

# SB0074S03 compared with SB0074S02

~~{Omitted text}~~ shows text that was in SB0074S02 but was omitted in SB0074S03

inserted text shows text that was not in SB0074S02 but was inserted into SB0074S03

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1

**Motor Vehicle Civil Action Amendments**  
2026 GENERAL SESSION  
STATE OF UTAH  
**Chief Sponsor: Calvin R. Musselman**  
House Sponsor:



2

3 **LONG TITLE**

4 **General Description:**

5 This bill ~~{enacts}~~ amends the Insurance Code to establish requirements ~~{for a time-limited demand~~  
~~letter}~~ relating to policy-limit demands and disclosures in third-party liability claims related to motor  
vehicle liability.

7 **Highlighted Provisions:**

8 This bill:

- 8 ▶ ~~{enacts}~~ establishes requirements for ~~{a time-limited demand letter related}~~ the content of  
policy-limit demand letters from a claimant to a ~~{motor vehicle}~~ liability insurance ~~{claim}~~ carrier;
- 10 ▶ ~~{provides parameters and timing for a time-limited demand letter; and}~~
- 11 ▶ establishes requirements for correspondence from a claimant or a claimant's legal counsel  
to an unrepresented insured;
- 13 ▶ requires a liability insurance carrier to provide written disclosure to the insured regarding  
defense and indemnification;
- 15 ▶ addresses the effect of a disclosure and the consequences of noncompliance; and
- 11 ▶

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{~~addresses an insurer's duties and an insured's~~} preserves existing rights and remedies {~~in relation to a time-limited demand letter~~} .

17 **Money Appropriated in this Bill:**

18 None

19 **Other Special Clauses:**

20 None

21 **Utah Code Sections Affected:**

22 ENACTS:

23 **31A-22-323** , Utah Code Annotated 1953

24

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

26 Section 1. Section 1 is enacted to read:

27 **31A-22-323. {~~Time-limited demand letter~~} Policy-limit demands, correspondence, and**  
**disclosure requirements -- {~~Requirements~~} Third-party liability claims.**

24 ~~{(1) {A person issuing a time-limited demand to settle any claim under this part shall ensure that the~~  
~~letter:} }~~

26 ~~{(a) {is in writing;} }~~

27 ~~{(b) {is labeled as a time-limited demand to settle;} }~~

29 (1)

(a) In a third-party liability claim arising under this part in which a claimant or claimant's legal counsel sends a demand letter to a liability insurance carrier demanding the insured's liability policy limits in exchange for a release of claims, such a demand letter shall:

33 (i) include reasonably sufficient information to allow a reasonable liability insurance carrier to evaluate the claim, including a description of the incident, injuries, liability basis, and damages, copies of the medical records and bills supporting claimed medical damages, and information supporting any other elements of claimed economic damages; and

38 (ii) provide the liability insurance carrier with no less than 30 days to accept or reject the policy-limit demand.

40 (b) A claimant is not required to provide expert reports or attorney work product as part of the demand letter described in Subsection (1)(a).

42 (2)

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- (a) If the liability insurance carrier that receives a claimant's demand letter described in Subsection (1) declines to tender the insured's liability policy limits following the receipt of the demand letter, and the claimant intends to file a cause of action against the insured, and the claimant or claimant's legal counsel elects to correspond directly with an unrepresented insured, the correspondence with the insured shall:
- 47 (i) be in writing, with a copy of the correspondence delivered to the applicable liability insurance carrier;
- 49 (ii) include:
- 28 (c){(A)} ~~{references this}~~ a reference to this statutory section; { and}
- 29 ~~{(d) {contains material terms, including:}}~~
- 51 (B) a plain-language explanation of the claimant's claims against the insured;
- 52 (C) a description of the claimant's related injuries;
- 53 (D) a copy of the demand letter described in Subsection (1) that was sent to the liability insurance carrier; and
- 30 (i){(E)} ~~{the time period within which}~~ if applicable, a copy of the liability insurance carrier's written response to the demand {is required to be accepted, which shall be no fewer than 45 days from the date on which the } letter {is received by certified mail} described in Subsection (1);
- 33 ~~{(ii) {a clear and unequivocal offer to settle all claims within policy limits, including the satisfaction of all known liens;}}~~
- 57 (iii) comply with the Rules of Professional Conduct established by the Utah Supreme Court, including an indication that the interests of the claimant and the claimant's legal counsel are adverse to the insured; and
- 35 (iii){(iv)} ~~{an offer for a complete release from}~~ indicate the legal action the claimant {of all present } and {future claims arising from the occurrence} claimant's legal counsel intend to pursue against the insured{;} .
- 62 (b) Unless necessary to preserve the claimant's legal rights, a claimant or the claimant's legal counsel may not file a cause of action against the insured until 45 days after that date on which the insured has received the correspondence described in Subsection (2)(a).
- 66 (c) If a claimant intends to pursue damages in the legal action described in Subsection (2)(a) that exceed the applicable liability insurance policy limit, the correspondence described in Subsection (2)(a):
- 37 (iv){(i)} ~~{the date and location of}~~ shall identify the {loss;} insured's right:

