



32 **Money Appropriated in this Bill:**

33 None

34 **Other Special Clauses:**

35 None

36 **Utah Code Sections Affected:**

37 AMENDS:

- 38 **31A-1-103**, as last amended by Laws of Utah 2024, Chapter 120
- 39 **31A-2-201**, as last amended by Laws of Utah 2018, Chapter 200
- 40 **31A-2-402**, as last amended by Laws of Utah 2015, Chapter 330
- 41 **31A-2-404**, as last amended by Laws of Utah 2016, Chapter 193
- 42 **31A-3-304**, as last amended by Laws of Utah 2023, Chapter 194
- 43 **31A-21-112**, as enacted by Laws of Utah 2013, Chapter 443
- 44 **31A-21-303**, as last amended by Laws of Utah 2022, Chapter 198
- 45 **31A-22-407**, as enacted by Laws of Utah 1985, Chapter 242
- 46 **31A-22-509**, as enacted by Laws of Utah 1985, Chapter 242
- 47 **31A-22-511**, as enacted by Laws of Utah 1985, Chapter 242
- 48 **31A-22-512**, as enacted by Laws of Utah 1985, Chapter 242
- 49 **31A-22-514**, as enacted by Laws of Utah 1985, Chapter 242
- 50 **31A-22-605.1**, as last amended by Laws of Utah 2019, Chapter 193
- 51 **31A-22-701**, as last amended by Laws of Utah 2021, Chapter 252
- 52 **31A-23a-105**, as last amended by Laws of Utah 2024, Chapter 120
- 53 **31A-23a-109**, as last amended by Laws of Utah 2018, Chapter 319
- 54 **31A-23a-111**, as last amended by Laws of Utah 2024, Chapter 120
- 55 **31A-23a-119**, as enacted by Laws of Utah 2024, Chapter 120
- 56 **31A-23a-415**, as last amended by Laws of Utah 2023, Chapter 194
- 57 **31A-26-202**, as last amended by Laws of Utah 2018, Chapter 462
- 58 **31A-37-102**, as last amended by Laws of Utah 2023, Chapter 194
- 59 **31A-37-104**, as last amended by Laws of Utah 2008, Chapter 302
- 60 **31A-37-201**, as last amended by Laws of Utah 2019, Chapter 193
- 61 **31A-37-202**, as last amended by Laws of Utah 2024, Chapter 120
- 62 **31A-37-204**, as last amended by Laws of Utah 2024, Chapter 120
- 63 **31A-37-301**, as last amended by Laws of Utah 2019, Chapter 193
- 64 **31A-37-302**, as last amended by Laws of Utah 2015, Chapter 244
- 65 **31A-37-303**, as last amended by Laws of Utah 2021, Chapter 252

66 **31A-37-401**, as last amended by Laws of Utah 2019, Chapter 193  
 67 **31A-37-402**, as last amended by Laws of Utah 2015, Chapter 244  
 68 **31A-37-403**, as last amended by Laws of Utah 2015, Chapter 244  
 69 **31A-37-404**, as last amended by Laws of Utah 2015, Chapter 244  
 70 **31A-37-501**, as last amended by Laws of Utah 2019, Chapter 193  
 71 **31A-37-505**, as last amended by Laws of Utah 2015, Chapter 244  
 72 **31A-37-701**, as last amended by Laws of Utah 2021, Chapter 252  
 73 **31A-37a-205**, as last amended by Laws of Utah 2011, Chapter 297  
 74 **61-2g-502**, as last amended by Laws of Utah 2020, Chapter 72

75 REPEALS AND REENACTS:

76 **31A-2-405**, as enacted by Laws of Utah 2007, Chapter 325

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

79 Section 1. Section **31A-1-103** is amended to read:

80 **31A-1-103 . Scope and applicability of title.**

81 (1) This title does not apply to:

82 (a) a retainer contract made by an attorney-at-law:

83 (i) with an individual client; and

84 (ii) under which fees are based on estimates of the nature and amount of services to  
 85 be provided to the specific client;

86 (b) a contract similar to a contract described in Subsection (1)(a) made with a group of  
 87 clients involved in the same or closely related legal matters;

88 (c) an arrangement for providing benefits that do not exceed a limited amount of  
 89 consultations, advice on simple legal matters, either alone or in combination with  
 90 referral services, or the promise of fee discounts for handling other legal matters;

91 (d) limited legal assistance on an informal basis involving neither an express contractual  
 92 obligation nor reasonable expectations, in the context of an employment,  
 93 membership, educational, or similar relationship;

94 (e) legal assistance by employee organizations to their members in matters relating to  
 95 employment;

96 (f) death, accident, health, or disability benefits provided to [~~a person~~] an individual by  
 97 an organization or [~~its~~] the organization's affiliate if:

98 (i) the organization is tax exempt under Section 501(c)(3) of the Internal Revenue

99 Code and has had [~~its~~] the organization's principal place of business in Utah for at

- 100           least five years;
- 101           (ii) the [person] individual is not an employee of the organization; and
- 102           (iii)(A) substantially all the [person's] individual's time in the organization is spent
- 103           providing voluntary services:
- 104                   (I) in furtherance of the organization's purposes;
- 105                   (II) for a designated period of time; and
- 106                   (III) for which no compensation, other than expenses, is paid; or
- 107           (B) the time since the service under Subsection (1)(f)(iii)(A) was completed is no
- 108           more than 18 months; or
- 109           (g) a prepaid contract of limited duration that provides for scheduled maintenance only.
- 110   (2)(a) This title restricts otherwise legitimate business activity.
- 111           (b) What this title does not prohibit is permitted unless contrary to other provisions of
- 112           Utah law.
- 113   (3) Except as otherwise expressly provided, this title does not apply to:
- 114           (a) those activities of an insurer where state jurisdiction is preempted by Section 514 of
- 115           the federal Employee Retirement Income Security Act of 1974, as amended;
- 116           (b) ocean marine insurance;
- 117           (c) death, accident, health, or disability benefits provided by an organization that:
- 118                   (i) has as the organization's principal purpose to achieve charitable, educational,
- 119                   social, or religious objectives rather than to provide death, accident, health, or
- 120                   disability benefits;
- 121                   (ii) does not incur a legal obligation to pay a specified amount;
- 122                   (iii) does not create reasonable expectations of receiving a specified amount on the
- 123                   part of an insured person; and
- 124                   (iv) is not a health care sharing ministry that provides that a participant make a
- 125                   contribution to pay another participant's qualified expenses with no assumption of
- 126                   risk or promise to pay.
- 127           (d) other business specified in rules adopted by the commissioner on a finding that:
- 128                   (i) the transaction of the business in this state does not require regulation for the
- 129                   protection of the interests of the residents of this state; or
- 130                   (ii) it would be impracticable to require compliance with this title;
- 131           (e) except as provided in Subsection (4), a transaction independently procured through
- 132           negotiations under Section 31A-15-104;
- 133           (f) self-insurance;

- 134 (g) reinsurance;
- 135 (h) subject to Subsection (5), an employee or labor union group insurance policy  
136 covering risks in this state or an employee or labor union blanket insurance policy  
137 covering risks in this state, if:
- 138 (i) the policyholder exists primarily for purposes other than to procure insurance;
- 139 (ii) the policyholder:
- 140 (A) is not a resident of this state;
- 141 (B) is not a domestic corporation; or
- 142 (C) does not have the policyholder's principal office in this state;
- 143 (iii) no more than 25% of the certificate holders or insureds are residents of this state;
- 144 (iv) on request of the commissioner, the insurer files with the department a copy of  
145 the policy and a copy of each form or certificate; and
- 146 (v)(A) the insurer agrees to pay premium taxes on the Utah portion of the  
147 insurer's business, as if the insurer were authorized to do business in this state;  
148 and
- 149 (B) the insurer provides the commissioner with the security the commissioner  
150 considers necessary for the payment of premium taxes under Title 59, Chapter  
151 9, Taxation of Admitted Insurers;
- 152 (i) to the extent provided in Subsection (6):
- 153 (i) a manufacturer's or seller's warranty; and
- 154 (ii) a manufacturer's or seller's service contract;
- 155 (j) except to the extent provided in Subsection (7), a public agency insurance mutual;
- 156 (k) except as provided in Chapter 6b, Guaranteed Asset Protection Waiver Act, a  
157 guaranteed asset protection waiver; or
- 158 (l) a health care sharing ministry, if the health care sharing ministry:
- 159 (i) provides to each participant upon enrollment and annually thereafter a written  
160 statement of nationwide data from the preceding calendar year that lists the total  
161 dollar amount of contributions provided to participants toward qualified expenses;  
162 and
- 163 (ii) includes a written disclaimer, titled "Notice", on or with each application and all  
164 guideline materials that states:
- 165 (A) the health care sharing ministry is not an insurance company;
- 166 (B) nothing the health care sharing ministry offers or provides is an insurance  
167 policy, including the health care sharing ministry's guidelines or plan of

- 168 operations;
- 169 (C) participation in the health care sharing ministry is entirely voluntary and no  
170 participant is compelled by law to contribute to another participant's expenses;
- 171 (D) participation in the health care sharing ministry or subscription to any of the  
172 health care sharing ministry's services is not insurance; and
- 173 (E) each participant is always personally responsible for the participant's expenses  
174 regardless of whether the participant receives payment for the expenses  
175 through the health care sharing ministry or whether this health care sharing  
176 ministry continues to operate.
- 177 (4) A transaction described in Subsection (3)(e) is subject to taxation under Section  
178 31A-3-301.
- 179 (5)(a) After a hearing, the commissioner may order an insurer of certain group  
180 insurance policies or blanket insurance policies to transfer the Utah portion of the  
181 business otherwise exempted under Subsection (3)(h) to an authorized insurer if the  
182 contracts have been written by an unauthorized insurer.
- 183 (b) If the commissioner finds that the conditions required for the exemption of a group  
184 or blanket insurer are not satisfied or that adequate protection to residents of this state  
185 is not provided, the commissioner may require:
- 186 (i) the insurer to be authorized to do business in this state; or  
187 (ii) that any of the insurer's transactions be subject to this title.
- 188 (c) Subsection (3)(h) does not apply to a blanket insurance policy offering accident and  
189 health insurance.
- 190 (6)(a) As used in Subsection (3)(i) and this Subsection (6):
- 191 (i) [~~"manufacturer's-~~] "Manufacturer's or seller's service contract" means a service  
192 contract:
- 193 (A) made available by:
- 194 (I) a manufacturer of a product;  
195 (II) a seller of a product; or  
196 (III) an affiliate of a manufacturer or seller of a product;
- 197 (B) made available:
- 198 (I) on one or more specific products; or  
199 (II) on products that are components of a system; and
- 200 (C) under which the person described in Subsection (6)(a)(i)(A) is liable for  
201 services to be provided under the service contract including, if the

- 202 manufacturer's or seller's service contract designates, providing parts and labor[;] .
- 203 (ii) [~~manufacturer's-~~] "Manufacturer's or seller's warranty" means the guaranty of:
- 204 (A)(I) the manufacturer of a product;
- 205 (II) a seller of a product; or
- 206 (III) an affiliate of a manufacturer or seller of a product;
- 207 (B)(I) on one or more specific products; or
- 208 (II) on products that are components of a system; and
- 209 (C) under which the person described in Subsection (6)(a)(ii)(A) is liable for
- 210 services to be provided under the warranty, including, if the manufacturer's or
- 211 seller's warranty designates, providing parts and labor[~~;~~and] .
- 212 (iii) [~~service-~~] "Service contract" means the same as that term is defined in Section
- 213 31A-6a-101.
- 214 (b) A manufacturer's or seller's warranty may be designated as:
- 215 (i) a warranty;
- 216 (ii) a guaranty; or
- 217 (iii) a term similar to a term described in Subsection (6)(b)(i) or (ii).
- 218 (c) This title does not apply to:
- 219 (i) a manufacturer's or seller's warranty;
- 220 (ii) a manufacturer's or seller's service contract paid for with consideration that is in
- 221 addition to the consideration paid for the product itself; and
- 222 (iii) a service contract that is not a manufacturer's or seller's warranty or
- 223 manufacturer's or seller's service contract if:
- 224 (A) the service contract is paid for with consideration that is in addition to the
- 225 consideration paid for the product itself;
- 226 (B) the service contract is for the repair or maintenance of goods;
- 227 (C) the purchase price of the product is \$3,700 or less;
- 228 (D) the product is not a motor vehicle; and
- 229 (E) the product is not the subject of a home warranty service contract.
- 230 (d) This title does not apply to a manufacturer's or seller's warranty or service contract
- 231 paid for with consideration that is in addition to the consideration paid for the product
- 232 itself regardless of whether the manufacturer's or seller's warranty or service contract
- 233 is sold:
- 234 (i) at the time of the purchase of the product; or
- 235 (ii) at a time other than the time of the purchase of the product.

