

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 526
Judiciary

(Delegate Kaufman)

Civil Actions - Settlement Agreements - Payment and Release

This bill establishes procedures to facilitate the exchange of release documents and payment of settlement proceeds following the oral or written confirmation of settlement of a tort claim for money damages. A settling defendant must (1) provide a proposed release to a plaintiff within 10 days after an oral or written agreement for a specified amount of money to resolve a claim before trial and (2) pay all sums due to the plaintiff within 15 days after an executed release by the plaintiff or, if required, court approval of the settlement amount. The parties may mutually agree to an extension of these time periods. The bill addresses the accrual of interest on a settlement if these requirements are not met. If there is a known and asserted third party right of recovery or subrogation interest, a plaintiff may protect the third party's right of recovery or subrogation interest by tendering to a settling defendant a signed release or other types of documentation, as specified. The bill does not apply to an individual paying for a settlement with personal assets. The bill applies prospectively only to settlement agreements ratified on or after the bill's October 1, 2026 effective date.

Fiscal Summary

State Effect: State expenditures increase from accrued interest on settlements, as discussed below. The bill may affect revenues and expenditures for the Maryland Legal Services Corporation (MLSC) Fund, as discussed below.

Local Effect: Local government expenditures increase due to accrued interest and settlement-related expenses. The bill also affects local government operations, as discussed below. Revenues are not affected.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: A settlement amount must accrue interest at the legal rate of interest on a judgment, assessed beginning the date the parties reach an oral or written settlement agreement, and until payment is made if the settling defendant does not provide the required draft release or does not pay all sums due as required. The parties may mutually agree to an alternative interest rate, but an agreement may not waive the accrual of interest.

Current Law: Settlement agreements are essentially contracts and governed by principles of contract law.

State Expenditures:

Office of the Attorney General and State Treasurer's Office

The Office of the Attorney General advises that the State will have a difficult to impossible time complying with the requirements of the bill. The State Treasurer's Office (STO), which is responsible for administering the State Insurance Trust Fund (SITF) and handles claims against the State under the Maryland Tort Claims Act (MTCA), concurs with this assessment. While STO cannot reliably estimate the fiscal and operational impact, the office advises that the accrual of interest under the bill has the potential to significantly increase SITF expenditures related to payments of MTCA claims. However, as mentioned above, the bill authorizes parties to mutually agree on an extension of the timelines specified in the bill.

STO also notes that the bill is unclear as to whether the bill only applies to private parties and citizens. While the bill does not mention the State specifically, the bill does not apply to an individual paying a settlement with personal assets. Relevant portions of the Code do not contain definitions that would specifically exclude the State from the bill. Furthermore, according to § 12-501 of the State Government Article, the Board of Public Works has the authority and discretion to make payments in lump sums or in installments.

Judiciary

The Judiciary advises that it is unclear whether the bill applies to alternative dispute resolution (ADR) programs. If the bill does apply to those programs, then the legislation impacts the District Court's Alternative Dispute Resolution Office and programs throughout the State that provide mediation and settlement conferences in civil cases pending in many District Court locations. ADR practitioners serve as neutral facilitators. The bill may affect existing settlement practices, particularly with respect to timeframes for settlement payments, the effect of payment on the release of future claims, and

categories of defendants covered by the statute (*e.g.*, government entities, businesses, and healthcare providers).

The bill requires that the full amount of specified liens or rights to recovery be held in an Interest on Lawyer Trust Account (IOLTA) account pending final resolution of the lien or right to recovery. The effect of these provisions on MLSC revenues and expenditures cannot be reliably determined at this time. IOLTA accounts are mandatory for attorneys holding client funds that are nominal or short-term. Interest earned, net of allowable bank fees, is remitted to MLSC to fund civil legal aid for low-income individuals.

Local Expenditures: Local government expenditures increase due to accrued interest and settlement-related expenses. The bill also affects local government operations.

The Maryland Association of Counties (MACo) advises that the bill significantly affects the finances and operations of local governments. According to MACo, when county governments have a settlement with a money judgment, they are bound by the standards in the negotiated settlement process which is not currently directed by State law. In instances of complicated cases, compliance with the timeframe set forth in the bill would be impossible. County governments also have procedural requirements by code and or local charter that make it difficult to comply with the bill.

Efforts to comply with the bill during negotiations of settlements and release may include (1) employment of outside counsel; (2) an overhaul of local government settlement approval procedures; and (3) an overhaul of local government financial procedures, depending on whether a jurisdiction self-insures or not.

Small Business Effect: The bill may have a meaningful effect on small businesses that are parties to settlements, subrogation, and third-party rights of recovery affected by the bill. The bill may affect small business law firms engaged in settlement negotiations, and small business insurance costs.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Maryland Association of Counties; Office of the Attorney General; Maryland State Treasurer's Office; Judiciary (Administrative Office of the

Courts); Maryland Health Care Alternative Dispute Resolution Office; Maryland Insurance Administration; Department of Legislative Services

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sj/jkb

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