

**TIMELY PAYMENTS OF INSURANCE CLAIMS**

2002 GENERAL SESSION

STATE OF UTAH

**Sponsor: John L. Valentine**

**This act modifies the Insurance Code to address the scope of claims that are subject to requirements for timely payments and to make technical changes.**

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

AMENDS:

**31A-26-301**, as last amended by Chapter 121, Laws of Utah 2001

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

Section 1. Section **31A-26-301** is amended to read:

**31A-26-301. Timely payment of claims.**

(1) (a) Unless otherwise provided by law, an insurer shall timely pay every valid insurance claim made by an insured.

(b) By rule the commissioner may prescribe:

(i) the kinds of notice and proof of loss that will establish validity[;];

(ii) the manner in which an insurer may make a bona fide denial of a claim[;];

(iii) the periods of time within which payment is required to be made to be timely[;]; and

(iv) the reasonable interest rates to be charged upon late claim payments.

(2) (a) Notwithstanding Subsection (1) and subject to Subsection (2)(b), the payment of a claim is not overdue during any period in which:

(i) the insurer is unable to pay the claim because there is no recipient legally able to give a valid release for the payment[;]; or ~~[in which]~~

(ii) the insurer is unable to determine who is entitled to receive the payment[~~;~~ ~~provided that~~ ~~has~~].

(b) Subsection (2)(a) applies only if the insurer:

(i) promptly ~~[notified]~~ notifies the claimant of the inability to pay the claim; and ~~[has~~



28 offered]

29 (ii) offers in good faith to pay the claim promptly when the inability to pay the claim is  
30 removed.

31 (3) This section applies only to [~~claims~~] a claim:

32 (a) for first party benefits made by[:~~(a)~~] a person who is:

33 (i) named or defined as an insured under the terms of an insurance policy; or [~~(b)~~] ~~a person~~  
34 ~~who is~~]

35 (ii) described as a covered person under the terms of a policy of health care insurance

36 [~~policy~~] as defined in Section 31A-1-301[:~~;~~]; or

37 (b) made under:

38 (i) a life insurance policy; or

39 (ii) an annuity.

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**Legislative Review Note**

**as of 1-17-02 12:30 PM**

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

**Office of Legislative Research and General Counsel**