- 236 (7)(a) For purposes of this Subsection (7), "public agency insurance mutual" means an  
 237 entity formed by two or more political subdivisions or public agencies of the state:
- 238 (i) under Title 11, Chapter 13, Interlocal Cooperation Act; and  
 239 (ii) for the purpose of providing for the political subdivisions or public agencies:
- 240 (A) subject to Subsection (7)(b), insurance coverage; or  
 241 (B) risk management.
- 242 (b) Notwithstanding Subsection (7)(a)(ii)(A), a public agency insurance mutual may not  
 243 provide health insurance unless the public agency insurance mutual provides the  
 244 health insurance using:
- 245 (i) a third party administrator licensed under Chapter 25, Third Party Administrators;  
 246 (ii) an admitted insurer; or  
 247 (iii) a program authorized by Title 49, Chapter 20, Public Employees' Benefit and  
 248 Insurance Program Act.
- 249 (c) ~~[Except for this Subsection (7), a]~~ A public agency insurance mutual is exempt from  
 250 this title[-] except:
- 251 (i) when providing health insurance as described in Subsection (7)(b); and  
 252 (ii) as provided in the provisions in Sections 31A-3-301 and 31A-3-303 describing  
 253 the surplus lines tax that are applicable to a policyholder.
- 254 (d) A public agency insurance mutual is considered~~[-to-be]~~ a governmental entity and  
 255 political subdivision of the state with all of the rights, privileges, and immunities of a  
 256 governmental entity or political subdivision of the state including all the rights and  
 257 benefits of Title 63G, Chapter 7, Governmental Immunity Act of Utah.
- 258 Section 2. Section **31A-2-201** is amended to read:
- 259 **31A-2-201 . General duties and powers.**
- 260 (1) The commissioner shall administer and enforce this title.
- 261 (2) The commissioner has all powers specifically granted, and all further powers that are  
 262 reasonable and necessary to enable the commissioner to perform the duties imposed by  
 263 this title.
- 264 (3)~~[(a)]~~ The commissioner may make rules to implement the provisions of this title  
 265 according to the procedures and requirements of Title 63G, Chapter 3, Utah  
 266 Administrative Rulemaking Act.
- 267 ~~[(b) In addition to the notice requirements of Section 63G-3-301, the commissioner~~  
 268 ~~shall provide notice under Section 31A-2-303 of hearings concerning insurance~~  
 269 ~~department rules.]~~

- 270 (4)(a)(i) The commissioner shall issue prohibitory, mandatory, and other orders as  
 271 necessary to secure compliance with this title.[–]  
 272 (ii) An order by the commissioner is not effective unless the order:  
 273 [(i)] (A) is in writing; and  
 274 [(ii)] (B) is signed by the commissioner or under the commissioner's authority.
- 275 (b) On request of any person [~~who~~] that would be affected by an order under Subsection  
 276 (4)(a), the commissioner may issue a declaratory order to clarify the person's rights or  
 277 duties.
- 278 (5)(a) The commissioner may hold informal adjudicative proceedings and public  
 279 meetings, for the purpose of:  
 280 (i) investigation;  
 281 (ii) ascertainment of public sentiment; or  
 282 (iii) informing the public.
- 283 (b) An effective rule or order may not result from informal hearings and meetings unless  
 284 the requirement of a hearing under this section is satisfied.
- 285 (6) The commissioner shall inquire into violations of this title and may conduct any  
 286 examinations and investigations of insurance matters, in addition to examinations and  
 287 investigations expressly authorized, that the commissioner considers proper to determine:  
 288 (a) whether or not any person has violated any provision of this title; or  
 289 (b) to secure information useful in the lawful administration of this title.
- 290 (7) The commissioner shall ensure that any training or certification required of a public  
 291 official or public employee, as those terms are defined in Section 63G-22-102, complies  
 292 with Title 63G, Chapter 22, State Training and Certification Requirements, if the  
 293 training or certification is required:  
 294 (a) under this title;  
 295 (b) by the department; or  
 296 (c) by an agency or division within the department.
- 297 Section 3. Section **31A-2-402** is amended to read:  
 298 **31A-2-402 . Definitions.**  
 299 As used in this part:  
 300 (1) "Commission" means the Title and Escrow Commission created in Section 31A-2-403.  
 301 (2) "Concurrence" means the entities given a concurring role must jointly agree for the  
 302 action to be taken.  
 303 [~~(3) "Dual licensed title licensee" means a title licensee who holds:]~~

- 304        ~~[(a) an individual title insurance producer license as a title licensee; and]~~  
 305        ~~[(b) a license or certificate under:]~~  
 306            ~~[(i) Title 61, Chapter 2c, Utah Residential Mortgage Practices and Licensing Act;]~~  
 307            ~~[(ii) Title 61, Chapter 2f, Real Estate Licensing and Practices Act; or]~~  
 308            ~~[(iii) Title 61, Chapter 2g, Real Estate Appraiser Licensing and Certification Act.]~~

309    ~~[(4)]~~ (3) "Real Estate Commission" means the Real Estate Commission created in Section  
 310        61-2f-103.

311    ~~[(5)]~~ (4) "Title insurance matter" means a matter related to:

- 312        (a) title insurance;  
 313        (b) an escrow conducted by an individual title insurance producer or agency title  
 314            insurance producer;  
 315        (c) licensing, examination, and continuing education of an applicant to be a title  
 316            licensee; or  
 317        (d) conduct of a title licensee.

318    ~~[(6)]~~ (5) "Title licensee" means a person licensed under this title as:

- 319        (a) an agency title insurance producer with a title insurance line of authority;  
 320        (b) an individual title insurance producer with:  
 321            (i) a general title insurance line of authority; or  
 322            (ii) a specific category of authority for title insurance; or  
 323        (c) a title insurance adjuster.

324        Section 4. Section **31A-2-404** is amended to read:

325        **31A-2-404 . Duties of the commissioner and Title and Escrow Commission.**

326    (1)(a) Notwithstanding the other provisions of this chapter, to the extent provided in this  
 327        part, the commissioner shall administer and enforce the provisions in this title related  
 328        to a title insurance matter.

329    (b)(i) The commissioner may impose a penalty:

- 330            (A) under this title related to a title insurance matter;  
 331            (B) after investigation by the commissioner in accordance with Part 3, Procedures  
 332                and Enforcement; and  
 333            (C) that is enforced by the commissioner.

334    (ii) The commissioner shall consult with and seek concurrence of the commission in  
 335        a meeting subject to Title 52, Chapter 4, Open and Public Meetings Act, regarding  
 336        the imposition of a penalty, and if concurrence cannot be reached, the  
 337        commissioner has final authority.

- 338 (c)(i) Unless a provision of this title grants specific authority to the commission, the  
339 commissioner has authority over the implementation of this title related to a title  
340 insurance matter.[-]
- 341 (ii) When a provision requires concurrence between the commission and  
342 commissioner, and concurrence cannot be reached, the commissioner has final  
343 authority.
- 344 (d) Except as provided in Subsection (1)(e), when this title requires concurrence  
345 between the commissioner and commission related to a title insurance matter:
- 346 (i) the commissioner shall report to and update the commission on a regular basis  
347 related to that title insurance matter; and
- 348 (ii) the commission shall review the report submitted by the commissioner under this  
349 Subsection (1)(d); and[-]
- 350 (A) concur with the report[-] ; or[-]
- 351 [(A)] (B) provide a reason for not concurring with the report[-] and  
352 [(B)] provide recommendations to the commissioner.
- 353 (e) When this title requires concurrence between the commissioner and commission  
354 under Subsection (2), (3), or (4):
- 355 (i) the commission shall report to and update the commissioner on a regular basis  
356 related to that title insurance matter; and
- 357 (ii) the commissioner shall review a report submitted by the commission under this  
358 Subsection (1)(e) and concur with the report or:
- 359 (A) provide a reason for not concurring with the report; and  
360 (B) provide recommendations to the commission.
- 361 (2) The commission shall:
- 362 (a) subject to Subsection (4), make rules for the administration of the provisions in this  
363 title related to title insurance matters including rules related to:
- 364 (i) rating standards and rating methods for a title licensee, as provided in Section  
365 31A-19a-209;
- 366 (ii) the licensing for a title licensee, including the licensing requirements of Section  
367 31A-23a-204;
- 368 (iii) continuing education requirements of Section 31A-23a-202; and  
369 (iv) standards of conduct for a title licensee;
- 370 (b) concur in the issuance and renewal of a license in accordance with Section  
371 31A-23a-105 or 31A-26-203;

- 372 ~~[(e) in accordance with Section 31A-3-103, establish, with the concurrence of the~~  
373 ~~commissioner, the fees imposed by this title on a title licensee;]~~
- 374 ~~[(d) in accordance with Section 31A-23a-415 determine, after consulting with the~~  
375 ~~commissioner, the assessment on a title insurer as defined in Section 31A-23a-415;]~~
- 376 [(e)] (c) with the concurrence of the commissioner, approve a continuing education  
377 program required by Section 31A-23a-202;
- 378 [(f)] (d) on a regular basis advise the commissioner of the most critical matters affecting  
379 the title insurance industry and request the commissioner to direct the department's  
380 investigative resources to investigate and enforce those matters;
- 381 ~~[(g)]~~ (e) in accordance with Section 31A-23a-204, participate in the annual license  
382 testing evaluation conducted by the commissioner's test administrator;
- 383 [(h)] (f) advise the commissioner on matters affecting the commissioner's budget related  
384 to title insurance; and
- 385 [(i)] (g) perform other duties as provided in this title.
- 386 (3) The commission may make rules establishing an examination for a license that will  
387 satisfy Section 31A-23a-204:
- 388 (a) after consultation with the commissioner's test administrator; and  
389 (b) subject to Subsection (4).
- 390 (4)(a) The commission may make a rule under this title only:
- 391 (i) in accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act;  
392 (ii) with the concurrence of the commissioner, except that if concurrence cannot be  
393 reached, the commissioner has final authority; and  
394 (iii) if at the time the commission files [its] the commission's proposed rule and rule  
395 analysis with the Office of Administrative Rules in accordance with Section  
396 63G-3-301, the commission provides the Real Estate Commission that same  
397 information.
- 398 (b) The commission may not make a rule regarding adjudicative procedures.
- 399 (c) In accordance with Section 31A-2-201, the commissioner may make rules regarding  
400 adjudicative procedures.
- 401 (5)(a) The commissioner shall annually report the information described in Subsection  
402 (5)(b) in writing to the commission.
- 403 (b) The information required to be reported under this Subsection (5):  
404 (i) may not identify a person; and  
405 (ii) shall include:

- 406 (A) the number of complaints the commissioner receives with regard to  
 407 transactions involving title insurance or a title licensee during the calendar year  
 408 immediately proceeding the report;
- 409 (B) the type of complaints described in Subsection (5)(b)(ii)(A); and
- 410 (C) for each complaint described in Subsection (5)(b)(ii)(A):
- 411 (I) any action taken by the commissioner with regard to the complaint; and
- 412 (II) the time-period beginning the day on which a complaint is made and  
 413 ending the day on which the commissioner determines it will take no further  
 414 action with regard to the complaint.