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- 38 { (v) ~~{ the claim number, if known; }~~ }
- 39 { (vi) ~~{ a description of all known injuries alleged to have been sustained by the claimant; }~~ }
- 40 { (vii) ~~{ reasonable proof of injury sufficient to demonstrate that the claimant sustained an actual injury~~  
arising from the occurrence, including: } }
- 42 { (A) ~~{ medical records; }~~ }
- 43 { (B) ~~{ billing statements; and }~~ }
- 44 (C){ (A) } ~~{ sworn statements or }~~ to review the entirety of the claimant's demand letter, claimed  
medical records and expenses, and other ~~{ documentation }~~ supporting ~~{ the existence of the injury }~~  
documentation with the claimant's liability insurance carrier; and
- 73 (B) to discuss the insured's rights and responsibilities with respect to any excess verdict, judgment,  
settlement, or award with the insured's liability insurance carrier, as well as with independent legal  
counsel; and
- 46 (viii){ (ii) } if the ~~{ demand }~~ correspondence references or suggests the possibility of placing a ~~{ judicial~~  
judgment lien against personal property ~~{-}~~ of the insured following any judgment, shall include a  
plain-language explanation of the process for obtaining a ~~{ judicial }~~ judgment lien ~~{ and a statement~~  
advising the insured of the insured's right to consult independent legal counsel } .
- 50 { (2) ~~{ The reasonable proof of injury described in Subsection (1)(a)(vii) does not require proof,~~  
valuation, or quantification of non-economic damages, including pain and suffering. } }
- 53 { (3) ~~{ If the insurer or insured reasonably determines that a demand letter fails to include required~~  
material information, the insurer or insured may provide written notice identifying the deficiency,  
and the response period is tolled until the deficiency is cured. } }
- 56 (4){ (3) }
- (a) Within 30 days after the date on which the liability insurance carrier receives a ~~{ reasonable~~  
time after receipt of a time-limited demand letter that complies with this section } copy of the  
correspondence described in Subsection (2), the liability ~~{ insurer }~~ insurance carrier shall provide  
the insured with a written disclosure stating whether the liability insurance carrier agrees:
- 59 (i) ~~{ whether the insurer agrees }~~ to defend the insured against the claim; and
- 60 (ii) ~~{ whether the insurer agrees }~~ to indemnify the insured for any verdict, judgment, settlement, or  
settlement } award arising from the claim, including whether ~~{ such indemnification is limited~~  
to the applicable policy limits. } :
- 86 (A) the indemnification is limited to the applicable policy limits; or

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- 87 (B) the indemnification will extend to a verdict, judgment, settlement, or award in excess of the  
applicable policy limit.
- 89 (b) If the liability insurance carrier's decision to indemnify the insured is limited to the applicable policy  
limits, the disclosure in Subsection (3)(a) shall:
- 91 (i) provide a reasonable explanation as to the basis of the decision; and
- 92 (ii) notify the insured of the insured's right to seek independent legal counsel regarding the insured's  
rights and responsibilities with respect to the decision whether to indemnify the insured.
- 95 (4)
- 63 (b){(a)} A disclosure made under {this-} Subsection {(4)} (3):
- 64 (i) does not expand, reduce, or modify coverage under the insurance policy; and
- 65 (ii) is intended solely to provide clarity to the insured regarding the {insurer's-} liability insurance  
carrier's position.
- 66 {(5) }
- {(a) {A time-limited demand to settle a claim under this section may not include demands for economic  
damages in amounts that exceed the economic damages reasonably supported by the documentation  
provided with the demand.}-}
- 69 {(b) {Nothing in this subsection requires documentation or valuation of non-economic damages.}-}
- 99 (b)
- (i) Compliance with the procedural provisions of this section does not preclude a finding that the  
liability insurance carrier breached the liability insurance carrier's duty of good faith if the liability  
insurance carrier's substantive decisions regarding settlement, defense, or indemnification were  
unreasonable under the circumstances.
- 104 (ii) The reasonableness of a liability insurance carrier's conduct with regard to the decision to defend  
and indemnify the insured as described in Subsection (3) shall be evaluated based on all relevant  
circumstances existing at the time decisions were made.
- 71 (6){(5)} Nothing in this section {may be construed to alter, limit} alters, limits, or {waive} waives:
- 72 (a) {an insurer's-} a liability insurance carrier's duty to act in good faith and deal fairly with the  
{insurer's-} liability insurance carrier's insured; {or}
- 73 (b) any rights or remedies available to an insured arising from {an insurer's-} a liability insurance  
carrier's failure to accept a reasonable settlement offer within applicable policy limits{-}; or
- 114 (c) any defenses, claims, or causes of action available under common law or statute to any party.

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- 116 (6)
- (a) A claimant's failure to comply with Subsection (1) or (2) does not bar the claimant from filing suit against the insured or pursuing any remedies available at law, but may be considered by a court in evaluating whether a settlement demand was reasonable for purposes of determining whether a liability insurance carrier breached the liability insurance carrier's duty of good faith.
- 121 (b) A liability insurance carrier's failure to comply with the disclosure requirements of Subsection (3) does not create an independent cause of action, but may be considered as evidence of bad faith in any subsequent action by the insured against the liability insurance carrier.
- 125 (c) Nothing in this section may be construed to create additional procedural prerequisites to an insured's right to pursue a bad faith claim against the liability insurance carrier.
- 127 (d) This section supplements and does not replace existing common law and statutory duties and remedies relating to a liability insurance carrier's duty of good faith and fair dealing with the liability insurance carrier's insured.
- 130 (e) Nothing in this section creates a private cause of action.

131 Section 2. **Effective date.**

Effective Date.

This bill takes effect on May 6, 2026.

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