of-Risk-and-Insurance-Management-News-List-Folder/2024-25-State-Motor-Vehicle-Premium-Assessment>; and State Motor Vehicle Insurance Account 2022-23 Fiscal Year Assessment, Management Memo No. 22-01, available at <https://www.dgs.ca.gov/-/media/Divisions/ORIM/3-MVIA/management-memos/MM2201pdfAL-Signed.pdf>.

⁸ For the City of Los Angeles, we were able to obtain information on payouts resulting from litigation, as well as information on total payouts. For fiscal year 2024/25, the ratio of litigated payouts to total payouts was 90%, which we then used to scale the payouts for the other municipalities reported in this table. Appendix A reports estimated annual savings calculations discussed below using the most recent data. Total payout and average payout in 2021 were calculated using the same methodology utilized for the most recent data in Appendix A.

⁹ City of LA Liability Dashboard, available at <https://liabilityclaims.lacontroller.app/>; City of Sacramento, Department of Human Resources, Division of Risk Management, Annual Report Fiscal Year Ending June 30, 2024, available at <https://www.cityofsacramento.gov/content/dam/portal/hr/Divisions/Risk/FY2024AnnualReport.pdf>; and data received from the San Francisco City government via the California Public Records Act.

To help limit their exposure to high-value claims, some municipalities also maintain excess liability insurance. The city of Sacramento, for example, self-insures for claims up to \$2 million, but then maintains an excess liability policy for claims up to \$40 million. As shown in the table below, between fiscal year 2020 and fiscal year 2024, the premiums paid by Sacramento for excess insurance coverage more than doubled.

Table 3. Excess Liability Insurance Premiums Incurred by Sacramento¹⁰

	Policy Limit	Premium
2020	\$35 million	\$4.6 million
2021	\$35 million	\$6.1 million
2022	\$35 million	\$7.6 million
2023	\$35 million	\$8.7 million
2024	\$40 million	\$9.8 million

I.B Rising Costs of Personal Auto Insurance

Along with rising costs to the State and its municipalities, private automobile owners are also facing rising insurance premiums. One report noted that between 2023 and 2024 premiums on personal auto insurance increased by over 50%.¹¹ A number of factors have been identified for this increase, including increasing claim frequency and increasing payouts, including from medical bills.¹² Although the focus of this study is the Initiative’s potential effects on State and municipal insurance costs, the same economic factors at play would be expected to reduce personal auto insurance premiums as well. Indeed, many of the benchmarks we use to model cost-savings to the State and municipalities are derived from the benefits recognized by personal automobile owners after the passage of similar legislation in other states. Thus, while we do not do so here, our analysis could reasonably be extended to estimate the benefits to personal automobile owners in California as well.

I.C Exploitation of Accident Victims

Currently in California, fees for legal counsel working on a contingency basis are uncapped and typically range from 30% to 40% (or more) of any damages award or settlement.¹³ This means that accident victims typically receive less than 60-70% of any litigation settlement or judgment, and sometimes far less. Frequently, these low rates of recovery are not sufficient to cover accident victims’ medical bills, particularly when those medical bills have been artificially inflated.

¹⁰ City of Sacramento, Department of Human Resources, Division of Risk Management, Annual Report Fiscal Year Ending June 30, 2024, available at <https://www.cityofsacramento.gov/content/dam/portal/hr/Divisions/Risk/FY2024AnnualReport.pdf>. See also, the same report for the fiscal year ending June 30, 2022, available at <https://www.cityofsacramento.gov/content/dam/portal/hr/Divisions/Risk/FY2022AnnualReport.pdf>.

¹¹ Roseann Cattani, “California Car Insurance Rates Skyrocketed, but They Aren’t the Highest in the Nation,” Palm Springs Desert News, January 29, 2025, available at <https://www.desertsun.com/story/news/nation/california/2025/01/29/laws-avs-wildfires-why-car-insurance-rates-are-rising-in-california/78030218007/>.

¹² See NHC Insurance Services, “Why California Auto Insurance Premiums Are Rising in 2026,” February 2, 2026, available at <https://nhcinsurance.com/why-california-auto-insurance-premiums-are-rising-in-2026/>.

¹³ See, e.g., “What Percentage Do Personal Injury Lawyers Take in California?” available at <https://www.hamparyan.com/what-percentage-do-personal-injury-lawyers-take>.

The artificial inflation of medical bills is facilitated when accident victims are encouraged by their attorneys to seek medical treatment outside their own insurance networks. When they seek care outside of their own networks, accident victims incur medical providers' list pricing (also known as chargemaster pricing), rather than the much lower prices that have been negotiated by the victims' insurers for in-network treatment.¹⁴ Even more problematic, some accident victims report that they were pressured into undergoing unnecessary medical procedures, including surgeries, to artificially inflate medical bills.¹⁵

To pay the inflated medical bills they incur when seeking out-of-network coverage, accident victims frequently obtain medical liens, which defer payment while guaranteeing that the medical providers will be paid from litigation proceeds after the claim has been resolved through litigation or by settlement.¹⁶ This method of financing out-of-network treatment can impose a heavy burden on accident victims when they do not prevail in their litigation or when the net recovery after attorneys' fees and costs are deducted is less than their medical bills. A report by the Los Angeles Times identified more than 60 accident victims who incurred medical bills exceeding their share of the payouts from litigation.¹⁷ All 60 accident victims were represented by a single law firm. This report also documented that attorneys' fees and costs often exceeded 50% of the victims' shares of the payouts and, in some instances, exceeded 75%.

Another frequent criticism of California's tort system for motor vehicle accidents is that, in addition to limiting accident victims' recoveries and potentially leaving them with medical bills exceeding their share of the proceeds from settlement or judgment, uncapped legal fees can result in marginal, or even frivolous, claims being pursued. As discussed in more detail below, prior economic research has shown that when the payout from litigation is sufficiently high, even when the probability of that payout is low, it may still be economically rational to pursue litigation for non-meritorious claims.¹⁸ In other words, the potential for a large payout may make it economically rational to file a claim when the legal basis for doing so is dubious.

I.D Economic Rationale for the Initiative

According to its sponsors, the proposed Initiative is intended to protect the rights of accident victims and ensure that they receive at least a minimum level of recovery. The proposed Initiative would also be expected to address the underlying causes to California's municipalities of spiraling costs associated with increasing automotive liability.

¹⁴ See, e.g., the discussion of this phenomenon in George A. Nation III, "The Valuation of Medical Expense Damages in Tort: Debunking the Myth that Chargemaster-Based 'Billed Charges' Are Relevant to Determining the Reasonable Value of Medical Care," *Tulane Law Review*, Vol. 95, No. 4, April 2021, 937-991.

¹⁵ The Los Angeles Times documents a number of apparent instances of such unnecessary surgeries. (See Rebecca Ellis, "The Rise of DTLA: Car Crashes, Costly Surgeries and a \$4-Billion Sex Abuse Settlement," *Los Angeles Times*, December 31, 2025 (Ellis"), available at <https://www.latimes.com/california/story/2025-12-31/downtown-la-law-group>.

¹⁶ See, e.g., Fred Schulte, "Crash Course: Injured Patients Who Sign 'Letters of Protection' May Face Huge Medical Bills and Risks," *KFF Health News*, December 21, 2021, available at <https://kffhealthnews.org/news/article/letters-of-protection-personal-injury-cases-surprise-bills/>.

¹⁷ Ellis

¹⁸ See, e.g., William Hamm and H.E. Frech, *MICRA and Access to Health Care: By Lowering Health Care Costs, MICRA Improves Californians' Access to Care*, Berkeley Research Group, May 2019 (Hamm and Frech"), at pp. 7 and 9. Hamm is one of the authors of this study.

