

**CANCELLATION OR RENEWAL OF
INSURANCE**

1999 GENERAL SESSION

STATE OF UTAH

Sponsor: Trisha S. Beck

AN ACT RELATING TO INSURANCE; PROHIBITING NONRENEWAL IN CERTAIN
CIRCUMSTANCES; AND MAKING TECHNICAL CORRECTIONS.

This act affects sections of Utah Code Annotated 1953 as follows:

AMENDS:

31A-21-303, as last amended by Chapter 5, Laws of Utah 1991

Be it enacted by the Legislature of the state of Utah:

Section 1. Section **31A-21-303** is amended to read:

31A-21-303. Termination of insurance policies by insurers.

(1) (a) Except as otherwise provided in this section, in other statutes, or by rule under Subsection (1)(c), this section applies to all policies of insurance other than life and disability insurance and annuities, if ~~[they]~~ the policies of insurance are issued on forms ~~[which]~~ that are subject to filing and approval under Subsection 31A-21-201 (1).

(b) A policy may provide terms more favorable to insureds than this section requires.

(c) The commissioner may by rule totally or partially exempt from this section classes of insurance policies in which the insureds do not need protection against arbitrary or unannounced termination.

(d) The rights provided by this section are in addition to and do not prejudice any other rights the insureds may have at common law or under other statutes.

(2) (a) ~~[Except as provided in Subsection (2)(c), no insurance policy may be cancelled by the insurer prior to the expiration of the agreed term or one year from the effective date of the policy or renewal, whichever is less, except for failure to pay a premium when due or on grounds stated in the policy.]~~ As used in this Subsection (2), "grounds" means:

- 28 (i) material misrepresentation;
- 29 (ii) substantial change in the risk assumed, unless the insurer should reasonably have
30 foreseen the change or contemplated the risk when entering into the contract;
- 31 (iii) substantial breaches of contractual duties, conditions, or warranties;
- 32 (iv) attainment of the age specified as the terminal age for coverage, in which case the
33 insurer may cancel by notice under Subsection (2)(~~(b)~~)(c), accompanied by a tender of proportional
34 return of premium; or
- 35 (v) in the case of automobile insurance, revocation or suspension of the driver's license of
36 the named insured or any other person who customarily drives the car.
- 37 (b) (i) Except as provided in Subsection (2)(e) or unless the conditions of Subsection
38 (2)(b)(ii) are met, an insurance policy may not be canceled by the insurer before the earlier of:
- 39 (A) the expiration of the agreed term; or
40 (B) one year from the effective date of the policy or renewal.
- 41 (ii) Notwithstanding Subsection (2)(b)(i), an insurance policy may be canceled by the
42 insurer for:
- 43 (A) nonpayment of a premium when due; or
44 (B) on grounds defined in Subsection (2)(a).
- 45 ~~[(b)] (c) (i) [Not sooner than 30 days after the delivery or first class mailing of a written~~
46 ~~notice to the policyholder, the] The cancellation provided by Subsection (2)(~~(a)~~)(b), except~~
47 ~~cancellation for nonpayment of premium, is effective no sooner than 30 days after the delivery~~ § ~~[of] OR~~ §
48 first-class mailing of a written notice to the policyholder.
- 49 (ii) Cancellation for nonpayment of premium is effective no sooner than ten days after
50 delivery or first class mailing of a written notice to the policyholder.
- 51 (d) (i) Notice of cancellation for nonpayment of premium shall include a statement of the
52 reason for cancellation.
- 53 (ii) Subsection (6) applies to the notice required for ~~[other]~~ grounds of cancellation other
54 than nonpayment of premium.
- 55 ~~[(e)] (e) (i) Subsections (2)(a) ~~[and (b)]~~ through (d) do not apply to any insurance contract~~
56 ~~that has not been previously renewed if the contract has been in effect less than 60 days when the~~
57 ~~written~~ notice of cancellation is mailed or delivered. ~~[No]~~
- 58 (ii) A cancellation under this Subsection ~~[is]~~ (2)(e) may not be effective until at least ten

59 days after the delivery to the insured of a written notice of cancellation.

60 (iii) If the notice required by this Subsection (2)(e) is sent by first-class mail, postage
61 prepaid, to the insured at ~~[his]~~ the insureds last-known address, delivery is considered
62 accomplished after the passing, since the mailing date, of the mailing time specified in the Utah
63 Rules of Civil Procedure. ~~[Policy cancellations]~~

64 (iv) A policy cancellation subject to this Subsection ~~[are]~~ (2)(e) is not subject to the
65 procedures described in Subsection (6).