415 Section 5. Section **31A-2-405** is repealed and reenacted to read:

416 **31A-2-405 . Dual licensing.**

417 An individual title licensee may not conduct the business of title insurance while  
 418 conducting business as a holder of a license or certificate under:

- 419 (1) Title 61, Chapter 2c, Utah Residential Mortgage Practices and Licensing Act;  
 420 (2) Title 61, Chapter 2f, Real Estate Licensing and Practices Act; or  
 421 (3) Title 61, Chapter 2g, Real Estate Appraiser Licensing and Certification Act.

422 Section 6. Section **31A-3-304** is amended to read:

423 **31A-3-304 . Annual fees -- Other taxes or fees prohibited -- Captive Insurance**  
 424 **Restricted Account.**

- 425 (1)(a) A captive insurance company shall pay an annual fee imposed under this section  
 426 to obtain or renew a certificate of authority.
- 427 (b) The commissioner shall:
- 428 (i) determine the annual fee [~~pursuant to~~] in accordance with Section 31A-3-103; and
- 429 (ii) consider whether the annual fee is competitive with fees imposed by other states  
 430 on captive insurance companies.
- 431 (2) A captive insurance company that fails to pay the fee required by this section is subject  
 432 to the relevant sanctions of this title.
- 433 (3)(a) A captive insurance company that pays one of the following fees is exempt from  
 434 Title 59, Chapter 7, Corporate Franchise and Income Taxes, and Title 59, Chapter 9,  
 435 Taxation of Admitted Insurers:
- 436 (i) a fee under this section;
- 437 (ii) a fee under Chapter 37, Captive Insurance Companies Act; or
- 438 (iii) a fee under Chapter 37a, Special Purpose Financial Captive Insurance Company  
 439 Act.

- 440 (b) The state or a county, city, or town within the state may not levy or collect an  
 441 occupation tax or other fee or charge not described in Subsections (3)(a)(i) through  
 442 (iii) against a captive insurance company.
- 443 (c) The state may not levy, assess, or collect a withdrawal fee under Section 31A-4-115  
 444 against a captive insurance company.
- 445 (4) A captive insurance company shall pay the fee imposed by this section to the  
 446 commissioner by June 1 of each year.
- 447 (5)(a) ~~[Money received pursuant to]~~ The commissioner shall deposit money received  
 448 from a fee described in Subsection (3)(a)~~[-shall be deposited-]~~ into the Captive  
 449 Insurance Restricted Account.
- 450 (b) There is created in the General Fund a restricted account known as the "Captive  
 451 Insurance Restricted Account."
- 452 (c) The Captive Insurance Restricted Account shall consist of the fees described in  
 453 Subsection (3)(a).
- 454 (d) The commissioner shall administer the Captive Insurance Restricted Account.  
 455 Subject to appropriations by the Legislature, the commissioner shall use the money  
 456 deposited into the Captive Insurance Restricted Account to:
- 457 (i) administer and enforce:
- 458 (A) Chapter 37, Captive Insurance Companies Act; and  
 459 (B) Chapter 37a, Special Purpose Financial Captive Insurance Company Act; and
- 460 (ii) promote the captive insurance industry in Utah.
- 461 (e)(i) An appropriation from the Captive Insurance Restricted Account is nonlapsing,  
 462 except that at the end of each fiscal year, money received by the commissioner in  
 463 excess of ~~[the following]~~ \$1,650,000 shall be treated as free revenue in the General  
 464 Fund~~[:]~~ .
- 465 ~~[(i) for fiscal year 2018-2019 and subsequent fiscal years, in excess of~~  
 466 ~~\$1,600,000;]~~
- 467 ~~[(ii) for fiscal year 2019-2020 and subsequent fiscal years, in excess of~~  
 468 ~~\$1,450,000; and]~~
- 469 ~~[(iii) for fiscal year 2023-2024 and subsequent fiscal years, in excess of~~  
 470 ~~\$1,650,000.]~~
- 471 (ii) Beginning in fiscal year 2025-2026, the amount in Subsection (5)(e) shall  
 472 increase each fiscal year by:
- 473 (A) the amount of state employee salary compensation increases the Legislature

474 authorizes for each fiscal year; and  
475 (B) the amount of an appropriation the Legislature authorizes for an internal  
476 service fund rate increase.

477 Section 7. Section **31A-21-112** is amended to read:

478 **31A-21-112 . Language other than English.**

- 479 (1) An insurer may conduct a transaction in a language other than English through an  
480 employee or agent acting as interpreter or through an interpreter provided by the  
481 customer.
- 482 (2)(a) An insurer may provide a customer an insurance policy, endorsement, rider, or  
483 explanatory or advertising material in a language other than English.[-]
- 484 (b) If there is a dispute or complaint regarding the insurance policy, endorsement, rider,  
485 or explanatory or advertising material, the English language version of the insurance  
486 coverage shall control the resolution of the dispute or complaint.
- 487 (3)(a) A non-English language policy delivered or issued for delivery in this state is [  
488 ~~considered to be~~]in compliance with this title if the insurer certifies that the policy is  
489 translated from an English language policy that complies with this title.
- 490 (b) An insurer is not required to file with the commissioner the certification described in  
491 Subsection (3)(a).
- 492 (4) If an insurance policy, endorsement, or rider is provided in a language other than  
493 English, [it] the insurance policy, endorsement, or rider shall be accompanied by:  
494 (a) the corresponding English language version; and  
495 (b) a disclaimer in both English and the other language that states that the foreign  
496 language version is provided only as an accommodation or courtesy to the customer  
497 and the English language version shall control the resolution of any dispute or  
498 complaint.
- 499 (5) An insurer is not required to file with the commissioner a form in a language other than  
500 English.

501 Section 8. Section **31A-21-303** is amended to read:

502 **31A-21-303 . Cancellation, issuance, and renewal.**

- 503 (1)(a) Except as otherwise provided in this section, other statutes, or by rule under  
504 Subsection (1)(c), this section applies to all policies of insurance:
- 505 (i) except for:
- 506 (A) life insurance;
- 507 (B) accident and health insurance; and

- 508 (C) annuities; and
- 509 (ii) if the policies of insurance are issued on forms that are subject to filing under
- 510 Subsection 31A-21-201(1).
- 511 (b) A policy may provide terms more favorable to insureds than this section requires.
- 512 (c) The commissioner may by rule totally or partially exempt from this section classes of
- 513 insurance policies in which the insureds do not need protection against arbitrary or
- 514 unannounced termination.
- 515 (d) The rights provided by this section are in addition to and do not prejudice any other
- 516 rights the insureds may have at common law or under other statutes.
- 517 (2)(a) As used in this Subsection (2), "grounds" means:
- 518 (i) material misrepresentation;
- 519 (ii) substantial change in the risk assumed, unless the insurer should reasonably have
- 520 foreseen the change or contemplated the risk when entering into the contract;
- 521 (iii) substantial breaches of contractual duties, conditions, or warranties; or
- 522 ~~[(iv) attainment of the age specified as the terminal age for coverage, in which case~~
- 523 ~~the insurer may cancel by notice under Subsection (2)(e), accompanied by a~~
- 524 ~~tender of proportional return of premium; or]~~
- 525 ~~[(v)]~~ (iv) in the case of motor vehicle insurance, revocation or suspension of the
- 526 driver's license of:
- 527 (A) the named insured; or
- 528 (B) any other ~~[person]~~ individual who customarily drives the motor vehicle.
- 529 (b)(i) Except as provided in Subsection (2)(e) or unless the conditions of Subsection
- 530 (2)(b)(ii) are met, an insurer may not cancel an insurance policy ~~[may not be~~
- 531 ~~canceled by the insurer]~~ before the earlier of:
- 532 (A) the expiration of the agreed term; or
- 533 (B) one year from the effective date of the policy or renewal.
- 534 (ii) Notwithstanding Subsection (2)(b)(i), an insurer may cancel an insurance policy [~~may be canceled by the insurer]~~ for:
- 535 (A) nonpayment of a premium when due; or
- 536 (B) ~~[on] grounds[-defined in Subsection (2)(a)].~~
- 538 (c)(i) The cancellation provided by Subsection (2)(b), except cancellation for
- 539 nonpayment of premium, is effective no sooner than 30 days after the delivery or
- 540 first-class mailing of a written notice to the policyholder.
- 541 (ii) Cancellation for nonpayment of premium of a personal lines policy is effective no

- 542           sooner than 10 days after delivery or first-class mailing of a written notice to the  
543           policyholder.
- 544           (iii) Cancellation for nonpayment of premium of a commercial lines policy is  
545           effective no sooner than 10 days after delivery or first-class mailing of a written  
546           notice to:
- 547           (A) the policyholder;
- 548           (B) each assignee of the policyholder, if the assignee is named in the policy; and  
549           (C) each loss payee or mortgagee or lienholder under property insurance of the  
550           policyholder, if the loss payee, mortgagee, or lienholder is named in the policy.
- 551           (iv) An insurer shall deliver or send by first-class mail a copy of the notice of  
552           cancellation for nonpayment of premium described in Subsection (2)(c)(iii) to an  
553           agent of record of the policyholder on or before the day on which the insurer  
554           provides the notice to the policyholder.
- 555           (d)(i) Notice of cancellation for nonpayment of premium shall include a statement of  
556           the reason for cancellation.
- 557           (ii) Subsection (7) applies to the notice required for grounds of cancellation other  
558           than nonpayment of premium.
- 559           (e)(i) Subsections (2)(a) through (d) do not apply to any insurance contract that has  
560           not been previously renewed if the contract has been in effect less than 60 days on  
561           the day on which the written notice of cancellation is mailed or delivered.
- 562           (ii) A cancellation under this Subsection (2)(e) may not be effective until at least 10  
563           days after the day on which a written notice of cancellation is delivered to the  
564           insured.
- 565           (iii) If the notice required by this Subsection (2)(e) is sent by first-class mail, postage  
566           prepaid, to the insured at the insured's last-known address, delivery is considered  
567           accomplished after the passing, since the mailing date, of the mailing time  
568           specified in the Utah Rules of Civil Procedure.
- 569           (iv) A policy cancellation subject to this Subsection (2)(e) is not subject to the  
570           procedures described in Subsection (7).
- 571           (3) A policy may be issued for a term longer than one year or for an indefinite term if the  
572           policy includes a clause providing for cancellation by the insurer by giving notice as  
573           provided in Subsection (4)(b)(i) 30 days before an anniversary date.
- 574           (4)(a) Subject to Subsections (2), (3), and (4)(b), a policyholder has a right to have the  
575           policy renewed:

- 576 (i) on the terms then being applied by the insurer to similar risks; and  
577 (ii)(A) for an additional period of time equivalent to the expiring term if the  
578 agreed term is one year or less; or  
579 (B) for one year if the agreed term is longer than one year.
- 580 (b) Except as provided in Subsections (4)(c) and (5), the right to renewal under  
581 Subsection (4)(a) is extinguished if:
- 582 (i) at least 30 days before the day on which the policy expires or completes an  
583 anniversary, the insurer delivers or sends by first-class mail a notice of intention  
584 not to renew the policy beyond the agreed expiration or anniversary date to the  
585 policyholder at the policyholder's last-known address;
- 586 (ii) [~~not~~] no more than 45 [~~not~~] but no less than 14 days before the day on which the  
587 renewal premium is due, the insurer delivers or sends by first-class mail a notice  
588 to the policyholder at the policyholder's last-known address, clearly stating:
- 589 (A) the renewal premium;  
590 (B) how the renewal premium may be paid, including the due date for payment of  
591 the renewal premium;  
592 (C) that failure to pay the renewal premium extinguishes the policyholder's right  
593 to renewal; and  
594 (D) subject to Subsection (4)(e), that the extinguishment of the right to renew for  
595 nonpayment of premium is effective no sooner than at least 10 days after  
596 delivery or first-class mailing of a written notice to the policyholder that the  
597 policyholder has failed to pay the premium when due;
- 598 (iii) the policyholder has:
- 599 (A) accepted replacement coverage; or  
600 (B) requested or agreed to nonrenewal; or  
601 (iv) the policy is expressly designated as nonrenewable.
- 602 (c) Unless the conditions of Subsection (4)(b)(iii) or (iv) apply, an insurer may not fail to  
603 renew an insurance policy as a result of a telephone call or other inquiry that:
- 604 (i) references a policy coverage; and  
605 (ii) does not result in the insured requesting payment of a claim.
- 606 (d) Failure to renew under this Subsection (4) is subject to Subsection (5).
- 607 (e)(i)(A) If the policy is a personal lines policy, during the period that begins  
608 when an insurer delivers or sends by first-class mail the notice described in  
609 Subsection (4)(b)(ii)(D) and ends when the premium is paid, coverage exists

- 610 and premiums are due.
- 611 (B) If the policy is a commercial lines policy, during the period that begins when  
612 an insurer delivers or sends by first-class mail the notice described in  
613 Subsection (2)(c)(iii) and ends when the premium is paid, coverage exists and  
614 premiums are due.
- 615 (ii)(A) If after receiving the notice required by Subsection (4)(b)(ii)(D) a personal  
616 lines policyholder fails to pay the renewal premium, the coverage is  
617 extinguished as of the date the renewal premium is originally due.
- 618 (B) If after receiving the notice required under Subsection (2)(c)(iii), a  
619 commercial lines policyholder fails to pay the renewal premium within the 10  
620 days before the day on which cancellation for nonpayment is effective, the  
621 coverage is extinguished as of the day on which the renewal premium is  
622 originally due.
- 623 (iii) Delivery of the notice required by Subsection (2)(c)(iii), (2)(c)(iv), or  
624 (4)(b)(ii)(D) includes electronic delivery in accordance with Section 31A-21-316.
- 625 (iv) An insurer is not subject to Subsection (4)(b)(ii)(D) if:  
626 (A) the insurer provides notice of the extinguishment of the right to renew for  
627 failure to pay premium at least 15 days, but no longer than 45 days, before the  
628 day on which the renewal payment is due; and  
629 (B) the policy is a personal lines policy.
- 630 (v) Subsection (4)(b)(ii)(D) does not apply to a policy that provides coverage for 30  
631 days or less.
- 632 (5) Notwithstanding Subsection (4), an insurer may not fail to renew the following personal  
633 lines insurance policies solely on the basis of:  
634 (a) in the case of a motor vehicle insurance policy:  
635 (i) a claim from the insured that:  
636 (A) results from an accident in which:  
637 (I) the insured is not at fault; and  
638 (II) the driver of the motor vehicle that is covered by the motor vehicle  
639 insurance policy is 21 years [~~of age~~] old or older; and  
640 (B) is the only claim meeting the condition of Subsection (5)(a)(i)(A) within a  
641 36-month period;  
642 (ii) a single traffic violation by an insured that:  
643 (A) is a violation of a speed limit under Title 41, Chapter 6a, Traffic Code;

- 644 (B) is not in excess of 10 miles per hour over the speed limit;
- 645 (C) is not a traffic violation under[~~;~~]
- 646 [~~(I)~~] Section 41-6a-601, 41-6a-604, or 41-6a-605;
- 647 [~~(II)~~] Section ~~41-6a-604~~; ~~or~~]
- 648 [~~(III)~~] Section ~~41-6a-605~~;
- 649 (D) is not a violation by an insured driver who is younger than 21 years[ ~~of age~~]
- 650 old; and
- 651 (E) is the only violation meeting the conditions of Subsections (5)(a)(ii)(A)
- 652 through (D) within a 36-month period; or
- 653 (iii) a claim for damage that:
- 654 (A) results solely from wind, hail, lightning, or an earthquake;[~~;~~]
- 655 [~~(I)~~] ~~wind~~;
- 656 [~~(II)~~] ~~hail~~;
- 657 [~~(III)~~] ~~lightning~~; ~~or~~]
- 658 [~~(IV)~~] ~~an earthquake~~;
- 659 (B) is not preventable by the exercise of reasonable care; and
- 660 (C) is the only claim meeting the conditions of Subsections (5)(a)(iii)(A) and (B)
- 661 within a 36-month period; [~~and~~] or
- 662 (b) in the case of a homeowner's insurance policy, a claim by the insured that is for
- 663 damage that:
- 664 (i) results solely from wind, hail, or lightning;[~~;~~]
- 665 [~~(A)~~] ~~wind~~;
- 666 [~~(B)~~] ~~hail~~; ~~or~~]
- 667 [~~(C)~~] ~~lightning~~;
- 668 (ii) is not preventable by the exercise of reasonable care; and
- 669 (iii) is the only claim meeting the conditions of Subsections (5)(b)(i) and (ii) within a
- 670 36-month period.
- 671 (6)(a)(i) Subject to Subsection (6)(b), if the insurer offers or purports to renew the
- 672 policy, but on less favorable terms or at higher rates, the new terms or rates take
- 673 effect on the renewal date if the insurer delivered or sent by first-class mail to the
- 674 policyholder notice of the new terms or rates at least 30 days before the day on
- 675 which the previous policy expires.
- 676 (ii) If the insurer did not give the prior notification described in Subsection (6)(a)(i)
- 677 to the policyholder, the new terms or rates do not take effect until 30 days after the

678 day on which the insurer delivers or sends by first-class mail the notice, in which  
679 case the policyholder may elect to cancel the renewal policy at any time during the  
680 30-day period.

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

683 (b) Except as provided in Subsection (6)(c), Subsection (6)(a) does not apply if the only  
684 change in terms that is adverse to the policyholder is:

685 (i) a rate increase generally applicable to the class of business to which the policy  
686 belongs;

687 (ii) a rate increase resulting from a classification change based on the altered nature  
688 or extent of the risk insured against; or

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

690 (c) Subsections (6)(b)(i) and (ii) do not apply to a rate increase of 25% or more on a  
691 commercial policy.

692 (7)(a) If a notice of cancellation or nonrenewal under Subsection (2)(c) does not state  
693 with reasonable precision the facts on which the insurer's decision is based, the  
694 insurer shall send by first-class mail or deliver that information within 10 working  
695 days [~~after receipt of~~] after the day on which the insurer receives a written request by  
696 the policyholder.

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

699 (8)(a) An insurer that gives a notice of nonrenewal or cancellation of insurance on a  
700 motor vehicle insurance policy issued in accordance with the requirements of Chapter  
701 22, Part 3, Motor Vehicle Insurance, for nonpayment of a premium shall provide  
702 notice of nonrenewal or cancellation to a lienholder if the insurer has been provided  
703 the name and mailing address of the lienholder.

704 (b) An insurer shall provide the notice described in Subsection (8)(a) to the lienholder by  
705 first-class mail or, if agreed by the parties, any electronic means of communication.

706 (c) A lienholder shall provide a current physical address of notification or an electronic  
707 address of notification to an insurer that is required to make a notification under  
708 Subsection (8)(a).

709 (9) If a risk-sharing plan under Section 31A-2-214 exists for the kind of coverage provided  
710 by the insurance being cancelled or nonrenewed, a notice of cancellation or nonrenewal  
711 required under Subsection (2)(c) or (4)(b)(i) may not be effective unless the notice

712 contains instructions to the policyholder for applying for insurance through the available  
713 risk-sharing plan.

714 (10) There is no liability on the part of, and no cause of action against, any insurer, ~~[its]~~ the  
715 insurer's authorized representatives, agents, employees, or any other person furnishing to  
716 the insurer information relating to the reasons for cancellation or nonrenewal or for any  
717 statement made or information given ~~[by them-]~~ by an insurer, the insurer's authorized  
718 representative, agent, employee, or any other person in complying or enabling the  
719 insurer to comply with this section unless actual malice is proved by clear and  
720 convincing evidence.

721 (11) This section does not alter any common law right of contract rescission for material  
722 misrepresentation.

723 (12) If a person is required to pay a premium in accordance with this section:

724 (a) the person may make the payment using:

725 (i) the United States Postal Service;

726 (ii) a delivery service the commissioner describes or designates by rule made in  
727 accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act; or

728 (iii) electronic means; and

729 (b) the payment is ~~[considered to be]~~ made:

730 (i) for a payment that is mailed using the method described in Subsection (12)(a)(i),  
731 on the date on which the payment is postmarked;

732 (ii) for a payment that is delivered using the method described in Subsection  
733 (12)(a)(ii), on the date on which the delivery service records or marks the payment  
734 as having been received by the delivery service; or

735 (iii) for a payment that is made using the method described in Subsection (12)(a)(iii),  
736 on the date on which the payment is made electronically.

737 Section 9. Section **31A-22-407** is amended to read:

738 **31A-22-407 . Reinstatement.**

739 (1)(a) Except as provided under Subsection (2), ~~[life insurance policies, other than~~  
740 ~~group policies,]~~ an individual life insurance policy shall be reinstated upon written  
741 application made within three years, or within two years in the case of ~~[policies]~~ an  
742 individual life insurance policy with ~~[face amounts]~~ a face amount under \$5,000, from  
743 the date of premium default.~~[-]~~

744 (b) ~~[The-]~~ An applicant described in Subsection (1)(a) shall~~[-]~~ :

745 (i) produce evidence of insurability satisfactory to the insurer~~[-]~~ ;

- 746 (ii) pay all premiums in arrears~~[-]~~ ; and~~[-]~~  
 747 (iii) pay or reinstate any other indebtedness to the insurer upon the policy, all with  
 748 interest~~[-]~~ ;  
 749 (A) compounded annually, at a rate not exceeding the rate set by the policy for  
 750 policy loans compounded annually~~[-]~~ ; or  
 751 (B) ~~[H]~~ if no rate is set in the policy, the commissioner shall adopt a rule ~~[which]~~  
 752 that sets the rate the same as under Section 31A-22-402.

753 (2) Subsection (1) does not apply if any of these conditions exist:

- 754 (a) ~~[The]~~ the policy has been surrendered for its cash surrender value~~[-]~~ ;  
 755 (b) ~~[The]~~ the policy's cash surrender value has been exhausted~~[-]~~ ; or  
 756 (c) ~~[The]~~ the paid-up term insurance, if any, has expired.