The Initiative would achieve these objectives in two ways. First, it would cap attorneys' contingency fees at 25%, thus guaranteeing that accident victims would retain at least 75% of any court awards or legal settlements, after deducting costs. Second, the Initiative would set objective standards for the calculation of past and future medical expenses based on what the accident victim's health care coverage paid or would pay or, if there is no available health care coverage, Medicare and Medi-Cal reimbursement rates. From an economic perspective, both of these mechanisms would be expected to curtail abusive litigation practices without deterring meritorious claims or limiting accident victims' ability to obtain the medical care they need.¹⁹

In addition to safeguarding the recoveries of accident victims, reducing non-meritorious litigation, and constraining medical costs, our analysis indicates that the Initiative would also constrain, or even reverse, the recent rapid rate of increases in motor vehicle accident-related payouts by the State and its municipalities.

II Prior Reforms to Medical Liability Litigation and Casualty Insurance Litigation Have Reduced Costs

To better understand the likely fiscal effects of the proposed Initiative, we looked at two analogs that we believe are indicative of its likely economic impact. The first analog is the 1975 passage of the Medical Injury Compensation Reform Act (MICRA) in California. The second is the more recent passage of Florida bill HB 837 in 2023. The empirical evidence shows that both statutes have reduced the frequency of litigated insurance claims and reduced payouts stemming from litigated insurance claims.

II.A MICRA Reforms

MICRA was passed at a time when the medical liability tort system in California was imposing increasingly high medical liability insurance premiums on those physicians fortunate enough to obtain coverage.²⁰ At the time, Californians were concerned that excessive medical liability premiums would cause physicians to cease practicing in the state, or practice without insurance. In an effort to prevent these adverse outcomes, the Legislature capped monetary awards for non-economic damages (sometimes referred to as "pain and suffering damages) at \$250,000.²¹

Prior research on the economic effects of MICRA has shown that MICRA was effective in reducing both the frequency of damages claims in medical liability cases, and the size of damages awards in those

¹⁹ A prior assessment of litigation reform in California, in the context of medical liability litigation, found that meritorious claims still proceed. (See Hamm and Frech, at pp. 9 and 13.)

²⁰ See, e.g., the discussion of the passage of MICRA in Hamm and Frech, at pp. 1 and 2.

²¹ With the passage of California Assembly Bill No. 35 (AB-35") in 2022, MICRA was updated to allow for annual increases to the cap on non-economic damages (incrementally progressing by 2033 to \$750,000 for personal injury matters and \$1 million for wrongful death matters). AB-35 also restructured caps on contingency fees, mandating a 25% cap on fees stemming from settlements prior to the filing of a civil complaint or demand for arbitration and a 33% cap on fees after such filings. Chapter 27, Statutes of 2022, Civil Damages: Medical Malpractice, approved by Governor May 23, 2022.

cases. Hamm and Frech (2019) found that in the 30 years after the California Supreme Court upheld MICRA, the frequency of medical liability claims, per 1,000 insured doctors, declined from 23% to 16%, a decline of 30%.²² The economic rationale provided by Hamm and Frech (2019) for this decline is that caps on recovery discourage legal counsel from bringing non-meritorious or weak claims.²³ Their economic analysis shows that in an uncapped environment, it can be economically rational to bring even weak claims with a relatively small chance of success if the potential payoff is sufficiently large.²⁴

Given MICRA's cap on non-economic damages, it is not surprising that prior research has found that the measure also reduced the size of damages awards. As of 2017, Hamm and Frech (2019) found that, despite being a relatively high-cost state, California had the seventh lowest average payout for medical liability claims, and that California's average payout was well below payouts in similar high-cost states, such as New York, New Jersey, and Illinois, that did not have caps.²⁵ Pace, Golinelli, and Zakaras (2004) found that in cases in which the MICRA cap was binding, aggregate damages awards (including both economic and non-economic damages) were 37% lower.²⁶ A similar study analyzing reductions in payouts stemming from Texas's cap on non-economic damages in medical liability cases (also set at \$250,000) found a median decline in non-economic damages of 33%.²⁷

Research into the economic effects of MICRA, as well as the effects of other reforms to the medical liability tort system, have found that such reforms achieved their intended goal of reducing medical liability insurance premiums. Hamm and Frech (2019) found reductions in premiums of up to 48%.²⁸ A study by Thorpe (2004) estimated that medical liability premiums in states with caps on non-economic damages were 17% lower than in states without such caps.²⁹ A study by the General Accounting Office (2003) found that over a two-year period (2001 and 2002) medical liability premiums in states with caps grew by about one-third (10% vs. 29%) compared to states without such caps.³⁰

Other studies have found that the repeal of caps on non-economic damages has resulted in increased medical liability insurance premiums. Mizushima, et al. (2025) conducted a difference-in-difference analysis comparing states that repealed their caps (i.e., Georgia and Illinois) versus those states that maintained their caps.³¹ This study found that the repeal of Georgia's cap was associated with an increase in medical liability insurance premiums for general surgery of over \$12,000.

²² Hamm and Frech, at p. 14 and Table 2.

²³ Hamm and Frech, at pp. 7 through 9.

²⁴ See, e.g., Hamm and Frech, at Table 1. This same economic analysis shows, however, that even in a capped environment, the economic incentive is still sufficiently large to bring meritorious claims.

²⁵ Hamm and Frech, at Table 3. By way of comparison, California's average claim was just under \$200,000, while average claims in New York, New Jersey, and Illinois were around \$430,000, \$470,000 and \$675,000, respectively.

²⁶ Nicholas Pace, Daniela Golinelli, and Laura Zakaras, Capping Non-Economic Awards in Medical Malpractice Trials: California Jury Verdicts under MICRA, Rand Institute for Civil Justice, 2004, at p. 21.

²⁷ David Hyman, Bernard Black, Charles Silver, and William Sage, "Estimating the Effect of Damages Caps in Medical Malpractice Cases: Evidence from Texas," *Journal of Legal Analysis*, vol. 1, 2009, at p. 358.

²⁸ Hamm and Frech (2019), at p. 4.

²⁹ Kenneth Thorpe, "The Medical Malpractice 'Crisis': Recent Trends and the Impact of State Tort Reforms," *Health Affairs*, W-4, 2004 (Thorpe"), at p. 26.

³⁰ *Medical Malpractice: Implications of Rising Premiums on Access to Health Care*, Government Accounting Office, Report No. GAO-03-836, August 2003, at p. 6.

³¹ Yuji Mizushima, Christopher Whaley, and Hao Yu, "The Repeal of Noneconomic Damage Caps and Medical Malpractice Insurance Premiums," *Health Economics*, Vol. 34, No. 12, December 2025, 2223-2237.

As discussed more below, although these reductions in litigated claims and insurance premiums occurred in private markets, the same economic factors at play in those markets would also be expected to be relevant for insurance and litigation in the public sector as well. In this regard, MICRA shows that reducing incentives for unnecessary, or overly costly, litigation can result in mitigating the costs associated with such litigation.

II.B Florida Reforms (HB 837)

In March 2023, Florida enacted significant reforms to its negligence liability system with the passage of HB 837. The bill embodied many of the same reform efforts proposed in the Initiative. For example, HB 837 introduced greater transparency into the medical bills actually accrued by accident victims and required heightened evidence to document the “reasonable and necessary” expenses associated with future medical care.³² The bill also limited the use of “contingency fee multipliers” that had previously allowed plaintiffs’ attorneys to seek fees that were 1.5 to 2.0 times the amount that a court had determined were reasonable.³³

These reforms have already had a significant impact on the cost of automobile insurance in Florida. A press release issued by Florida’s governor observed that in the 18 months after the passage of HB 837, there were “significant reductions in auto insurance rates” ranging from 6% (for State Farm) to 10.5% (for Geico).³⁴ Indeed, between 2024 and 2025, premiums on auto insurance policies in Florida have fallen even further than initially anticipated. State Farm reported that in just 2025, it had reduced its premiums by an additional 10% which, when combined with prior reductions in 2024, resulted in total premiums falling by more than 20%.³⁵ State Farm estimates that these reductions have resulted in more than \$1 billion in savings to its customers, working out to about \$400 in savings per vehicle. State Farm specifically attributed these cost-savings to the litigation reform brought about by HB 837.

