Representative James A. Dunnigan proposes the following substitute bill:

1 # INSURANCE POLICY NOTIFICATION AMENDMENTS

2 ## 2021 GENERAL SESSION

3 ## STATE OF UTAH

4 **Chief Sponsor: Wayne A. Harper**

5 House Sponsor: Steve Eliason

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7 **LONG TITLE**

8 **General Description:**

9 This bill amends provisions regarding life insurance policy notifications.

10 **Highlighted Provisions:**

11 This bill:

12 ‣ requires an insurer of life insurance to send a notice to a designated third party

13 before terminating coverage;

14 ‣ requires an insurer of life insurance who sends a notice of termination of coverage

15 to obtain and, upon request, demonstrate proof of delivery for the notice of

16 termination of coverage; and

17 ‣ makes technical and conforming changes.

18 **Money Appropriated in this Bill:**

19 None

20 **Other Special Clauses:**

21 None

22 **Utah Code Sections Affected:**

23 AMENDS:

24 **31A-22-402**, as last amended by Laws of Utah 2002, Chapter 308

25 **31A-22-430**, as enacted by Laws of Utah 2020, Chapter 32

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

28   Section 1. Section **31A-22-402** is amended to read:

29   **31A-22-402.   Grace period.**

30   (1) (a) Every life insurance policy other than a group policy shall contain a provision

31 entitling the policyholder to a grace period within which the payment of any premium may be

32 made after the first payment of any premium.

33   (b) During the grace period described in Subsection (1)(a), the policy continues in full

34 force.

35   (2) The grace period required by Subsection (1) may not be less than:

36   (a) 31 days; or

37   (b) four weeks for policies whose premiums are payable more frequently than monthly.

38   (3) The insurer may impose an interest charge during the grace period not in excess of

39 the interest rate:

40   (a) set by the policy for policy loans; or

41   (b) in the absence of a provision described in Subsection (3)(a), a rate set by the

42 commissioner by rule.

43   (4) If a claim arises under the policy during the grace period, an insurer may deduct

44 from the policy proceeds:

45   (a) the amount of any premium due or overdue;

46   (b) interest at the rate provided in this section; and

47   (c) any deferred installment of the annual premium.

48   (5) (a) [The] At least 30 days before the day on which the insurer terminates coverage,

49 the insurer shall send written notice of termination of coverage to:

50   [(a) to] (i) the policyholder's last-known address; and

51   [(b) at least 30 days before the date that the coverage is terminated.]

52   (ii) a third party designated in accordance with Section 31A-22-430.

53   (b) An insurer shall obtain and, upon request, demonstrate proof of delivery for a

54 notice the insurer sends under Subsection (5)(a).

54a   Ĥ→ **(c) Proof of delivery described in Subsection (5)(b) may include a certified mail**

54b **receipt or, for electronic delivery, a read receipt.** ←Ĥ

55   Section 2. Section **31A-22-430** is amended to read:

56   **31A-22-430.   Policy notification.**

57   (1) (a) An insurer that delivers or issues for delivery an individual life insurance policy

58   in this state shall notify the applicant for the policy, in writing at the time of application for the

59   policy, of an applicant's right to designate a third party to receive notice of lapse or cancellation

60   of the policy based on nonpayment of premium.

61   (b) An applicant may make a designation described in Subsection (1)(a) at the time of

62   application for the policy, or at any time the policy is in force, by submitting a written notice to

63   the insurer containing the name and address of the third-party designee.

64   (2) [An] In accordance with Subsection 31A-22-402(5), an insurer shall transmit a

65   copy of a notice of lapse or cancellation of the policy based on nonpayment of premium to a

66   third party designated in accordance with this section in addition to the transmission of the

67   notice of lapse or cancellation of the policy to the policyholder.

68   (3) The designation of a third party under this section does not constitute acceptance of

69   any liability on the part of the third party or insurer for a service provided to the policyholder.