757 Section 10. Section **31A-22-509** is amended to read:

758 **31A-22-509 . Commissioner's authority to approve other groups.**

759 (1) A policy may be issued to a group other than those specified under Sections [  
 760 ~~31A-22-502]~~ 31A-22-501 through 31A-22-508, if specifically authorized by the  
 761 commissioner and if granting the permission is not contrary to public policy.~~[-]~~

762 (2)(a) The commissioner may not grant permission to issue these types of policies  
 763 unless the insurer demonstrates to the commissioner's satisfaction that the proposed  
 764 group ~~[would]~~ will:~~[-]~~

- 765 (i) be actuarially sound~~[-]~~ ;  
 766 (ii) ~~[would]~~ result in economies of acquisition and administration ~~[which]~~ that justify  
 767 a group rate~~[-]~~ ; and~~[-]~~ ~~[would]~~  
 768 (iii) not present hazards of adverse selection.~~[-]~~

769 (b) The policyholders shall pay the premiums for the policy~~[- shall be paid by the~~  
 770 ~~policyholder, either from the policyholder's funds or]~~ from funds contributed by:~~[-]~~

771 (i) the policyholder;

772 (ii) ~~[by]~~ the covered ~~[persons,]~~ person; or~~[-]~~

773 (iii) ~~[from both]~~ both the policyholder and the covered person.~~[-]~~

774 (c) Premiums for the policy and any contributions by or on behalf of the insured persons  
 775 shall be reasonable in relation to the benefits provided.

776 Section 11. Section **31A-22-511** is amended to read:

777 **31A-22-511 . Dependents' coverage.**

778 (1) ~~[Any]~~ A group life policy issued under Sections 31A-22-502 through 31A-22-505  
 779 or Section 31A-22-509 may insure ~~[the employees or members against loss due to the~~

780 death of their spouses and dependent children, or any classes of the employees or  
 781 members] any class of employee or member and the spouse and dependent children of an  
 782 employee or member against loss due to death.[-]

783 (2) The policyholder shall pay the premiums for the insurance [~~shall be paid by the~~  
 784 ~~policyholder~~] from funds contributed by:[-]

785 (a) [~~the person to whom the policy has been issued, from funds contributed by the~~  
 786 ~~covered persons, or from both.~~] the policyholder;

787 (b) the covered person; or

788 (c) both the policyholder and the covered person.[-]

789 (3) Except as provided under Section 31A-22-512, a policy on which no part of the  
 790 premium for the [~~dependent's~~] dependent coverage is contributed by the covered [~~persons~~]  
 791 person shall insure [~~all insured persons~~] each eligible person, including [~~their spouses~~]  
 792 the covered person's spouse and dependent or minor children.

793 Section 12. Section **31A-22-512** is amended to read:

794 **31A-22-512 . Individual insurability.**

795 (1) An insurer may exclude or limit the coverage under a group life insurance policy on any  
 796 person, including a group member's dependent, as to whom the evidence of individual  
 797 insurability is not satisfactory to the insurer.

798 (2) The group life insurance policy shall contain a provision setting forth the conditions, if  
 799 any, under which the insurer reserves the right to require a person eligible for insurance  
 800 to furnish satisfactory evidence to the insurer of the individual insurability as a condition  
 801 to part or all of [~~his~~] the person's coverage.

802 Section 13. Section **31A-22-514** is amended to read:

803 **31A-22-514 . Incontestability.**

804 (1) [~~The~~] A group life insurance policy shall contain a provision that the validity of  
 805 the policy may not be contested, except for nonpayment of premiums, after [~~it~~] the policy  
 806 has been in force for two years from its date of issue.[-]

807 (2) [~~This~~] The provision described in Subsection (1) shall [~~also~~]state that no statement  
 808 made by [~~any~~] a person insured under the policy relating to [~~his~~] the person's insurability  
 809 may be used:[-]

810 (a) in contesting the validity of the insurance with respect to which the statement was  
 811 made after the insurance has been in force, prior to the contest, for a period of two  
 812 years during the person's lifetime[~~, nor may the statement be used~~] ; or

813 (b) [-]unless [~~it~~] the statement is [~~contained in a written instrument signed by him~~] in

814 writing and signed by the person.~~[-]~~

815 (3) ~~[This type of provision does not preclude-]~~ Nothing in this section precludes the  
816 assertion of defenses based upon provisions in the policy which relate to eligibility for  
817 coverage.

818 Section 14. Section **31A-22-605.1** is amended to read:

819 **31A-22-605.1 . Preexisting condition limitations.**

820 (1) Any provision dealing with preexisting conditions shall be consistent with this section,  
821 Section 31A-22-609, and rules adopted by the commissioner.

822 (2) Except as provided in this section, an insurer that elects to use an application form  
823 without questions concerning the insured's health or medical treatment history shall  
824 provide coverage under the policy for any loss ~~[which]~~ that occurs more than 12 months  
825 after the effective date of coverage due to a preexisting condition ~~[which]~~ that is not  
826 specifically excluded from coverage.

827 (3)(a) An insurer that issues a specified disease policy may not deny a claim for loss  
828 due to a preexisting condition that occurs more than six months after the effective  
829 date of coverage.

830 (b) A specified disease policy may impose a preexisting condition exclusion only if the  
831 exclusion relates to a preexisting condition ~~[which]~~ that first manifested itself within  
832 six months prior to the effective date of coverage or ~~[which]~~ that was diagnosed by a  
833 physician at any time ~~[prior to]~~ before the effective date of coverage.

834 (4)(a) Except as otherwise provided in this section, a health benefit plan may impose a  
835 preexisting condition exclusion only if:

836 (i) the exclusion relates to a preexisting condition for which medical advice,  
837 diagnosis, care, or treatment was recommended or received within the six-month  
838 period ending on the enrollment date from an individual licensed or similarly  
839 authorized to provide those services under state law and operating within the  
840 scope of practice authorized by state law;

841 (ii) the exclusion period ends no later than 12 months after the enrollment date, or in  
842 the case of a late enrollee, 18 months after the enrollment date; and

843 (iii) the exclusion period is reduced by the number of days of creditable coverage the  
844 enrollee has as of the enrollment date, in accordance with Subsection (4)(b).

845 (b)(i) The amount of creditable coverage allowed under Subsection (4)(a)(iii) is  
846 determined by counting all the days on which the individual has one or more types  
847 of creditable coverage.

- 848 (ii) Days of creditable coverage that occur before a significant break in coverage are  
849 not required to be counted.
- 850 (A) Days in a waiting period or affiliation period [are] may not be taken into  
851 account in determining whether a significant break in coverage has occurred.
- 852 (B) For an individual who elects federal COBRA continuation coverage during  
853 the second election period provided under the federal Trade Act of 2002, the  
854 days between the [date] day on which the individual lost group health plan  
855 coverage and the first day of the second COBRA election period are not taken  
856 into account in determining whether a significant break in coverage has  
857 occurred.
- 858 (c) A group health benefit plan may not impose a preexisting condition exclusion  
859 relating to pregnancy.
- 860 (d)(i) An insurer imposing a preexisting condition exclusion shall provide a written  
861 general notice of preexisting condition exclusion as part of any written application  
862 materials.
- 863 (ii) The general notice under this subsection shall include:
- 864 (A) a description of the existence and terms of any preexisting condition exclusion  
865 under the plan, including the six-month period ending on the enrollment date,  
866 the maximum preexisting condition exclusion period, and how the insurer will  
867 reduce the maximum preexisting condition exclusion period by creditable  
868 coverage;
- 869 (B) a description of the rights of individuals:
- 870 (I) to demonstrate creditable coverage, including any applicable waiting  
871 periods, through a certificate of creditable coverage or through other means;  
872 and
- 873 (II) to request a certificate of creditable coverage from a prior plan;
- 874 (C) a statement that the current plan will assist in obtaining a certificate of  
875 creditable coverage from any prior plan or issuer if necessary; and
- 876 (D) a person to contact, and an address and telephone number for the person, for  
877 obtaining additional information or assistance regarding the preexisting  
878 condition exclusion.
- 879 (e) An insurer may not impose any limit on the amount of time that an individual has to  
880 present a certificate or other evidence of creditable coverage.
- 881 (f) This Subsection (4) does not preclude application of any waiting period applicable to

882 all new enrollees under the plan.

883 (5)(a) If a short-term limited duration health insurance policy provides for an extension  
884 or renewal of the policy, the insurer may not exclude coverage for a loss due to a  
885 preexisting condition [~~for a period greater than 12 months~~] following the original  
886 effective date of the coverage, unless the insurer specifically and expressly excludes  
887 the preexisting condition in the terms of the policy or certificate.

888 (b)(i) An insurer that includes a preexisting condition exclusion in a short-term  
889 limited duration health insurance policy in accordance with this subsection shall  
890 provide a written general notice of the preexisting condition exclusion as part of  
891 any written application materials.

892 (ii) A written general notice described in [~~this subsection~~] Subsection (5)(b)(i) shall[~~:~~]  
893 [~~(A)~~] include a description of the existence and terms of any preexisting condition  
894 exclusion under the policy, including the maximum preexisting exclusion  
895 period[~~; and~~] .  
896 [~~(B) state that the exclusion period ends no later than 12 months after the original~~  
897 ~~effective date of the coverage.~~]

898 Section 15. Section **31A-22-701** is amended to read:

899 **31A-22-701 . Groups eligible for group or blanket insurance.**

- 900 (1) A group insurance policy offering accident and health insurance may be issued to:
- 901 (a) a group:
- 902 (i) to which a group life insurance policy may be issued under Section 31A-22-502,  
903 31A-22-503, 31A-22-504, 31A-22-505, 31A-22-506, [~~or~~]31A-22-507,  
904 31A-22-508, or 31A-22-509; and
- 905 (ii) that is formed and maintained in good faith for a purpose other than obtaining  
906 insurance;
- 907 (b) a group specifically authorized by the commissioner, upon a finding that:
- 908 (i) authorization is not contrary to the public interest;
- 909 (ii) the group is actuarially sound;
- 910 (iii) formation of the proposed group may result in economies of scale in acquisition,  
911 administrative, marketing, and brokerage costs;
- 912 (iv) the insurance policy, insurance certificate, or other indicia of coverage that will  
913 be offered to the proposed group is substantially equivalent to insurance policies  
914 that are otherwise available to similar groups;
- 915 (v) the group would not present hazards of adverse selection;

- 916 (vi) the premiums for the insurance policy and any contributions by or on behalf of  
917 the insured persons are reasonable in relation to the benefits provided; and  
918 (vii) the group is formed and maintained in good faith for a purpose other than  
919 obtaining insurance; or
- 920 (c) a postsecondary educational institution covering students, upon a finding that:  
921 (i) the policy provides standards for financial soundness;  
922 (ii) the policy protects the students covered;  
923 (iii) the policy provides for the establishment of a financially viable alternative to  
924 traditional health care plans;  
925 (iv) authorization is not contrary to the public interest;  
926 (v) the policy would not present hazards of adverse selection; and  
927 (vi) the premiums for the policy and any contributions by or on behalf of the insured  
928 persons are reasonable in relation to the benefits provided.
- 929 (2) A blanket insurance policy offering accident and health insurance:  
930 (a) covers a defined class of persons;  
931 (b) may not be offered or underwritten on an individual basis;  
932 (c) shall cover only a group that is:  
933 (i) actuarially sound; and  
934 (ii) formed and maintained in good faith for a purpose other than obtaining insurance;  
935 and  
936 (d) may be issued only to:  
937 (i) a common carrier or an operator, owner, or lessee of a means of transportation, as  
938 policyholder, covering persons who may become passengers as defined by  
939 reference to the person's travel status;  
940 (ii) an employer, as policyholder, covering any group of employees, dependents, or  
941 guests, as defined by reference to specified hazards incident to any activities of the  
942 policyholder;  
943 (iii) an institution of learning, including a school district, a school jurisdictional unit,  
944 or the head, principal, or governing board of a school jurisdictional unit, as  
945 policyholder, covering students, teachers, or employees;  
946 (iv) a religious, charitable, recreational, educational, or civic organization, or branch  
947 of one of those organizations, as policyholder, covering a group of members or  
948 participants as defined by reference to specified hazards incident to the activities  
949 sponsored or supervised by the policyholder;