Progressive, too, estimated that as a result of HB 837, savings to its policyholders would be nearly \$1 billion.³⁶ Since Florida law mandates that insurance companies return profits above a certain threshold to policyholders, Progressive is refunding about \$300 per policyholder in the form of credits for subsequent policy renewals.³⁷ Progressive also reported that since HB 837 took effect, the percent of personal injury protection claims being litigated declined by around 60%, and average loss cost for injury claims were down between 10% and 20%.³⁸ Progressive reported in its investor materials that in 2024, it experienced a favorable adjustment to its auto insurance reserves of at least \$375 million and

³² See Florida Senate, CS/CS/HB 837: Civil Remedies, available at <https://www.flsenate.gov/Session/Bill/2023/837/BillText/er/PDF>.

³³ See Florida Senate, CS/CS/HB 837: Civil Remedies, available at <https://www.flsenate.gov/Session/Bill/2023/837/BillText/er/PDF>.

³⁴ Executive Office of the Governor, “Governor Ron DeSantis Announces Rate Reductions for Miami-Dade County, Auto Insurance Reductions Statewide, and 11 New Companies Entering Florida’s Market,” February 5, 2025, available at <https://www.flgov.com/eog/news/press/2025/governor-ron-desantis-announces-rate-reductions-miami-dade-county-auto-insurance>

³⁵ State Farm Press Release, “Op-ed Highlights Progress in Florida,” October 29, 2025, available at <https://newsroom.statefarm.com/op-ed-highlights-progress-in-florida/>.

³⁶ Executive Office of the Governor, “Governor Ron DeSantis Announces \$1 Billion in Auto Insurance Refunds As a Result of Florida’s Improving Insurance Market,” October 22, 2025, available at <https://www.flgov.com/eog/news/press/2025/governor-ron-desantis-announces-1-billion-auto-insurance-refunds-result-floridas>.

³⁷ “Progressive’s \$950M in Florida Regurgitation to Mostly Be Credits in Renewals,” Insurance Journal, November 4, 2025, available at <https://www.insurancejournal.com/news/southeast/2025/11/04/846368.htm>. See also the Progressive Corporation, SEC Form 10-Q for the quarterly period ended September 30, 2025, at p. 23.

³⁸ “Making Auto Insurance Affordable: Industry Executives Celebrate Florida Reforms,” Carrier Management, November 7, 2025, available at <https://www.carriermanagement.com/news/2025/11/07/281245.htm>.

experienced another positive adjustment of at least \$910 million in 2025.³⁹ Progressive specifically attributed these improvements to the passage of HB 837. Progressive’s CEO stated that she had not seen insurance reform have such a dramatic impact in her 38 years in the insurance industry.⁴⁰

Other studies of HB 837’s economic effects on automotive insurance reached similar conclusions. Timmons and McFaul (2025) reported that United Automobile Insurance Company anticipated a 13% reduction in litigated claims; a 10% reduction in loss severity of litigated claims; and a 10% reduction in allocated loss adjusted expenses, or ALAE.⁴¹ Similarly, State Farm anticipated a decrease in losses associated with bodily injury and property damages of 5.1% and 0.8%, respectively, along with a 5.1% reduction in attorney fees.⁴²

Auto insurance rates have continued to fall in Florida into 2026. A press release issued in January 2026 by Florida’s Office of Insurance Regulation observed that USAA had filed for a rate reduction of 7%, slated to take effect in May 2026.⁴³ This press release also observed that AAA had taken three separate rate reductions over 2025 for a total reduction of 15%, and had filed for a fourth rate reduction to take place in early 2026. In addition to its \$1 billion rebate to customers, Progressive announced an average rate decrease of 8%.

More broadly, there has been an overall improvement in the markets for other types of insurance in Florida since HB 837 took effect. Prior to its passage, there existed what one analyst characterized as a “cottage industry” around suing property insurers. This analyst estimated that Florida accounted for nearly 80% of the nation’s lawsuits against property insurers, but only about 9% of homeowners’ claims.⁴⁴ Since the passage of HB 837, there has been a significant reduction in litigation against property insurers, with lawsuits down 24% between Q3:2022 and Q3:2023.⁴⁵ As a result, 12 new insurers have entered the Florida market, and existing insurers have generally kept their premiums constant or filed for rate decreases.⁴⁶ In addition, Citizens Property, Florida’s property insurer of last resort, has seen an outflux of hundreds of thousands of policies in the past few years as homeowners once locked out of the private market for homeowners insurance have been able to return.⁴⁷

³⁹ These figures are through September 30 of their respective years. See The Progressive Corporation, SEC Form 10-Q for the quarterly period ended September 30, 2025, at p. 19.

⁴⁰ “Making Auto Insurance Affordable: Industry Executives Celebrate Florida Reforms,” Carrier Management, November 7, 2025, available at <https://www.carriermanagement.com/news/2025/11/07/281245.htm>.

⁴¹ Joshua Timmons and Melanie McFaul, “How Recent Tort Reforms Are Shaping Insurance Claims,” Milliman White Paper, August 2025.

⁴² Timmons and McFaul.

⁴³ Florida Office of Insurance Regulation, “Commissioner Mike Yaworsky Approves More Auto Rate Cuts for Consumers in 2026, including Military Service Members, January 28, 2026, available at <https://floir.gov/newsroom/archives/item-details/2026/01/28/commissioner-mike-yaworsky-approves-more-auto-rate-cuts-for-consumers-in-2026--including-military-service-members>.

⁴⁴ Randy Fuller and Wade Stier, “Impact of Florida Legislative Reforms in the Property Market,” Fo[RE]sight: A Guy Carpenter Podcast Series, available at <https://www.guycarp.com/insights/2024/05/impact-florida-legislative-reforms-social-inflation-property-market.html>.

⁴⁵ See “FL Industry Litigation Report: Q3 2023,” GuyCarpenter, September 30, 2023, available at <https://johnsonstrategiesllc.com/wp-content/uploads/downloads/2023/11/FL-Litigation-Report-Q3-2023-.pdf>.

⁴⁶ Shiloh Elliott, “Commissioner Yaworsky Announces 12th Property Insurer Entering the Market Since Legislative Reforms,” Florida Office of Insurance Regulation, April 7, 2025.

⁴⁷ Executive Office of the Governor. See also “Who We Are,” Citizens Property Insurance Corporate, available at <https://www.citizensfla.com/who-we-are>.

III Potential Savings to the State of California, and Its Municipalities, from Approval of the Initiative

Based on scholarly analysis of the two analogs discussed above (MICRA and HB 837), we have identified a number of benchmarks that provide insight into the potential savings that the State, and its various municipalities could realize if the Initiative is approved by the voters.

III.A Potential Sources of Savings

The sources of potential savings take many forms, including:

- Reduced instances of motor vehicle accidents proceeding to litigation⁴⁸
- Reduced loss severity for those claims that do proceed to litigation
- Reduced premiums for both primary or excess insurance coverage
- Reduced allocated loss adjustment expenses (known as ALAE), which are the costs associated with litigating claims
- Reduced civil case loads, resulting in non-traffic related cases proceeding through the judicial system more expeditiously

From MICRA, we learn that litigation reform works in California. MICRA has reduced the number of medical liability claims that proceed to litigation (by up to 30%, according to one estimate).⁴⁹ MICRA has also demonstrated that fewer litigated claims, and lower payouts on claims that are litigated, result in reduced insurance premiums. Hamm and Frech (2019) found that MICRA lowered insurance premiums in California of up to 48%, while Thorpe (2004) more broadly found that states with medical liability reforms had insurance premiums that were 17% less than non-reform states.⁵⁰

As another source of insight into the potential impact of the Initiative in California, we reviewed the rate filings of selected insurers submitted after the passage of HB 837. The rate filing by United Automobile Insurance Company, for instance, specifically modeled the impact of HB 837.⁵¹ In its modelling, United Automobile assumed a reduction in litigated claims of 13%. It also modelled a reduction in the severity

⁴⁸ This would include, for example, litigation against transit departments in California for allegedly unsafe road conditions.

