



February 16, 2026

The Honorable J. Sandy Bartlett, Chair
The Honorable Debra Davis, Vice Chair
House Judiciary Committee
100 Taylor House Office Building
Annapolis, Maryland 21401

Re: Opposition to House Bill 526: Settlement Agreements – Payment and Release

Dear Chair Bartlett, Vice Chair Davis, and members of the House Judiciary Committee:

Thank you for the opportunity to submit written testimony in opposition to House Bill (HB) 526, which would require a settling insurer-defendant in an automobile tort action for money damages to provide a proposed release to a plaintiff within 10 days of the parties agreeing to a settlement sum orally or in writing. The bill would also require the settling insurer-defendant to pay all sums due to a plaintiff pursuant to such a settlement agreement within 15 days of receiving the executed release.

HB 526 would also establish the time at which interest would begin to accrue on a settlement sum as the date on which the defendant fails to send the draft release within 10 days of the settlement agreement, or as the date on which the defendant fails to pay settlement sums due within 15 days of receiving the executed release. Once it begins to accrue, interest would continue to accumulate until the settlement payment is made.

On behalf of the Allstate Insurance Company enterprise, I respectfully urge the members of this Committee to issue an unfavorable report on HB 526.

1. HB 526 will increase errors, disputes, and transaction costs.

HB 526 puts unnecessary time restrictions on parties attempting to settle automobile cases. The deadlines of 10 days in which to tender a proposed release and 15 days in which to pay a settlement after the return of an executed release are unusually short for tort cases that may have multiple payors and/or court-approval requirements. Moreover, the bill's 10-day clock begins to run once the parties have reached "oral or written confirmation of settlement," which itself leaves open the possibility of disputes over the timing of an oral settlement agreement. Such a dispute is likely to prompt additional litigation over whether a qualifying settlement agreement was reached and when the time frame for a defendant to provide a draft release begins to run.

HB 526 also has the potential to unfairly punish insurers, even when they are pursuing a claim settlement in good faith. The deadlines set forth in the bill do not account for complications inherent in such discussions, like verification of liens, multi-party confirmations, or a need for

signed releases from multiple parties. Additionally, the establishment of an interest rate that begins to accrue at the time an oral settlement agreement is arguably reached will discourage defendants from settling cases where they will be penalized for delays, even delays that are predictable and/or unavoidable. In short, HB 526 treats even good-faith processing delays as punishable conduct.

Rigid deadlines like those established by HB 526 raise defense and insurer administrative costs for activities like rush processing, overnighting, and/or emergency settlement approvals. Those costs ultimately will be priced into premiums, self-insurance reserves, and public budgets, all with no evidence of systemic non-payment problems in the current system.

2. HB 526's imposition of 10% interest beginning to accrue at settlement agreement will disincentivize early or tentative settlements.

HB 526 imposes interest at Maryland's legal judgment rate of 10% if a draft release is not provided within 10 days of the parties reaching an oral settlement agreement, or if a settling defendant does not pay within 15 days. Pursuant to the bill, interest accrues from the date the parties reach an oral settlement agreement. Starting the accrual of interest at the time of a verbal settlement agreement, not from the execution of a written settlement agreement or from a breach thereof, is atypical and will overcompensate plaintiffs in situations where no actual delay occurred and where no actual delay costs are sustained.

HB 526 will discourage defendants from reaching early oral settlements and encourage them to insist on finalized written releases to avoid exposure to the accrual of interest from the time an oral settlement agreement is reached. Rational defendants will be motivated to avoid agreeing to settlements orally because interest can begin to accrue on the date an oral settlement is agreed to. Indeed, HB 526 will discourage defendants from even confirming a settlement amount orally until every settlement term has been committed to writing. Passage of HB 526 will delay settlements, not hasten them.

Plus, because interest cannot be waived, any technical mistake by a defendant will become leverage for a plaintiff's interest demands, even in cases in which both parties are otherwise acting in good faith. Courts will likely experience longer delays before settlements and more frequent last-minute settlement collapses by parties seeking to avoid interest exposure.

The bill will encourage more conservative settlement behavior and, ultimately, slow case resolutions, not accelerate them.

3. HB 526 is out of step with other states' settlement timelines.

By contrast, New York's Civil Practice Laws and Rules (CPLR) Article 5003-a provides defendants with 21 days in which to pay a plaintiff a settlement sum.¹ The New York law also offers a special 90-day timeline for public entities, recognizing the challenges inherent in special circumstances. HB 526, on the other hand, offers no carve-outs or extensions for state/local defendants or their insurers.

¹ [New York Civil Practice Law and Rules Law § 5003-A \(2025\) - Prompt Payment Following Settlement. :: 2025 New York Laws :: U.S. Codes and Statutes :: U.S. Law :: Justia.](#)

New York's CPLR Article 5003-a allows entry of judgment for nonpayment of a settlement after the expiration of its 21-day period, but it does not retroactively impose interest to the date of an oral agreement automatically, likely because the date on which parties agree orally to a settlement is often a source of dispute. HB 526 will encourage parties to argue over when an oral settlement was reached because that date is inexorably tied to the amount of interest accrued.

Because HB 526 does not address nuances in public-sector payment practices or the need for multiple internal signoffs, public-sector entities and other defendants for whom settlements require several internal approvals will face disproportionate exposure to interest and an administrative race to comply with the bill's 15-day payment mandate. The result will be higher premiums for Maryland insureds, the need for larger loss reserves for self-insured defendants, and budgetary pressure for public entities, all without any evidence that settled torts have a systemic prompt-payment problem.

Allstate appreciates the opportunity to provide written comments in opposition to the bill, and we respectfully urge Committee members to issue an unfavorable report on HB 526. Thank you for your time and consideration of this important issue.

Sincerely,

A handwritten signature in cursive script that reads "Lauren G. Pachman".

Lauren G. Pachman
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