

31A-21-203 Authorized clauses for insurance forms.

- (1) The commissioner may not adopt mandatory uniform clauses. However, the commissioner may adopt authorized clauses by rule upon a finding that:
- (a) price or coverage competition is ineffective because diversity in language or content makes comparison difficult;
 - (b) provision of language, content, or form of specific clauses is necessary to provide certainty of meaning to those clauses;
 - (c) regulation of policy forms would be more effective or litigation would be substantially reduced if there were increased standardization of certain clauses; or
 - (d) reasonable minimum standards of insurance protection are needed for policies to serve a useful purpose.
- (2) Any rule creating an authorized clause may prescribe that to be treated as an authorized clause there shall be verbatim or substantial adherence to prescribed language, that certain standards or criteria shall be met, or that certain drafting principles shall be followed. The rules may also permit liberalization of prescribed language. A rule may prescribe verbatim adherence only after the commissioner has made a finding that substantial adherence to the prescribed language is not sufficient and that liberalization of prescribed language will frustrate the purposes of the prescription. If an insurer uses authorized clauses as part of filed forms, the commissioner may only disapprove those clauses under Section 31A-21-201 upon a finding that improper combination of clauses makes them violate the criteria of Section 31A-21-201.

Enacted by Chapter 242, 1985 General Session