⁴⁹ Hamm and Frech, at p. 14 and Table 2. We believe that reductions in the number of medical malpractice claims filed is a reliable proxy for a reduction in the number of traffic accident claims filed. Our research indicates that significantly more traffic accident claims are filed on an annual basis than medical malpractice claims, even though very few (generally just 4% to 5%) ever reach trial. (See, e.g., Lynn Langton and Thomas Cohen, "Civil Bench and Jury Trials in State Courts, 2005," Bureau of Justice Statistics, October 2008, available at <https://bjs.ojp.gov/content/pub/pdf/cbjtsc05.pdf>. See also Mackenzie Kerr "2026 Personal Injury Law Statistics: What the Data Reveals," Clio, January 23, 2026, available at <https://www.clio.com/blog/personal-injury-law-statistics/>.)

⁵⁰ Hamm and Frech, at p. 4 and Thorpe, at p. 26. Another reason for the divergence between these studies is that Hamm and Frech were focused solely on California, which has a relatively lower cap on non-economic damages than many of the states analyzed in Thorpe. This lower cap would be expected to have a greater effect in reducing insurance premiums than higher caps.

⁵¹ United Automobile Insurance Company, Private Passenger Auto Rate & Rule Filing, Florida Office of Insurance Regulation, Filing No. 24-068987, August 2024.

of litigated claims of 10%, along with a reduction in ALAE of 10%. Similarly, the rate filing for State Farm modelled the expected impact of HB 837, estimating an overall decrease of 2.5% across all coverage.⁵²

These estimates of the cost savings to be recognized by HB 837 are likely conservative. For an insurance company, accurately pricing the risks it assumes is of critical importance. The consequences for underpricing those risks, however, can be more detrimental to the company's future than overpricing the risks. Were an insurer to underprice the risks it assumes, it stands to lose money on the policies it writes, while overpricing may lead to loss of market share.⁵³ This understanding of the consequences from faulty risk pricing likely explains Progressive's decision to wait for the economic benefits resulting from HB 837 to arrive before returning excess profitability to its policy holders. For this reason, a retrospective analysis of HB 837's economic effects is likely to provide a more reliable basis for estimating the potential cost-savings from the Initiative.

As we report above, automobile insurers in Florida have reduced their premiums up to 20%, equivalent to about \$400 per vehicle, as a result of cost-savings from HB 837. Furthermore, at least one automobile insurer observed that its injury claim losses had declined between 10% and 20% as a result of Florida's insurance reform.

III.B Potential Magnitudes of Savings

Based on these datapoints, we adopt the following benchmarks for estimating cost savings to the State and its municipalities. For each benchmark listed below, we provide a brief rationale for how we settled on the estimate. The applicability of any particular benchmark depends on the available data from each entity we assess.

- **Reduction in litigated claims of 30%.** This reduction reflects the average of United Automobile's estimated reduction in litigated claims (13%) and Progressive's observed reduction in litigated personal injury protection claims (60%). Given that Progressive's observed reduction covers a more limited set of claims than United Automobile's estimated reduction, we weight the bottom end of the range slightly more heavily. We also believe that the reduction in automotive claims from Initiative will be consistent with MICRA's estimated reduction in litigated medical liability claims of 30%.
- **Reduction in the severity of litigated claims of 15%.** This reduction reflects the average of Progressive's observed decline in loss cost (i.e., losses / exposure) across all claims (which it reported was between 10% and 20%) and is consistent with United Automobile's estimated 10% reduction in losses for its claims. Even though Progressive's observed declines relate to all claims and United Automobile's estimated declines are limited to just litigated claims, we believe it is conservative to average these numbers as it is likely that Progressive's observed decline would be even higher were they limited to just litigated claims.

⁵² State Farm Insurance Companies, Filing Memorandum, Florida Office of Insurance Regulation, Filing no. 24-069284, October 2024.

⁵³ See, e.g., the explanation of insurance in J.J. McCall, "Insurance," in *The New Palgrave: A Dictionary of Economics*, 1987. See also the explanation of underwriting provided by Allstate. (Underwriting Explained," Allstate, November 2025, available at <https://www.allstate.com/resources/underwriting>.)

- **Reduction in ALAE of 7.5%.** This reduction reflects the average of State’s Farm’s and United Automobile’s anticipated decreases in ALAE of 5.1% and 10%, respectively.
- **Reduction in insurance premiums of 20%.** This reduction reflects State Farm’s cumulative reductions in automobile premiums since the passage of HB 837. It also is consistent with AAA’s cumulative rate reductions in 2025 of 15% and its planned further rate reduction slated to take effect in early 2026.
- **Overall savings of \$350 per vehicle.** This amount reflects the average of Progressive’s and State Farm’s observed cost savings per vehicle of \$300 and \$400, respectively. It also is consistent, as discussed in more detail below, with a 20% reduction in the State’s assessed value per vehicle (for departments with fewer than 300 vehicles) of \$1,800.

III.C Potential Differences between Our Benchmarks and the Initiative

We recognize that there are differences between our analogs – MICRA and HB 837 – and the specific reforms contained in the Initiative. Notwithstanding these differences, we find these benchmarks provide a sound basis for estimating the cost-savings that the State and its municipalities would realize from passage of the Initiative.

One difference between HB 837 and the Initiative is the scope of the reforms embodied in each measure. In addition to discouraging artificially inflated medical bills and preserving more of any settlement or judgment for auto accident victims by imposing limits on attorneys’ fees (the key reforms proposed by the Initiative), HB 837 shortened the statute of limitations for bringing a claim and shifted Florida from a “pure” comparative negligence system to a “modified” comparative negligence system.⁵⁴ Previously, even if an alleged victim was found to be 99% at fault, that individual could still seek recovery from the other party, albeit reduced by the proportion of the victim’s responsibility. With the passage of HB 837, victims found to be more than 50% at fault are no longer eligible to seek recovery from the other party.

Another difference between the benchmarks derived from HB 837 and the potential cost-savings from the Initiative modeled in this study relates to differences in the liability profiles of individuals and government entities. The benchmarks derived from HB 837 relate to private passenger automobile coverage, while the potential cost-savings in this study relate to reductions in legal exposure for government entities. These entities are likely to face higher liability limits and have greater exposure to legal abuse.⁵⁵ This difference implies that the cost-savings stemming from private passenger vehicles could be magnified when applied to government entities. To be conservative in our estimates, however, we do not apply any quantitative adjustment to account for this potential difference in liability profiles.

⁵⁴ See, e.g., Vinci Jorgensen and Kent Willis, “Florida Tort Reform – A Historical Game Changer,” GenRe, April 3, 2023, available at <https://www.genre.com/us/knowledge/publications/2023/april/florida-tort-reform-a-historical-game-changer-en>.

⁵⁵ One reason for this is that government entities are often perceived to have “deep pockets,” making them a target for more frequent litigation associate with higher payouts.

Despite the differences between HB 837 and the Initiative, there are two key similarities between the two measures.

First, like the Initiative, HB 837 sought to reign-in excessive damages awards based on artificially inflated medical costs. It did so by ensuring that juries see both the billed medical costs incurred by plaintiffs, as well as costs based on multiples of either Medicare or Medicaid. If anything, by setting objective standards for recovery of medical costs, the Initiative is likely to bring-about savings that exceed those yielded by HB 837.

