

Representative James A. Dunnigan proposes the following substitute bill:

INSURANCE POLICY NOTIFICATION AMENDMENTS

2021 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Wayne A. Harper

House Sponsor: Steve Eliason

LONG TITLE

General Description:

This bill amends provisions regarding life insurance policy notifications.

Highlighted Provisions:

This bill:

- ▶ requires an insurer of life insurance to send a notice to a designated third party before terminating coverage;
- ▶ requires an insurer of life insurance who sends a notice of termination of coverage to obtain and, upon request, demonstrate proof of delivery for the notice of termination of coverage; and
- ▶ makes technical and conforming changes.

Money Appropriated in this Bill:

None

Other Special Clauses:

None

Utah Code Sections Affected:

AMENDS:

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

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



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

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

31A-22-402. Grace period.

(1) (a) Every life insurance policy other than a group policy shall contain a provision entitling the policyholder to a grace period within which the payment of any premium may be made after the first payment of any premium.

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

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

(a) 31 days; or

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

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

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

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

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

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

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

(c) any deferred installment of the annual premium.

(5) (a) ~~[The]~~ At least 30 days before the day on which the insurer terminates coverage, the insurer shall send written notice of termination of coverage to:

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

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

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

(b) An insurer shall obtain and, upon request, demonstrate proof of delivery for a notice the insurer sends under Subsection (5)(a).

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

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) ~~Art~~ 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.