

**31A-15-105 Effect of contracts illegal because insurer was unauthorized.**

- (1) An insurance contract entered into in violation of this chapter is unenforceable by, but enforceable against, the insurer. In an action against the insurer on the contract, the insured is bound by the terms of the contract as affected by this title and rules adopted under this title.
- (2) An insurance policy entered into in violation of this chapter is voidable by the policyholder who entered into the transaction without knowing it was illegal. The policyholder may avoid the contract by notice to the insurer, if no insured has enforced the contract by an action under Subsection (1), and may recover any consideration paid under the contract.
- (3) Any person who assisted in the procurement of an illegal contract under this chapter, and who knew or should have known the transaction was illegal, is liable to the insured for the full amount of a claim or loss payable under the contract, if the insurer does not pay it. The receiver appointed under Chapter 27a, Insurer Receivership Act, may assert the claims of insureds if the insurer is the subject of a proceeding under Chapter 27a, Insurer Receivership Act.

Amended by Chapter 309, 2007 General Session