Second, like the Initiative, HB 837 sought to reduce the negative incentives to over litigate marginal or weak claims. By limiting attorneys' fees as a percent of settlements and judgments, the Initiative seeks to discourage non-meritorious claims. After analyzing both measures, we conclude that the percentage reductions in litigated claims realized in Florida after passage of HB 837 are an accurate indicator of the percentage reduction in litigated claims that will be realized in California from passage of the Initiative.

IV Estimate of the Potential Cost Savings to the State of California, and Certain Municipalities, from the Passage of the Initiative

Based on the benchmarks for potential cost savings discussed above, we estimate the potential savings to the State, as well as certain municipalities, were the Initiative to be approved by the voters.

IV.A Estimate of Overall Cost-Savings

In estimating the overall cost-savings to the State and its municipalities, we start with the total number of government-owned vehicles in California. Data compiled by the Federal Highway Association (FHWA) indicates that there are 232,007 automobiles owned by state, county, and municipal governments in California.⁵⁶ The FHWA also reports that 288,818 trucks and 66,709 buses are owned by these same governments.⁵⁷

In the table below we report the estimated statewide cost-savings based on the total number of government-owned vehicles in California. These estimates start with assumed savings of \$350 per automobile, which is consistent with the savings reported by Progressive and State Farm. Next, we reviewed rate filings in California for other classes of commercial vehicles, specifically trucks and non-school buses. From that review, we determined the appropriate multiplier to use when translating savings for automobiles to savings for trucks and non-school buses. These multipliers have the effect of increasing estimated per-vehicle savings for trucks and non-school buses, relative to automobiles.

⁵⁶ Federal Highway Administration, Office of Highway Policy Information, 2022 Publicly Owned Motor-Vehicles, Table MV-7, revised February 2025.

⁵⁷ Based on additional FHWA data we reviewed, we believe all of these buses are used for non-school purposes. (See Federal Highway Administration, Office of Highway Policy Information, Bus Registrations – 2023, Table MV-10, November 2024.)

Table 4. Estimated Statewide Annual Savings Based on Total Government-Owned Vehicles

	No. of Vehicles	Savings per Vehicle*	Total Savings
Automobiles	232,007	\$350	\$81 million
Trucks	288,818	\$420	\$121 million
Buses	66,709	\$1,400	\$93 million

*See [Appendix B](#) for the calculation of per-vehicle savings for trucks and buses.

As shown in this table, the estimated cost-savings for government-owned automobiles alone amounts to \$81 million per year. When the estimate is expanded to cover all vehicles owned by the State and local governments, **total cost savings increase to nearly \$300 million per year.**

IV.B Estimates for Individual Entities

Based on more granular data we were able to collect at the state and local levels, we have also estimated cost-savings to individual entities within California. These estimates will necessarily be lower than the estimated cost-savings overall as they do not reflect the totality of government-owned vehicles in California.

IV.B.1 State of California

As we report above, in its most recent fiscal year the State’s VELSIP assessed its agencies over \$80 million to cover expected costs associated with motor vehicle accidents. Were that assessment to be reduced by 20%, which is consistent with the cumulative reduction in State Farm’s premiums since the passage of HB 837 in Florida, **annual savings to the State would be \$16 million per year.**

As an alternative estimate of the potential cost-savings from the Initiative, we also analyzed cost-savings per vehicle owned by the State. Our analysis indicates there were around 43,000 vehicles owned by the State in 2024.⁵⁸ At an average cost-savings of \$350 per vehicle, per the average reductions realized by Progressive and State Farm after the passage of HB 837 in Florida, the State would stand to realize \$15 million in annual savings from passage of the Initiative.

We would also note that for departments owning fewer than 300 vehicles, the State in 2024 assessed a per-vehicle amount of \$1,800.⁵⁹ A 20% reduction in that per-vehicle assessment would equate to cost-savings of \$360, which is quite close to the \$350 that we adopt for our analysis.

An additional savings to the State is likely to be recognized through reduced litigation costs incurred by the California Department of Transportation (Caltrans). In 2018, Caltrans reported that its annual appropriation to pay for claims arising from accidents on the state highway system was \$68.6 million,

⁵⁸ California Open Data Portal, California State Fleet, data available at <https://data.ca.gov/dataset/california-state-fleet>. This figure changes based on how one defines what constitutes a “vehicle.” To reach our vehicle count, we included automobiles, pick-up trucks, SUVs, and vans, along with buses, trucks, and farming equipment. We believe this approach is conservative, given the calculations we perform in Appendix B. We also included all vehicles owned by the State in 2024, even if some of those vehicles were disposed during the year because they were stolen or junked.

⁵⁹ California Department of General Services, State Motor Vehicle Insurance Account Fiscal Year 2025-26 Assessment, Management Memo No. 25-01 (Rev. 05-16-2025), available at <https://www.dgs.ca.gov/ORIM/News/Page-Content/Office-of-Risk-and-Insurance-Management-News-List-Folder/2025-26-State-Motor-Vehicle-Premium-Assessment>.

plus an additional \$5 million to pay for litigation expenses arising from those claims.⁶⁰ At the same time, Caltrans requested an additional \$7 million in funding to offset its legal costs, along with the ability to seek an additional \$20 million from the legislature.

If one were to conservatively estimate Caltrans' current legal exposure at \$75 million, applying a 15% reduction in the severity of losses would result in **estimated annual savings of over \$11 million** to Caltrans.

IV.B.2 Cities of Los Angeles, Sacramento, and San Francisco

For the cities of Los Angeles, Sacramento, and San Francisco, we were able to obtain data on the total traffic liabilities paid out, as well as the total claims associated with those payouts. In addition, specifically for Los Angeles, we were able to distinguish between payouts and claims associated with litigation versus those that were resolved without litigation.⁶¹ In the most recent fiscal year for which data is available, 90% of total payouts made by Los Angeles were the result of litigation, but litigated claims only accounted for 14% of total claims. Based on those percentages, we scaled our data for Sacramento and San Francisco to estimate claims and payouts specifically associated with litigation (which are the ones most likely to be impacted by passage of the Initiative). We report these calculations in [Appendix A](#).

Our analysis of cost-savings took two forms. First, we reduced by 30% the number of litigated claims that each city would be expected to incur. This reduction was based on the average of United Automobile's expected decline and Progressive's observed decline as a result of HB 837. Second, of the remaining claims, we reduced their losses by 15%, based on Progressive's observed decline in the losses associated with its claims, as a result of HB 837. We report the results of those calculations in [Appendix A](#).

Based on those calculations, we then estimated the total cost-savings for each city. These savings are the sum of reduced litigated claims overall, as well as the reduced severity of the remaining litigated claims. In total for Los Angeles, Sacramento, and San Francisco we estimated annual savings of over \$30 million if the Initiative were to pass. We report those results in the table below.

⁶⁰ See Subcommittee No. 3 on Resources and Transportation, Agenda, April 11, 2018, at p. 6, available at <https://abgt.assembly.ca.gov/sites/abgt.assembly.ca.gov/files/Sub%203%20April%2011%20-%20Trans%20Agenda.pdf>.

⁶¹ See City of LA Liability Dashboard, available at <https://liabilityclaims.lacontroller.app/>.

**Table 5. Estimated Annual Savings to Select Municipalities
From Reductions in Claims and Severity**

Municipality	Estimated Savings
Los Angeles	\$18.4 million
Sacramento	\$2.2 million
San Francisco	\$8.5 million
Total	\$29.1 million

We also estimated cost-savings resulting from the decline in legal fees, known as ALAE, incurred by these cities when addressing the claims filed against them.⁶² For claims that we estimate will be eliminated by passage of the Initiative, we eliminated all legal fees associated with those claims. For the remaining claims, we estimated the reduction in ALAE to be 7.5%, which is the average of the declines anticipated by United Automobile and State Farm in their modelling of the effects of HB 837. We calculate those cost-savings to be \$1.2 million, as we report in the table below.