66 (3) A policy may be issued for a term longer than one year or for an indefinite term~~[-with]~~
67 if the policy includes a clause providing for cancellation by the insurer by giving notice as provided
68 in Subsection (4)(b)(i) 30 days prior to any anniversary date.

69 (4) (a) Subject to Subsections (2), (3), and (4)(b), a policyholder has a right to have the
70 policy renewed~~[-];~~

71 (i) on the terms then being applied by the insurer to similar risks~~[-];~~ and

72 (ii) (A) for an additional period of time equivalent to the expiring term if the agreed term
73 is one year or less~~[-];~~ or

74 (B) for one year if the agreed term is longer than one year.

75 (b) ~~[The]~~ Except as provided in Subsection (4)(c), the right to renewal under Subsection
76 (4)(a) is extinguished if:

77 (i) at least 30 days prior to the policy expiration or anniversary date a notice of intention
78 not to renew the policy beyond the agreed expiration or anniversary date is delivered or sent by
79 first-class mail by the insurer to the policyholder at the policyholder's last-known address;

80 (ii) not more than 45 nor less than 14 days prior to the due date of the renewal premium,
81 the insurer delivers or sends by first-class mail a notice to the policyholder at the policyholder's
82 last-known address, clearly stating:

83 (A) the renewal premium~~[-];~~

84 (B) how it may be paid~~[-];~~ and

85 (C) that failure to pay the renewal premium by the due date extinguishes the policyholder's
86 right to renewal;

87 (iii) the policyholder has:

88 (A) accepted replacement coverage~~[-];~~ or ~~[has]~~

89 (B) requested or agreed to nonrenewal; or

90 (iv) the policy is expressly designated as nonrenewable.

91 (c) Unless the conditions of Subsection (4)(b)(iii) or (iv) apply, an insurer may not fail to
92 renew an insurance policy as a result of a telephone call or other inquiry that:

93 (i) references a policy coverage; and

94 (ii) does not result in a claim being filed or paid.

95 (5) (a) (i) Subject to Subsection (5)(b), if the insurer offers or purports to renew the policy,
96 but on less favorable terms or at higher rates, the new terms or rates take effect on the renewal date
97 if the insurer delivered or sent by first-class mail to the policyholder notice of the new terms or
98 rates at least 30 days prior to the expiration date of the prior policy.

99 (ii) If the insurer did not give ~~[this]~~ the prior notification described in Subsection (5)(a)(i)
100 to the policyholder[;] the new terms or rates do not take effect until 30 days after the notice is
101 delivered or sent by first-class mail, in which case the policyholder may elect to cancel the renewal
102 policy at any time during the 30-day period.

103 (iii) Return premiums or additional premium charges shall be calculated proportionately
104 on the basis that the old rates apply.

105 (b) Subsection (5)(a) does not apply if the only change in terms that is adverse to the
106 policyholder is:

107 (i) a rate increase generally applicable to the class of business to which the policy
108 belongs[;];

109 (ii) a rate increase resulting from a classification change based on the altered nature or
110 extent of the risk insured against[;]; or

111 (iii) a policy form change made to make the form consistent with Utah law.

112 (6) (a) If a notice of cancellation or nonrenewal under Subsection (2)~~(b)~~(c) does not state
113 with reasonable precision the facts on which the insurer's decision is based, the insurer shall send
114 by first-class mail or deliver that information within ten working days after receipt of a written
115 request by the policyholder. ~~[This]~~

116 (b) A notice under Subsection (2)(c) is not effective unless it contains information about
117 the policyholder's right to make the request.

118 (7) If a risk-sharing plan under Section 31A-2-214 exists for the kind of coverage provided
119 by the insurance being cancelled or nonrenewed, ~~[no]~~ a notice of cancellation or nonrenewal
120 required under Subsection (2)(b) or (4)(b)(i) ~~[is]~~ may not be effective unless it contains instructions

121 to the policyholder for applying for insurance through the available risk-sharing plan.

122 (8) There is no liability on the part of, and no cause of action against, any insurer, its
123 authorized representatives, agents, employees, or any other person furnishing to the insurer
124 information relating to the reasons for cancellation or nonrenewal or for any statement made or
125 information given by them in complying or enabling the insurer to comply with this section unless
126 actual malice is proved by clear and convincing evidence.

127 (9) This section does not alter any common law right of contract rescission for material
128 misrepresentation.

Legislative Review Note
as of 2-2-99 12:56 PM

A limited legal review of this legislation raises no obvious constitutional or statutory concerns.

Office of Legislative Research and General Counsel