- 950 (v) a sports team, camp, or sponsor of a sports team or camp, as policyholder,  
951 covering members, campers, employees, officials, or supervisors;
- 952 (vi) a volunteer fire department, first aid, civil defense, or other similar volunteer  
953 organization, as policyholder, covering a group of members or participants as  
954 defined by reference to specified hazards incident to activities sponsored,  
955 supervised, or participated in by the policyholder;
- 956 (vii) a newspaper or other publisher, as policyholder, covering [its] a newspaper's or  
957 publisher's carriers;
- 958 (viii) a labor union, as a policyholder, covering a group of members or participants as  
959 defined by reference to specified hazards incident to the activities or operations  
960 sponsored or supervised by the policyholder;
- 961 (ix) an association that has a constitution and bylaws covering a group of members or  
962 participants as defined by reference to specified hazards incident to the activities  
963 or operations sponsored or supervised by the policyholder; or
- 964 (x) any other class of risks that, in the judgment of the commissioner, may be  
965 properly eligible for a blanket insurance policy offering accident and health  
966 insurance.

967 (3) The judgment of the commissioner may be exercised on the basis of:

- 968 (a) individual risks;
- 969 (b) a class of risks; or
- 970 (c) both risks described in Subsections(3)(a) and (b).

971 (4) A group insurance policy offering accident and health insurance issued to a group  
972 authorized under Subsection 31A-22-504(1)(b)(ii) is subject to the provisions of Section  
973 31A-22-602.

974 Section 16. Section **31A-23a-105** is amended to read:

975 **31A-23a-105 . General requirements for individual and agency license issuance**  
976 **and renewal.**

977 (1)(a) The commissioner shall issue or renew a license to a person described in  
978 Subsection (1)(b) to act as:

- 979 (i) a producer;
- 980 (ii) a surplus lines producer;
- 981 (iii) a limited line producer;
- 982 (iv) a consultant;
- 983 (v) a managing general agent; or

- 984 (vi) a reinsurance intermediary.
- 985 (b) The commissioner shall issue or renew a license [~~under~~] described in Subsection
- 986 (1)(a) to a person who, as to the license type and line of authority classification
- 987 applied for under Section 31A-23a-106:
- 988 (i) satisfies the application requirements under Section 31A-23a-104;
- 989 (ii) satisfies the character requirements under Section 31A-23a-107;
- 990 (iii) satisfies applicable continuing education requirements under Section
- 991 31A-23a-202;
- 992 (iv) satisfies applicable examination requirements under Section 31A-23a-108;
- 993 (v) satisfies applicable training period requirements under Section 31A-23a-203;
- 994 (vi) if an applicant for a resident individual producer license, certifies that, to the
- 995 extent applicable, the applicant:
- 996 (A) is in compliance with Section 31A-23a-203.5; and
- 997 (B) will maintain compliance with Section 31A-23a-203.5 during the period for
- 998 which the license is issued or renewed;
- 999 (vii) has not committed an act that is a ground for denial, suspension, or revocation as
- 1000 provided in Section 31A-23a-111;
- 1001 (viii) if a nonresident:
- 1002 (A) complies with Section 31A-23a-109; and
- 1003 (B) holds an active similar license in that person's home state;
- 1004 (ix) if an applicant for an individual title insurance producer or agency title insurance
- 1005 producer license, satisfies the requirements of Section 31A-23a-204;
- 1006 (x) if an applicant for a license to act as a life settlement provider or life settlement
- 1007 producer, satisfies the requirements of Section 31A-23a-117; and
- 1008 (xi) pays the applicable fees under Section 31A-3-103.
- 1009 (2)(a) This Subsection (2) applies to the following persons:
- 1010 (i) an applicant for a pending:
- 1011 (A) individual or agency producer license;
- 1012 (B) surplus lines producer license;
- 1013 (C) limited line producer license;
- 1014 (D) consultant license;
- 1015 (E) managing general agent license; or
- 1016 (F) reinsurance intermediary license; or
- 1017 (ii) a licensed:

- 1018 (A) individual or agency producer;
- 1019 (B) surplus lines producer;
- 1020 (C) limited line producer;
- 1021 (D) consultant;
- 1022 (E) managing general agent; or
- 1023 (F) reinsurance intermediary.
- 1024 (b) A person described in Subsection (2)(a) shall report to the commissioner:
- 1025 (i) an administrative action taken against the person, including a denial of a new or
- 1026 renewal license application:
- 1027 (A) in another jurisdiction; or
- 1028 (B) by another regulatory agency in this state;
- 1029 (ii) a criminal prosecution taken against the person in any jurisdiction; and
- 1030 (iii) a civil action filed against the person in any jurisdiction if the action involves
- 1031 conduct related to a professional or occupational license, certification,
- 1032 authorization, or registration, regardless of whether the person held the license,
- 1033 certification, authorization, or registration.
- 1034 (c) The report required by Subsection (2)(b) shall:
- 1035 (i) be filed:
- 1036 (A) at the time the person files the application for an individual or agency license;
- 1037 and
- 1038 (B) for an action or prosecution that occurs on or after the day on which the
- 1039 person files the application:
- 1040 (I) for an administrative action, within 30 days of the final disposition of the
- 1041 administrative action; or
- 1042 (II) for a criminal prosecution or civil action, within 30 days of the initial
- 1043 appearance before a court; and
- 1044 (ii) include a copy of the complaint or other relevant legal documents related to the
- 1045 action or prosecution described in Subsection (2)(b).
- 1046 (3)(a) The department may require ~~a person~~ an individual applying for a license or for
- 1047 consent to engage in the business of insurance to submit to a criminal background
- 1048 check as a condition of receiving a license or consent.
- 1049 (b) A person, if required to submit to a criminal background check under Subsection
- 1050 (3)(a), shall:
- 1051 (i) submit a fingerprint card in a form acceptable to the department; and

- 1052 (ii) consent to a fingerprint background check by:
- 1053 (A) the Utah Bureau of Criminal Identification; and
- 1054 (B) the Federal Bureau of Investigation.
- 1055 (c) For ~~[a person]~~ an individual who submits a fingerprint card and consents to a
- 1056 fingerprint background check under Subsection (3)(b), the department may request:
- 1057 (i) criminal background information maintained pursuant to Title 53, Chapter 10, Part
- 1058 2, Bureau of Criminal Identification, from the Bureau of Criminal Identification;
- 1059 and
- 1060 (ii) complete Federal Bureau of Investigation criminal background checks through
- 1061 the national criminal history system.
- 1062 (d) ~~[Information]~~ The department shall use information obtained by the department from
- 1063 the review of criminal history records received under this Subsection (3) ~~[shall be~~
- 1064 ~~used by the department]~~ for the purposes of:
- 1065 (i) determining if ~~[a person]~~ an individual satisfies the character requirements under
- 1066 Section 31A-23a-107 for issuance or renewal of a license;
- 1067 (ii) determining if ~~[a person]~~ an individual has failed to maintain the character
- 1068 requirements under Section 31A-23a-107; and
- 1069 (iii) preventing ~~[a person]~~ an individual who violates the federal Violent Crime
- 1070 Control and Law Enforcement Act of 1994, 18 U.S.C. Sec. 1033, from engaging
- 1071 in the business of insurance in the state.
- 1072 (e) If the department requests the criminal background information, the department shall:
- 1073 (i) pay to the Department of Public Safety the costs incurred by the Department of
- 1074 Public Safety in providing the department criminal background information under
- 1075 Subsection (3)(c)(i);
- 1076 (ii) pay to the Federal Bureau of Investigation the costs incurred by the Federal
- 1077 Bureau of Investigation in providing the department criminal background
- 1078 information under Subsection (3)(c)(ii); and
- 1079 (iii) charge the ~~[person]~~ individual applying for a license or for consent to engage in
- 1080 the business of insurance a fee equal to the aggregate of Subsections (3)(e)(i) and
- 1081 (ii).
- 1082 (4) To become a resident licensee in accordance with Section 31A-23a-104 and this section,
- 1083 a person licensed as one of the following in another state who moves to this state shall
- 1084 apply within 90 days of establishing legal residence in this state:
- 1085 (a) insurance producer;

- 1086 (b) surplus lines producer;
- 1087 (c) limited line producer;
- 1088 (d) consultant;
- 1089 (e) managing general agent; or
- 1090 (f) reinsurance intermediary.
- 1091 (5)(a) The commissioner may deny a license application for a license listed in
- 1092 Subsection (5)(b) if the person applying for the license, as to the license type and line
- 1093 of authority classification applied for under Section 31A-23a-106:
- 1094 (i) fails to satisfy the requirements as set forth in this section; or
- 1095 (ii) commits an act that is grounds for denial, suspension, or revocation as set forth in
- 1096 Section 31A-23a-111.
- 1097 (b) This Subsection (5) applies to the following licenses:
- 1098 (i) producer;
- 1099 (ii) surplus lines producer;
- 1100 (iii) limited line producer;
- 1101 (iv) consultant;
- 1102 (v) managing general agent; or
- 1103 (vi) reinsurance intermediary.
- 1104 [~~(6) Notwithstanding the other provisions of this section, the commissioner may:]~~
- 1105 [~~(a) issue a license to an applicant for a license for a title insurance line of authority only~~
- 1106 [~~with the concurrence of the Title and Escrow Commission; and]~~
- 1107 [~~(b) renew a license for a title insurance line of authority only with the concurrence of the~~
- 1108 [~~Title and Escrow Commission.]~~
- 1109 Section 17. Section **31A-23a-109** is amended to read:
- 1110 **31A-23a-109 . Nonresident jurisdictional agreement.**
- 1111 (1)(a) If a nonresident license applicant has a valid producer, surplus lines producer,
- 1112 limited line producer, consultant, managing general agent, or reinsurance
- 1113 intermediary license from the nonresident license applicant's home state or
- 1114 designated home state and the conditions of Subsection (1)(b) are met, the
- 1115 commissioner shall:
- 1116 (i) waive the license requirements for a license under this [~~chapter~~] section; and
- 1117 (ii) issue the nonresident license applicant a nonresident license.
- 1118 (b) Subsection (1)(a) applies if:
- 1119 (i) the nonresident license applicant:

- 1120 (A) is licensed in the nonresident license applicant's home state or designated  
 1121 home state at the time the nonresident license applicant applies for a  
 1122 nonresident producer, surplus lines producer, limited line producer, consultant,  
 1123 managing general agent, or reinsurance intermediary license;  
 1124 (B) has submitted the proper request for licensure;  
 1125 (C) has submitted to the commissioner:  
 1126 (I) the application for licensure that the nonresident license applicant submitted  
 1127 to the applicant's home state or designated home state; or  
 1128 (II) a completed uniform application; and  
 1129 (D) has paid the applicable fees under Section 31A-3-103; and  
 1130 (ii) the nonresident license applicant's license in the applicant's home state or  
 1131 designated home state is in good standing.