Table 6. Estimated Annual Savings to Select Municipalities from Reductions in ALAE

Los Angeles	\$0.7 million
Sacramento	\$0.1 million
San Francisco	\$0.2 million
Total	\$1.0 million

Finally, as we discussed above, Sacramento pays nearly \$10 million per year in excess insurance premiums. Using the 20% cumulative decline in State Farm’s premiums since the passage of HB 837, we estimate that Sacramento’s excess insurance premiums would decline by about \$2 million.

In total, for the cities of Los Angeles, Sacramento, and San Francisco, we estimate **annual savings of more than \$33 million** from the passage of the Initiative. These savings would be in addition to the savings of \$16 million we estimated for the State. We summarize these savings in the table below.

⁶² Using data obtained from San Francisco, we calculated the average amount of ALAE per settled claim to be around \$16,000. Given the relatively fewer claims that ultimately reach litigation, this figure is likely to be an extremely conservative estimate of the ALAE incurred per litigated claim.

Table 7. Summary of Estimated Annual Savings to Select Municipalities

	Claims	ALAE	Premiums	Total
Los Angeles	\$18.4 million	\$0.7 million		\$19.1 million
Sacramento	\$2.2 million	\$0.1 million	\$2 million	\$4.3 million
San Francisco	\$8.5 million	\$0.2 million		\$8.7 million
Total	\$29.1 million	\$1.0 million	\$2 million	\$33.1 million

Extrapolating the savings of \$33 million in [Table 7](#) above, to the entire state of California based on a comparison of populations, **suggests statewide savings of around \$250 million.**⁶³ This extrapolated statewide estimate is consistent with our estimate in [Table 4](#) above. The consistency of these two estimates, obtained through the application of two different methodologies, thus provides confidence in the accuracy of our estimated cost-savings.

IV.B.3 County of Los Angeles

We also estimated cost-savings to the County of Los Angeles. These took the same form and used the same calculations as those used for the City of Los Angeles, and amount to an **additional savings of \$5.6 million**, as we report in the table below.

Table 8. Estimated Annual Savings to the County of Los Angeles

Claims	\$5.4 million
ALAE	\$0.2 million
Total	\$5.6 million

IV.B.4 Corroborating Evidence

As corroboration for the cost-savings we estimated above, we also considered the cost-savings if passage of the Initiative were to return the value of litigated claims to the levels they were at just a few years ago in fiscal year 2021/22. As we report in the table below, reducing the value of litigated claims from current levels (or the year for which most recent data was available for a particular entity) to levels reported for fiscal year 2021/22 would alone result in estimated **savings of over \$87 million**.

⁶³ For this analysis we adopt the following population metrics: Los Angeles (3.9 million), San Francisco (0.8 million), Sacramento (0.5). (See Kristin Carney, “California Cities by Population (2026),” California Demographics, updated August 7, 2025, available at https://www.california-demographics.com/cities_by_population.) This compares to a statewide population of about 39.5 million. (See Department of Finance, Office of the Director, “Report: 108,000 More Californians in 2024; Total State Population Tops 39.5 Million,” May 1, 2025, available at https://dof.ca.gov/media/docs/forecasting/Demographics/estimates/E-1_2025_Press_Release.pdf.)

Table 9. Estimated Annual Savings If the Value of Litigated Claims Fell to FY 2021/22 Levels			
	Fiscal Year 2021/22	Most Recent Year	Difference
State of California	\$35.5 million	\$80.2 million	\$44.7 million
City of Los Angeles	\$18.6 million	\$45.4 million	\$26.8 million
Sacramento	\$3.4 million	\$5.5 million	\$2.1 million
San Francisco	\$7.5 million	\$21.0 million	\$13.5 million
Total			\$87.1 million

We view this corroborating analysis as providing a lower-bound for our cost-savings estimates. Although believe that our two estimates above (\$300 million based on per-car savings in the State and \$250 million based on extrapolating savings to selected cities) represent the most likely outcomes, this analysis is extremely conservative since to reach its estimated savings the effect of the Initiative would only have to be to restore automobile-related to litigation against the State and its municipalities to the levels that prevailed just a half-decade ago. We view this as a low threshold for the Initiative to meet.

IV.C Judicial System

The decline in traffic-related litigation brought about by the Initiative will be of benefit to those who utilize the State’s court system. Although we do not explicitly calculate the monetary value of this benefit, we note that currently there is a significant backlog of civil cases in the system, which would be reduced if there were fewer non-meritorious traffic claims filed.

The Superior Court of Los Angeles County “(LA Superior Court) exemplifies the problems faced by California’s courts. As part of statewide budget cuts in 2024, the LA Superior Court had its budget reduced by \$31 million.⁶⁴ As a result, the LA Superior Court expressed a concern about “access to justice” in LA County because it was “inevitable” that these budget cuts would result in reduced services. These budget cuts were made despite the well-documented backlog faced by the LA Superior Court.⁶⁵

To put into perspective the backlog faced by California courts stemming from personal injury claims filed in connection with motor vehicle accidents, our research shows that in fiscal year 2022-23 over 40,000 such claims were filed in the State’s Superior Courts.⁶⁶ In contrast, only 17,000 claims were disposed in that year. Prior to the Pandemic, though, the number of dispositions routinely exceeded 30,000, for a clearance rate well over 75% (i.e., the number of cases disposed was 75% of the number of new cases filed).⁶⁷

Assuming a 35% reduction in litigated claims in motor vehicle accidents, the number of claims filed in future years in California’s courts could fall from about 40,000 annually to around 26,000 annually. Were the number of dispositions to recover to pre-Pandemic levels, the Initiative would have the effect

⁶⁴ See, e.g., Superior Court of Los Angeles County Presiding Judge Samantha P. Jessner, “Q2 ’24 Update from the Superior Court of Los Angeles County,” LACBA Quarterly Update #2, July 2024, available at <https://lacba.org/?pg=lacba-news&blAction=showEntry&blogEntry=109707>.

⁶⁵ See, e.g., Skyler Romero, “Attorneys Welcome LA Superior Court Reforms but Warn Backlogs Persist,” Daily Journal, December 23, 2005, available at <https://www.dailyjournal.com/articles/389157-attorneys-welcome-la-superior-court-reforms-but-warn-backlogs-persist>.

⁶⁶ Judicial Counsel of California, 2024 Court Statistics Report: Statewide Caseload Trends, 2013-14 through 2022-23, Table 5C.

⁶⁷ Judicial Counsel of California, 2024 Court Statistics Report: Statewide Caseload Trends, 2013-14 through 2022-23, Figures 5 and 13.

of removing the backlog of motor vehicle claims, thus freeing up resources for California’s courts to address backlogs stemming from other causes of action.

The LAO puts the potential savings from reduced costs to California’s judicial system in the range of millions to tens of millions of dollars annually. We find that estimate to be consistent with our estimated reduction in the number of claims brought. By way of example, given an estimated reduction of 14,000 claims, to reach savings of \$10 million, each claim would only have to cost the State about \$700 to adjudicate.

IV.D Expected Future Cost Savings

As indicated by Table 9 above, the costs incurred by California and its municipalities to resolve legal claims stemming from automobile accidents has more than doubled over the past five years. This observation is consistent with the nationwide trend known as “social inflation” or the “increase in claim severity above what could be anticipated under the usual scope of economic inflation and claim trends.”⁶⁸ Research into social inflation indicates that it is particularly prevalent in commercial automobile liability insurance.⁶⁹

Given the importance of social inflation, the costs incurred by California and its municipalities to resolve automotive litigation are likely to grow rapidly in future years if the tort system for resolving automobile accident claims is not reformed. On this basis, we can expect the annual cost-savings resulting from the Initiative to increase in future years. If, for example, the rate of increase in automobile litigation costs incurred by the State of California and its municipalities would have increased in the coming five years at the same rate that it increased in the past five years (2021-2026), our estimated savings of \$300 million per year could grow to as large as \$600 million per year by 2031.

