

Bill: House Bill 526 – Civil Actions – Settlement Agreements – Payment and Release

Date: February 18, 2026

Position: Oppose

Medical Mutual opposes House Bill 526. The Bill would require a settling defendant to provide a proposed release to a plaintiff within 10 days after an oral or written agreement for a specified settlement amount and to pay all sums due within 15 days after the occurrence of one of two specified triggers. It further provides that a settlement amount shall accrue interest at the legal rate applicable to a judgment if the settling defendant fails to meet either of these requirements.

Medical Mutual supports the goal of ensuring the prompt exchange of release documents and payment of settlement proceeds. However, we are unable to support House Bill 526 because it does not provide sufficient flexibility to account for complex claims and settlement structures. In certain cases, the Bill's rigid deadlines would be impractical or unworkable through no fault of the settling defendant.

Settlement negotiations and payment processes are often complex, vary significantly on a case-by-case basis, and may involve multiple parties. House Bill 526 does not provide adequate flexibility or exceptions for circumstances involving additional complexity or delays outside a settling defendant's control, including:

1. Settlements involving multiple defendants: In multi-defendant cases, particularly where each defendant is represented by separate counsel, the actions or inaction of one party can affect the ability of others to comply with the Bill's deadlines.
2. Complex settlements, including structured settlements and special needs trusts: These settlements frequently require an additional 30 to 90 days to complete, yet the Bill provides no mechanism for extensions or flexibility in such circumstances.
3. Settlements involving liens: Although the Bill addresses certain plaintiff obligations when liens apply, it does not account for delays caused by third parties, such as Medicare/CMS or Maryland Medicaid, which are not subject to the settling defendant's control.
4. Delays caused by plaintiffs or other non-defendant parties: Payment delays may occur for reasons unrelated to the settling defendant, including a plaintiff's failure to timely provide payee or revised payee information, W-9 forms, or other required documentation; internal payment processing schedules; the need for inter-account fund transfers requiring bank approvals; or delays caused by out-of-state or offshore carriers not subject to Maryland

jurisdiction. Medical Mutual frequently holds settlement funds pending direction from plaintiffs regarding settlement structure. The Bill does not account for these realities or provide any flexibility when such delays occur.

As drafted, House Bill 526 would hold a settling defendant responsible for delays that are not caused by, and are often outside the control of, the defendant. Extending the deadlines generally and permitting further extensions, exceptions, and waivers for good cause may provide the necessary flexibility while still advancing the Bill's stated goals.

In Maryland, the legal interest rate on most money judgments is 10% per annum.¹ Applying this rate to settlement payments that do not adhere to the Bill's rigid deadlines - particularly when delays are beyond the defendant's control - would function as a penalty, especially given that the market interest rates have been far lower for many years.

Ultimately, House Bill 526 is unnecessary. Settlement agreements are governed by well-established principles of contract law. Parties who wish to address the timing of release documents and payment can include such terms in the oral or written agreement to resolve a claim before trial. Nothing in current law prevents parties from negotiating and agreeing to the provisions contemplated by this Bill on a case-by-case basis.

For these reasons, Medical Mutual respectfully requests an UNFAVORABLE report on House Bill 526.

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¹ Md. Code, Cts. & Jud. Proc., § 11-107(a).