1132 (2) A nonresident applicant applying under Subsection (1) shall in addition to complying  
 1133 with all license requirements for a license under this chapter execute, in a form  
 1134 acceptable to the commissioner, an agreement to be subject to the jurisdiction of the  
 1135 Utah commissioner and courts on any matter related to the applicant's insurance  
 1136 activities in this state, on the basis of:

- 1137 (a) service of process under Sections 31A-2-309 and 31A-2-310; or  
 1138 (b) service authorized:  
 1139 (i) in the Utah Rules of Civil Procedure; or  
 1140 (ii) under Section 78B-3-206.

- 1141 (3) The commissioner may verify a producer's licensing status through the producer  
 1142 database maintained by:  
 1143 (a) the National Association of Insurance Commissioners; or  
 1144 (b) an affiliate or subsidiary of the National Association of Insurance Commissioners.  
 1145 (4) The commissioner may not assess a greater fee for an insurance license or related  
 1146 service to a person not residing in this state solely on the fact that the person does not  
 1147 reside in this state.

1148 Section 18. Section **31A-23a-111** is amended to read:

1149 **31A-23a-111 . Revoking, suspending, surrendering, lapsing, limiting, or**  
 1150 **otherwise terminating a license -- Forfeiture -- Rulemaking for renewal or**  
 1151 **reinstatement.**

- 1152 (1) A license type issued under this chapter remains in force until:  
 1153 (a) revoked or suspended under Subsection (5);

- 1154 (b) surrendered to the commissioner and accepted by the commissioner in lieu of  
1155 administrative action;
- 1156 (c) the licensee dies or is adjudicated incompetent as defined under:  
1157 (i) Title 75, Chapter 5, Part 3, Guardians of Incapacitated Persons; or  
1158 (ii) Title 75, Chapter 5, Part 4, Protection of Property of Persons Under Disability and  
1159 Minors;
- 1160 (d) lapsed under Section 31A-23a-113; or  
1161 (e) voluntarily surrendered.
- 1162 (2) The following may be reinstated within one year after the day on which the license is no  
1163 longer in force:
- 1164 (a) a lapsed license; or  
1165 (b) a voluntarily surrendered license, except that a voluntarily surrendered license may  
1166 not be reinstated after the license period in which the license is voluntarily  
1167 surrendered.
- 1168 (3) Unless otherwise stated in a written agreement for the voluntary surrender of a license,  
1169 submission and acceptance of a voluntary surrender of a license does not prevent the  
1170 department from pursuing additional disciplinary or other action authorized under:
- 1171 (a) this title; or  
1172 (b) rules made under this title in accordance with Title 63G, Chapter 3, Utah  
1173 Administrative Rulemaking Act.
- 1174 (4) A line of authority issued under this chapter remains in force until:
- 1175 (a) the qualifications pertaining to a line of authority are no longer met by the licensee;  
1176 (b) the supporting license type:  
1177 (i) is revoked or suspended under Subsection (5);  
1178 (ii) is surrendered to the commissioner and accepted by the commissioner in lieu of  
1179 administrative action;  
1180 (iii) lapses under Section 31A-23a-113; or  
1181 (iv) is voluntarily surrendered; or  
1182 (c) the licensee dies or is adjudicated incompetent as defined under:  
1183 (i) Title 75, Chapter 5, Part 3, Guardians of Incapacitated Persons; or  
1184 (ii) Title 75, Chapter 5, Part 4, Protection of Property of Persons Under Disability and  
1185 Minors.
- 1186 (5)(a) If the commissioner makes a finding under Subsection (5)(b), as part of an  
1187 adjudicative proceeding under Title 63G, Chapter 4, Administrative Procedures Act,

- 1188 the commissioner may:
- 1189 (i) revoke:
- 1190 (A) a license; or
- 1191 (B) a line of authority;
- 1192 (ii) suspend for a specified period of 12 months or less:
- 1193 (A) a license; or
- 1194 (B) a line of authority;
- 1195 (iii) limit in whole or in part:
- 1196 (A) a license; or
- 1197 (B) a line of authority;
- 1198 (iv) deny a license application;
- 1199 (v) assess a forfeiture under Subsection 31A-2-308(1)(b)(i) or (1)(c)(i); or
- 1200 (vi) take a combination of actions under Subsections (5)(a)(i) through (iv) and
- 1201 Subsection (5)(a)(v).
- 1202 (b) The commissioner may take an action described in Subsection (5)(a) if the
- 1203 commissioner finds that the licensee or license applicant:
- 1204 (i) is unqualified for a license or line of authority under Section 31A-23a-104,
- 1205 31A-23a-105, or 31A-23a-107;
- 1206 (ii) violates:
- 1207 (A) an insurance statute;
- 1208 (B) a rule that is valid under Subsection 31A-2-201(3); or
- 1209 (C) an order that is valid under Subsection 31A-2-201(4);
- 1210 (iii) is insolvent or the subject of receivership, conservatorship, rehabilitation, or
- 1211 other delinquency proceedings in any state;
- 1212 (iv) is more than 60 days past due on ~~[an enforceable]~~ a final judgment;
- 1213 (v) fails to meet the same good faith obligations in claims settlement that is required
- 1214 of admitted insurers;
- 1215 (vi) is affiliated with and under the same general management or interlocking
- 1216 directorate or ownership as another insurance producer that transacts business in
- 1217 this state without a license;
- 1218 (vii) refuses:
- 1219 (A) to be examined; or
- 1220 (B) to produce ~~[its]~~ the licensee's or license applicant's accounts, records, and files
- 1221 for examination;

- 1222 (viii) has an officer who refuses to:
- 1223 (A) give information with respect to the insurance producer's affairs; or
- 1224 (B) perform any other legal obligation as to an examination;
- 1225 (ix) provides information in the license application that is:
- 1226 (A) incorrect;
- 1227 (B) misleading;
- 1228 (C) incomplete; or
- 1229 (D) materially untrue;
- 1230 (x) violates an insurance law, valid rule, or valid order of another regulatory agency
- 1231 in any jurisdiction;
- 1232 (xi) obtains or attempts to obtain a license through misrepresentation or fraud;
- 1233 (xii) improperly withholds, misappropriates, or converts money or properties
- 1234 received in the course of doing insurance business;
- 1235 (xiii) intentionally misrepresents the terms of an actual or proposed:
- 1236 (A) insurance contract;
- 1237 (B) application for insurance; or
- 1238 (C) life settlement;
- 1239 (xiv) has been convicted of, or has entered a plea in abeyance as defined in Section
- 1240 77-2a-1 to:
- 1241 (A) a felony; or
- 1242 (B) a misdemeanor involving fraud, misrepresentation, theft, or dishonesty;
- 1243 (xv) admits or is found to have committed an [~~insurance~~]unfair trade practice or
- 1244 fraud;
- 1245 (xvi) in the conduct of business in this state or elsewhere:
- 1246 (A) uses fraudulent, coercive, or dishonest practices; or
- 1247 (B) demonstrates incompetence, untrustworthiness, or financial irresponsibility;
- 1248 (xvii) has had an insurance license or other professional or occupational license, or an
- 1249 equivalent to an insurance license or registration, or other professional or
- 1250 occupational license or registration:
- 1251 (A) denied;
- 1252 (B) suspended;
- 1253 (C) revoked; or
- 1254 (D) surrendered to resolve an administrative action;
- 1255 (xviii) forges another's name to:

- 1256 (A) an application for insurance; or  
1257 (B) a document related to an insurance transaction;  
1258 (xix) improperly uses notes or another reference material to complete an examination  
1259 for an insurance license;  
1260 (xx) knowingly accepts insurance business from an individual who is not licensed;  
1261 (xxi) fails to comply with an administrative or court order imposing a child support  
1262 obligation;  
1263 (xxii) fails to[]  
1264 [~~(A) pay state income tax; or~~]  
1265 [~~(B)~~] comply with an administrative or court order directing payment of state  
1266 income tax;  
1267 (xxiii) has been convicted of violating the federal Violent Crime Control and Law  
1268 Enforcement Act of 1994, 18 U.S.C. Sec. 1033 and has not obtained written  
1269 consent to engage in the business of insurance or participate in such business as  
1270 required by 18 U.S.C. Sec. 1033;  
1271 (xxiv) engages in a method or practice in the conduct of business that endangers the  
1272 legitimate interests of customers and the public; or  
1273 (xxv) has been convicted of any criminal felony involving dishonesty or breach of  
1274 trust and has not obtained written consent to engage in the business of insurance  
1275 or participate in such business as required by 18 U.S.C. Sec. 1033.
- 1276 (c) For purposes of this section, if a license is held by an agency, both the agency itself  
1277 and any individual designated under the license are considered to be the holders of  
1278 the license.
- 1279 (d) If an individual designated under the agency license commits an act or fails to  
1280 perform a duty that is a ground for suspending, revoking, or limiting the individual's  
1281 license, the commissioner may suspend, revoke, or limit the license of:  
1282 (i) the individual;  
1283 (ii) the agency, if the agency:  
1284 (A) is reckless or negligent in its supervision of the individual; or  
1285 (B) knowingly participates in the act or failure to act that is the ground for  
1286 suspending, revoking, or limiting the license; or  
1287 (iii)(A) the individual; and  
1288 (B) the agency if the agency meets the requirements of Subsection (5)(d)(ii).
- 1289 (6) A licensee under this chapter is subject to the penalties for acting as a licensee without a

- 1290 license if:
- 1291 (a) the licensee's license is:
- 1292 (i) revoked;
- 1293 (ii) suspended;
- 1294 (iii) limited;
- 1295 (iv) surrendered in lieu of administrative action;
- 1296 (v) lapsed; or
- 1297 (vi) voluntarily surrendered; and
- 1298 (b) the licensee:
- 1299 (i) continues to act as a licensee; or
- 1300 (ii) violates the terms of the license limitation.
- 1301 (7) A licensee under this chapter shall immediately report to the commissioner:
- 1302 (a) a revocation, suspension, or limitation of the person's license in another state, the
- 1303 District of Columbia, or a territory of the United States;
- 1304 (b) the imposition of a disciplinary sanction imposed on that person by another state, the
- 1305 District of Columbia, or a territory of the United States; or
- 1306 (c) a judgment or injunction entered against that person on the basis of conduct
- 1307 involving:
- 1308 (i) fraud;
- 1309 (ii) deceit;
- 1310 (iii) misrepresentation;~~[-or]~~
- 1311 (iv) a violation of an insurance law or rule~~[-]~~ ; or
- 1312 (v) payment of money.
- 1313 (8)(a) An order revoking a license under Subsection (5) or an agreement to surrender a
- 1314 license in lieu of administrative action may specify a time, not to exceed five years,
- 1315 within which the former licensee may not apply for a new license.
- 1316 (b) If no time is specified in an order or agreement described in Subsection (8)(a), the
- 1317 former licensee may not apply for a new license for five years from the day on which
- 1318 the order or agreement is made without the express approval by the commissioner.
- 1319 (9) The commissioner shall promptly withhold, suspend, restrict, or reinstate the use of a
- 1320 license issued under this part if~~[-so]~~ ordered by a court.
- 1321 (10) The commissioner shall ~~[by rule prescribe]~~ provide the license renewal and
- 1322 reinstatement procedures by rule made in accordance with Title 63G, Chapter 3, Utah
- 1323 Administrative Rulemaking Act.