V There Is No Economic Basis for Concluding that Passage of the Initiative Would Meaningfully Elevate the Costs Incurred by Medi-Cal

We are aware of concerns that passage of the Initiative could shift some medical costs to Medi-Cal, thus offsetting a portion of the cost-savings attributable to the Initiative. As explained by the Legislative Analyst’s Office (LAO), if passage of the Initiative were to result in fewer motor vehicle accident cases being filed, accident victims who otherwise might have relied on medical liens for payment of their medical expenses instead would seek medical care through Medi-Cal.⁷⁰

⁶⁸ Travelers, “4 Social Inflation Drivers Contributing to Rising Claim Costs,” available at <https://www.travelers.com/resources/business-topics/insuring/4-factors-causing-social-inflation>.

⁶⁹ See, e.g., Jim Lynch and Dave Moore, Social Inflation and Loss Development, CAS Research Paper, 2022, available at https://www.casact.org/sites/default/files/2022-02/RP_Social-Inflation-Loss-Development.pdf. Although a worsening problem today, the term “social inflation” was originally coined by Warren Buffett in the 1970s.

⁷⁰ See Letter from Legislative Analyst’s Office to the Honorable Rob Bonta, dated November 24, 2025 (LAO Letter”).

While it is possible that some shifting might occur, we do not believe there is a sound analytical basis for concluding that this shift will make a significant dent in the cost-savings resulting from approval of the Initiative. Our reasoning is as follows:

1. Few accident victims with meritorious claims are likely to seek treatment for their injuries through Medi-Cal. There is no reason to believe that if the Initiative is approved, these victims will not be able to obtain representation in seeking compensation for their injuries,⁷¹ and their attorneys will still have a powerful (though significantly less powerful) economic incentive to send them to private providers for treatment, where the allowable reimbursement rates (and thus the attorney's potential take from the litigation) are significantly higher than Medi-Cal rates. There are no plausible circumstances where it would be in the attorney's economic interest to let his/her client be treated under Medi-Cal, since doing so would minimize the bills on which his/her fee is based. This is because 170% of the Medi-Cal rate will always exceed 100% of the Medi-Cal rate.
2. Many accident victims with non-meritorious or weak claims will not be able to obtain medical care by signing medical liens, and some of them may turn to Medi-Cal for their care. The cost of care for this group of accident victims, however, is likely to be relatively modest, as cases involving severe injuries will still be litigated because the probability-weighted payoff from filing a claim is high enough to attract attorney representation.
3. Considering only the subgroup of claimants that would have had attorney representation prior to the Initiative's passage but will not have it after passage (because the probability of success is low in the case of non-meritorious or weak claims):
 - a. A majority of them will not be eligible to seek care from Medi-Cal because their income is too high or they fail to meet other program requirements. Statewide, less than 40% of California residents are eligible for Medi-Cal.⁷²
 - b. For those accident victims that are eligible to seek care through Medi-Cal, the State's General Fund will pick up only 21-24% of the costs.
4. When a third-party is at fault, Medi-Cal is legally obligated to seek recovery for the cost of services it paid on behalf of its members.⁷³ This means that for the relatively small subset of accident victims that do seek care through Medi-Cal, rather than from private providers, as a result of the Initiative's reforms, the State will still have the ability to seek reimbursement for its costs. While the State would not be able to seek reimbursement from third parties when the

⁷¹ The exception is victims with meritorious claims that are too small to attract representation from attorneys.

⁷² See Katherine Wilson, "How Many in Your Congressional District Get Medi-Cal or a Premium Subsidy through Covered California," California Health Care Foundation, January 2, 2025, available at <https://www.chcf.org/resource/how-many-congressional-district-get-medi-cal-premium-subsidy-through-covered-california/#authors-contributors>.

⁷³ "Personal Injury Program," California Department of Healthcare Services, available at https://www.dhcs.ca.gov/services/Pages/TPLRD_PersonalInjuryProgram.aspx. See also, e.g., James West, "The Nuts and Bolts of Medi-Cal Liens, Advocate, November 2019, available at <https://www.advocatemagazine.com/article/2019-november/the-nuts-and-bolts-of-medi-cal-liens>.

Medi-Cal-eligible accident victim was at fault, such cases are unlikely to attract legal counsel in the first place and are already likely to be part of the Medi-Cal caseload.

VI Conclusion

Based on our analysis, we estimate that if the Initiative passes, **annual cost savings to the State and to and its municipalities will be at least \$90 million and could potentially be as high as \$250 million to \$300 million**, with many of those savings being realized by individual municipalities. **These savings will grow in subsequent years, potentially to as a high as \$600 million annually**, given California's history of increasing costs associated with resolving automotive litigation. We also conclude that the estimated cost-savings will far outweigh any potential cost increases that might be borne by Medi-Cal. Indeed, we see no economic basis for concluding that any meaningful burden will accrue to Medi-Cal as a result of the Initiative's passage. Lastly, we would expect the same economic factors resulting in reduced cost savings to the State to also result in reductions in personal auto insurance premiums as well.

VII Appendix A

Calculation of Estimated Savings for the City of Los Angeles		
Claim and Payout Data		
Total Traffic Collision Claims (FY 2024/2025)	[A.1]	910
Litigated Traffic Collision Claims (FY 2024/2025)	[A.2]	126
Total Payout Amount on Traffic Collision Claims (FY 2024/2025)	[A.3]	\$50,183,697
Payout Amounts in Litigation of Traffic Collision Claims (FY 2024/2025)	[A.4]	\$45,401,929
Payout Per Litigated Claim	[B]	\$360,333
Estimated Savings on Claim Reduction		
Estimated Reduction in Litigated Claims (30%)	[C]	38
Estimated Savings on Claim Reduction	[D]	\$13,620,579
Estimated Savings on Severity of Remaining Claims		
Remaining Litigated Claims	[E]	88
Payout on Remaining Claims Before Estimated Savings	[F]	\$31,781,350
Estimated Savings on Severity of Remaining Claims (15%)	[G]	\$4,767,203
Estimated Savings on Reduction in Claims and Severity	[H]	\$18,387,781
ALAE		
Estimated ALAE Amount per Claim	[I]	\$15,787
Estimated Savings on ALAE from Claim Reduction	[J]	\$596,752
Estimated ALAE Amount on Remaining Claims	[K]	\$1,392,422
Estimated Savings on ALAE on Remaining Claims (7.5%)	[L]	\$104,432
Total Estimated ALAE Savings	[M]	\$701,184

Notes:

[A] City of LA Liability Claims Dashboard, Data on Traffic Collision for FY 2024/2025, available at <https://liabilityclaims.lacontroller.app/>

[B] = [A.4] / [A.2]

[C] = [A.2] * 30%

[D] = [B] * [C]

[E] = [A.2] - [C]

[F] = [B] * [E]

[G] = [F] * 15%

[H] = [D] + [G]

[I] ALAE per claim calculated from data for San Francisco in fiscal year 2024, which reported \$5,067,657 in time and expenses for 321 settlements. (\$5,067,657 / 321 = \$15,787)

[J] = [C] * [I]

[K] = [E] * [I]

[L] = [K] * 7.5%

[M] = [J] + [L]

