



February 25, 2026

The Honorable Pamela Beidle, Chair
The Honorable Antonio Hayes, Vice Chair
Senate Finance Committee
3 East Miller Senate Office Building
Annapolis, Maryland 21401

Re: Supporting Senate Bill 894: Third-Party Litigation Financing – Licensing and Regulation

Dear Chair Beidle, Vice Chair Hayes, and members of the Senate Finance Committee:

Thank you for the opportunity to submit written testimony in support of Senate Bill (SB) 894, a bill concerning the licensing and regulation of third-party litigation financing (TPLF). We especially appreciate our partnership with SB 894’s sponsor, Senator Gile.

TPLF is a method of advancing funds to plaintiffs in civil tort litigation in exchange for a percentage of their ultimate monetary award, whether issued via a settlement or a judgment. TPLF is a vehicle for plaintiffs to borrow money up front from litigation “investors” that are otherwise uninvolved in the underlying lawsuit.¹

I. Background

Repayment terms often include predatory and compounding interest rates. For that reason, several states cap the interest rates that financiers can collect; some states also cap the total amount “lenders” can recover from the plaintiff’s monetary award. Depending on the nature of the TPLF contract, litigation financiers may be repaid, in part or in full, even if the plaintiff loses their underlying case.² SB 894 would require plaintiffs to repay such loans only on the contingency that they receive compensation in connection with their suit.

In some cases, plaintiffs in receipt of third-party funds may have unfettered discretion as to how they use the “borrowed” funds; in other arrangements, the TPLF contract may circumscribe the

¹ TPLF “lenders” may be individuals or commercial enterprises. Frequent lenders may opt to spread their “investment risks” across multiple suits, referred to as “portfolio funding.” Financiers may limit plaintiffs’ use of the funds to expenses associated with the suit itself, like lawyers’ fees and/or expert witness fees and expenses. TPLF agreements directing the use of up-front monies to satisfy costs associated with litigation could encourage attorneys to prolong lawsuits because they could do so without absorbing the accompanying expenses.

² This outcome is most often achieved with TPLF agreements that include origination fees, specified breach triggers, diligence costs, or monitoring fees. Financiers whose TPLF agreements include such provisions retain those funds irrespective of the outcome of the suit, subject to the terms of the agreement and applicable law.

use of these funds. Absent applicable statutory or contractual restraints on plaintiffs' use of borrowed funds, plaintiffs can use the money as they wish.³

SB 894 would, among other provisions, require litigation financiers to obtain litigation financing licenses, which would be issued pursuant to the Maryland Consumer Loan Law; deem litigation financing a form of loan; require disclosure of the existence of litigation financing contracts in civil actions; and require information concerning litigation financing contracts to be discoverable in civil actions. The bill, which emphasizes consumer protection and transparency, is similar to TPLF legislation adopted in other states around the country. Passage of SB 894 will protect consumers and reduce litigation disputes among parties over TPLF disclosures, particularly because it requires disclosure without a discovery request.

On behalf of the Allstate Insurance Company enterprise, I urge the members of this Committee to issue a favorable report on SB 894.

II. Protecting consumers and holding TPLF financiers accountable

By virtue of their greater economic power, TPLF financiers enter into negotiations already at an advantage over the plaintiffs with whom they are contracting. Financiers' ability to exert leverage over plaintiffs, especially economically disadvantaged plaintiffs, has been unencumbered in Maryland to date. Passage of SB 894 would protect consumers by limiting TPLF financiers' ability to recover to cases in which plaintiffs recover.

In the absence of statutory intervention, TPLF financiers largely operate unseen, fundamentally unencumbered by legislative prohibitions or regulatory attention. Their goal is generally to maximize the profits they can extract from each financed lawsuit, essentially transforming the judicial system into an unregulated, unmonitored betting market.

The bill would also protect consumers by creating a licensing regime for litigation financiers, ensuring some degree of uniformity and reliability for consumers interacting with financiers and permitting the state to demand that bad actors be held to account for TPLF-related misbehavior.

Crucially, SB 894 would also codify and formalize the application of Maryland consumer lending laws to TPLF financiers.

III. Leveling the playing field for parties to litigation

Under current Maryland law, plaintiffs can enter into TPLF agreements without other parties even knowing they exist. This leaves parties outside the TPLF agreement at a disadvantage, without information about who may be literally invested in the suit and may be influencing its trajectory. Passage of SB 894 would allow all parties to know the identity of the primary stakeholders to the litigation.

³ Plaintiffs may use the funds they are advanced to pay for their living expenses or costs associated with the litigation itself, for example.

IV. Acknowledging the presence of litigation financiers in Maryland

Several third-party litigation financing companies are active in Maryland, and, while the state legislature has not acted on this issue in the past, at the federal level, the U.S. District Court for the District of Maryland has promulgated a local rule requiring parties to disclose the presence of TPLF during litigation.⁴ In passing SB 894, Maryland would join a number of states that have already passed TPLF statutes; similar bills are pending in about 20 states this year.

Writ large, the existence of unregulated TPLF financiers prolongs litigation, discourages settlements, and increases the cost, in both time and money, of lawsuits. Passage of SB 894 would promote consumer protection and transparency among parties and address many of the problems presently associated with TPLF financiers.

Allstate appreciates the opportunity to provide written comments in support of the bill, and we respectfully urge Committee members to issue a favorable report on SB 894. Thank you for your time and consideration of this important issue.

Sincerely,



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⁴ See District of Maryland L. R. 103.3(b), available at [LocalRules.pdf](#).