Calculation of Estimated Savings for Sacramento		
Claim and Payout Data		
Total Traffic Collision Claims (FY 2023)	[A.1]	138
Estimated Litigated Traffic Collision Claims (FY 2023)	[B]	19
Total Payout Amount on Traffic Collision Claims (FY 2023)	[A.2]	\$6,063,000
Estimated Payout Amounts in Litigation of Traffic Collision Claims (FY 2023)	[C]	\$5,485,285
Payout Per Litigated Claim	[D]	\$287,072
Estimated Savings on Claim Reduction		
Estimated Reduction in Litigated Claims (30%)	[E]	6
Estimated Savings on Claim Reduction	[F]	\$1,645,586
Estimated Savings on Severity of Remaining Claims		
Remaining Litigated Claims	[G]	13
Payout on Remaining Claims Before Estimated Savings	[H]	\$3,839,700
Estimated Savings on Severity of Remaining Claims (15%)	[I]	\$575,955
Estimated Savings on Reduction in Claims and Severity	[J]	\$2,221,541
ALAE		
Estimated ALAE Amount per Claim	[K]	\$15,787
Estimated Savings on ALAE from Claim Reduction	[L]	\$90,496
Estimated ALAE Amount on Remaining Claims	[M]	\$211,158
Estimated Savings on ALAE on Remaining Claims (7.5%)	[N]	\$15,837
Total Estimated ALAE Savings	[O]	\$106,333
Excess Liability Insurance Premium		
Excess Liability Insurance Premium (FY 2024)	[A.3]	\$9,841,618
Estimated Savings on Excess Liability Insurance Premiums (20%)	[P]	\$1,968,324

Notes:

[A] City of Sacramento, Department of Human Resources, Division of Risk Management, 2024 Annual Report, available at <https://www.cityofsacramento.gov/content/dam/portal/hr/Divisions/Risk/FY2024AnnualReport.pdf>.

[B] = [A.1] * ratio of litigated traffic collision claims to total claims in the City of Los Angeles (126 / 910 = 13.85%)

[C] = [A.2] * ratio of payouts in litigated claims to total payouts in the City of Los Angeles (\$45,401,992 / \$50,183,697 = 90.47%)

[D] = [C] / [B]

[E] = [B] * 30%

[F] = [D] * [E]

[G] = [B] - [E]

[H] = [D] * [G]

[I] = [H] * 15%

[J] = [F] + [I]

[K] ALAE per claim calculated from data for San Francisco in fiscal year 2024, which reported \$5,067,657 in time and expenses for 321 settlements. (\$5,067,657 / 321 = \$15,787)

[L] = [E] * [K]

[M] = [G] * [K]

[N] = [M] * 7.5%

[O] = [L] + [N]
[P] = [A.3] * 20%

Calculation of Estimated Savings for San Francisco		
Claim and Payout Data		
Total Traffic Collision Claims (FY 2024)	[A.1]	321
Estimated Litigated Traffic Collision Claims (FY 2024)	[B]	44
Total Payout Amount on Traffic Collision Claims (FY 2024)	[A.2]	\$23,261,166
Estimated Payout Amounts in Litigation of Traffic Collision Claims (FY 2024)	[C]	\$21,044,719
Payout Per Litigated Claim	[D]	\$473,488
Estimated Savings on Claim Reduction		
Estimated Reduction in Litigated Claims (30%)	[E]	13
Estimated Savings on Claim Reduction	[F]	\$6,313,416
Estimated Savings on Severity of Remaining Claims		
Remaining Litigated Claims	[G]	31
Payout on Remaining Claims Before Estimated Savings	[H]	\$14,731,303
Estimated Savings on Severity of Remaining Claims (15%)	[I]	\$2,209,696
Estimated Savings on Reduction in Claims and Severity	[J]	\$8,523,111
ALAE		
Total ALAE (FY 2024)	[A.3]	\$5,067,657
ALAE Amount per Claim	[K]	\$15,787
Estimated Savings on ALAE from Claim Reduction	[L]	\$210,503
Estimated ALAE Amount on Remaining Claims	[M]	\$491,173
Estimated Savings on ALAE on Remaining Claims (7.5%)	[N]	\$36,838
Total Estimated ALAE Savings	[O]	\$247,341

Notes:

[A] Data received from the San Francisco City government via the California Public Records Act

[B] = [A.1] * ratio of litigated traffic collision claims to total claims in the City of Los Angeles (126 / 910 = 13.85%)

[C] = [A.2] * ratio of payouts in litigated claims to total payouts in the City of Los Angeles (\$45,401,992 / \$50,183,697 = 90.47%)

[D] = [C] / [B]

[E] = [B] * 30%

[F] = [D] * [E]

[G] = [B] - [E]

[H] = [D] * [G]

[I] = [H] * 15

[J] = [F] + [I]

[K] = [A.3] / [A.1]

[L] = [E] * [K]

[M] = [G] * [K]

[N] = [M] * 7.5%

[O] = [L] + [N]

Calculation of Estimated Savings for Los Angeles County		
Claim and Payout Data		
Total Traffic Collision Claims (FY 2023/2024)	[A.1]	1,218
Estimated Litigated Traffic Collision Claims (FY 2023/2024)	[B]	169
Total Payout Amount on Traffic Collision Claims (FY 2023/2024)	[A.2]	\$14,692,301
Estimated Payout Amounts in Litigation of Traffic Collision Claims (FY 2023/2024)	[C]	\$13,292,341
Payout Per Litigated Claim	[D]	\$78,818
Estimated Savings on Claim Reduction		
Estimated Reduction in Litigated Claims (30%)	[E]	51
Estimated Savings on Claim Reduction	[F]	\$3,987,702
Estimated Savings on Severity of Remaining Claims		
Remaining Litigated Claims	[G]	118
Payout on Remaining Claims Before Estimated Savings	[H]	\$9,304,639
Estimated Savings on Severity of Remaining Claims (15%)	[I]	\$1,395,696
Estimated Savings on Reduction in Claims and Severity	[J]	\$5,383,398
ALAE		
Total ALAE (FY 2024)	[A.3]	\$3,200,852
Estimated ALAE Amount per Claim	[K]	\$2,628
Estimated Savings on ALAE from Claim Reduction	[L]	\$132,958
Estimated ALAE Amount on Remaining Claims	[M]	\$310,236
Estimated Savings on ALAE on Remaining Claims (7.5%)	[N]	\$23,268
Total Estimated ALAE Savings	[O]	\$156,226

Notes:

[A] Chief Executive Office, County of Los Angeles, Chief Executive Office Risk Management Annual Report, Fiscal Year 2023-24 (Item No. 30-A, Board Meeting of February 6, 2018), available at <https://riskmanagement.lacounty.gov/wp-content/uploads/2025/08/BM-Risk-Management-Annual-Report-FY-2023-24-SIGNED-1-29-25.pdf>.

[A.2] Total reported of \$17,893,153 includes indemnity and legal fees and expenses. This amount was adjusted to include only the payout amount by applying the ratio of the total payout amount to total costs in San Francisco ($\$23,261,166 / (\$23,261,166 + \$5,067,657) = 82.11\%$)

[A.3] = \$17,893,153 - [A.2]

[B] = [A.1] * ratio of litigated traffic collision claims to total claims in the City of Los Angeles ($126 / 910 = 13.85\%$)

[C] = [A.2] * ratio of payouts in litigated claims to total payouts in the City of Los Angeles ($\$45,401,992.9 / \$50,183,697 = 90.47\%$)

[D] = [C] / [B]

[E] = [B] * 30%

[F] = [D] * [E]

[G] = [B] - [E]

[H] = [D] * [G]

[I] = [H] * 15%

[J] = [F] + [I]

[K] = [A.3] / [A.1]

[L] = [E] * [K]

[M] = [G] * [K]

$$[N] = [M] * 7.5\%$$
$$[O] = [L] + [N]$$

VIII Appendix B

Calculation of ISO Multipliers and Per Vehicle Savings For Different Vehicle Types in the State of California			
Vehicle Type	Average Premium	Multiplier	Savings
Private Passenger Types	\$596	1.00	\$350
Trucks, Tractors and Trailers	\$704	1.20	\$420
Public Auto - Other Buses	\$2,450	4.00	\$1,400

Note: Assumes \$350 savings per passenger vehicle.

Source: Insurance Services Office, Inc., Revision of Commercial Auto Liability and Physical Damage Loss Costs/CA-2023-BRLA1, submitted March 8, 2024.

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