1324 Section 19. Section **31A-23a-119** is amended to read:

1325 **31A-23a-119 . Special requirements for agency title insurance producers.**

1326 (1) As used in this section:

1327 (a) "Applicable percentage" means:

1328 (i) on [February] January 1, 2024, through [January] December 31, 2025, 2.5%;

1329 (ii) on [February] January 1, 2025, through [January] December 31, 2026, 3%;

1330 (iii) on [February] January 1, 2026, through [January] December 31, 2027, 3.5%;

1331 (iv) on [February] January 1, 2027, through [January] December 31, 2028, 4%; and

1332 (v) on [February] January 1, 2028, through [January] December 31, 2029, 4.5%.

1333 (b) "Sufficient capital and net worth" means:

1334 (i) for a new title entity:

1335 (A) \$100,000 for the first five years after becoming a new agency title insurance  
1336 producer; or

1337 (B) after the first five years after becoming a new agency title insurance producer,  
1338 the greater of \$50,000, or on [February] January 1 of each year, an amount  
1339 equal to 5% of the title entity's average annual gross revenue over the  
1340 preceding two calendar years, up to \$150,000; or

1341 (ii) for a title entity licensed before May 14, 2019:

1342 (A) for the time period beginning on [February] January 1, 2020, and ending on [  
1343 January] December 31, 2029, the lesser of an amount equal to the applicable  
1344 percentage of the title entity's average annual gross revenue over the two  
1345 calendar years immediately preceding the [February] January 1 on which the  
1346 applicable percentage applies or \$150,000; and

1347 (B) beginning on [February] January 1, 2029, the greater of \$50,000 or an amount  
1348 equal to 5% of the title entity's average annual gross revenue over the  
1349 preceding two calendar years, up to \$150,000.

1350 (2) Before May 1 of each year, each agency title insurance producer shall submit a report to  
1351 the commissioner containing proof satisfactory to the commissioner that the agency title  
1352 insurance producer had sufficient capital and net worth for the preceding calendar year.

1353 Section 20. Section **31A-23a-415** is amended to read:

1354 **31A-23a-415 . Assessment on agency title insurance producers or title insurers --**  
1355 **Account created.**

1356 (1) For purposes of this section:

1357 (a) "Premium" is as described in Subsection 59-9-101(3).

- 1358 (b) "Title insurer" means a person:
- 1359 (i) making any contract or policy of title insurance as:
- 1360 (A) insurer;
- 1361 (B) guarantor; or
- 1362 (C) surety;
- 1363 (ii) proposing to make any contract or policy of title insurance as:
- 1364 (A) insurer;
- 1365 (B) guarantor; or
- 1366 (C) surety; or
- 1367 (iii) transacting or proposing to transact any phase of title insurance, including:
- 1368 (A) soliciting;
- 1369 (B) negotiating preliminary to execution;
- 1370 (C) executing of a contract of title insurance;
- 1371 (D) insuring; and
- 1372 (E) transacting matters subsequent to the execution of the contract and arising out
- 1373 of the contract.
- 1374 (c) "Utah risks" means insuring, guaranteeing, or indemnifying with regard to real or
- 1375 personal property located in Utah, an owner of real or personal property, the holders
- 1376 of liens or encumbrances on that property, or others interested in the property against
- 1377 loss or damage suffered by reason of:
- 1378 (i) liens or encumbrances upon, defects in, or the unmarketability of the title to the
- 1379 property; or
- 1380 (ii) invalidity or unenforceability of any liens or encumbrances on the property.
- 1381 (2)(a) The commissioner may assess each title insurer, each individual title insurance
- 1382 producer who is not an employee of a title insurer or who is not designated by an
- 1383 agency title insurance producer, and each agency title insurance producer an annual
- 1384 assessment:
- 1385 ~~[(i) determined by the Title and Escrow Commission:]~~
- 1386 ~~[(A) after consultation with the commissioner; and]~~
- 1387 ~~[(B)]~~ (i) in accordance with this Subsection (2); and
- 1388 (ii) to be used for the purposes described in Subsection (3).
- 1389 (b) An agency title insurance producer and individual title insurance producer who is not
- 1390 an employee of a title insurer or who is not designated by an agency title insurance
- 1391 producer shall be assessed up to:

- 1392 (i) \$250 for the first office in each county in which the agency title insurance  
1393 producer or individual title insurance producer maintains an office; and  
1394 (ii) \$150 for each additional office the agency title insurance producer or individual  
1395 title insurance producer maintains in the county described in Subsection (2)(b)(i).
- 1396 (c) A title insurer shall be assessed up to:
- 1397 (i) \$250 for the first office in each county in which the title insurer maintains an  
1398 office;
- 1399 (ii) \$150 for each additional office the title insurer maintains in the county described  
1400 in Subsection (2)(c)(i); and  
1401 (iii) an amount calculated by:
- 1402 (A) aggregating the assessments imposed on:
- 1403 (I) agency title insurance producers and individual title insurance producers  
1404 under Subsection (2)(b); and  
1405 (II) title insurers under Subsections (2)(c)(i) and (2)(c)(ii);
- 1406 (B) subtracting the amount determined under Subsection (2)(c)(iii)(A) from the  
1407 total costs and expenses determined under Subsection (2)(d); and  
1408 (C) multiplying:
- 1409 (I) the amount calculated under Subsection (2)(c)(iii)(B); and  
1410 (II) the percentage of total premiums for title insurance on Utah risk that are  
1411 premiums of the title insurer.
- 1412 (d) Notwithstanding Section 31A-3-103 and subject to Section 31A-2-404, during the  
1413 first quarter of each fiscal year the Title and Escrow Commission shall approve the  
1414 amount of costs and expenses described under Subsection (3) for the prior fiscal year  
1415 that will be covered by the assessment.
- 1416 (e)(i) An individual licensed to practice law in Utah is exempt from the requirements  
1417 of this Subsection (2) if that person issues 12 or less policies during a 12-month  
1418 period.
- 1419 (ii) In determining the number of policies issued by an individual licensed to practice  
1420 law in Utah for purposes of Subsection (2)(e)(i), if the individual issues a policy to  
1421 more than one party to the same closing, the individual is considered to have  
1422 issued only one policy.
- 1423 (3)(a) Money received by the state under this section shall be deposited into the Title  
1424 Licensee Enforcement Restricted Account.
- 1425 (b) There is created in the General Fund a restricted account known as the "Title

1426 Licensee Enforcement Restricted Account."

1427 (c) The Title Licensee Enforcement Restricted Account shall consist of the money  
1428 received by the state under this section.

1429 (d) The commissioner shall administer the Title Licensee Enforcement Restricted  
1430 Account. Subject to appropriations by the Legislature, the commissioner shall use  
1431 the money deposited into the Title Licensee Enforcement Restricted Account only to  
1432 pay for a cost or expense incurred by the department in the administration,  
1433 investigation, and enforcement of laws governing individual title insurance  
1434 producers, agency title insurance producers, or title insurers.

1435 (e) An appropriation from the Title Licensee Enforcement Restricted Account is  
1436 nonlapsing.

1437 (4) The assessment imposed by this section shall be in addition to any premium assessment  
1438 imposed under Subsection 59-9-101(3).

1439 Section 21. Section **31A-26-202** is amended to read:

1440 **31A-26-202 . Application for license.**

1441 (1)(a) The application for a license as an independent adjuster or public adjuster shall be:

1442 (i) made to the commissioner on forms and in a manner the commissioner [~~prescribes~~]  
1443 requires; and

1444 (ii) except as provided in Subsection (4), accompanied by the applicable fee, which is  
1445 not refunded if the application is denied.

1446 (b) The application shall provide:

1447 (i) information about the applicant's identity, including:

1448 (A) the applicant's:

1449 (I) Social Security number; or

1450 (II) federal employer identification number;

1451 (B) the applicant's personal history, experience, education, and business record;

1452 (C) if the applicant is a natural person, whether the applicant is 18 years [~~of age~~]  
1453 old or older; and

1454 (D) whether the applicant has committed an act that is a ground for denial,  
1455 suspension, or revocation as set forth in Section [~~31A-25-208~~] 31A-26-213; and

1456 (ii) any other information as the commissioner reasonably requires.

1457 (2) The commissioner may require documents reasonably necessary to verify the  
1458 information contained in the application.

1459 (3) An applicant's Social Security number contained in an application filed under this

- 1460 section is a private record under Section 63G-2-302.
- 1461 (4) The following individuals are exempt from paying a license fee:
- 1462 (a) an individual serving in the armed forces of the United States while the individual is
- 1463 stationed within this state, if:
- 1464 (i) the individual holds a valid license to practice the regulated occupation or
- 1465 profession issued by any other state or jurisdiction recognized by the department;
- 1466 and
- 1467 (ii) the license is current and the individual is in good standing in the state or
- 1468 jurisdiction of licensure; and
- 1469 (b) the spouse of an individual serving in the armed forces of the United States while the
- 1470 individual is stationed within this state, if:
- 1471 (i) the spouse holds a valid license to practice the regulated occupation or profession
- 1472 issued by any other state or jurisdiction recognized by the department; and
- 1473 (ii) the license is current and the spouse is in good standing in the state or jurisdiction
- 1474 of licensure.

1475 Section 22. Section **31A-37-102** is amended to read:

1476 **31A-37-102 . Definitions.**

1477 As used in this chapter:

- 1478 (1)(a) "Affiliated company" means a business entity that because of common
- 1479 ownership, control, operation, or management is in the same corporate or limited
- 1480 liability company system as:
- 1481 (i) a parent;
- 1482 (ii) an industrial insured; or
- 1483 (iii) a member organization.
- 1484 (b) "Affiliated company" does not include a business entity for which the commissioner
- 1485 issues an order finding that the business entity is not an affiliated company.
- 1486 (2) "Alien captive insurance company" means an insurer:
- 1487 (a) formed to write insurance business for a parent or affiliate of the insurer; and
- 1488 (b) licensed pursuant to the laws of an alien or foreign jurisdiction that imposes statutory
- 1489 or regulatory standards:
- 1490 (i) on a business entity transacting the business of insurance in the alien or foreign
- 1491 jurisdiction; and
- 1492 (ii) in a form acceptable to the commissioner.
- 1493 (3) "Applicant captive insurance company" means an entity that has submitted an

- 1494 application for a certificate of authority for a captive insurance company, unless the  
1495 application has been denied or withdrawn.
- 1496 (4) "Association" means a legal association of two or more persons that meets the following  
1497 requirements:
- 1498 (a) the persons are exposed to similar or related liability because of related, similar, or  
1499 common business trade, products, services, premises, or operations; and
- 1500 (b)(i) the association or the association's member organizations:
- 1501 (A) own, control, or hold [~~with~~]power to vote all of the outstanding voting  
1502 securities of an association captive insurance company incorporated as a stock  
1503 insurer;
- 1504 (B) have complete voting control over an association captive insurance company  
1505 incorporated as a mutual insurer; or
- 1506 (C) have complete voting control over an association captive insurance company  
1507 formed as a limited liability company; or
- 1508 (ii) the association's member organizations collectively constitute all of the  
1509 subscribers of an association captive insurance company formed as a reciprocal  
1510 insurer.
- 1511 (5) "Association captive insurance company" means a business entity that insures risks of:
- 1512 (a) a member organization of the association;
- 1513 (b) an affiliate of a member organization of the association; and
- 1514 (c) the association.
- 1515 (6) "Branch business" means an insurance business transacted by a branch captive  
1516 insurance company in this state.
- 1517 (7) "Branch captive insurance company" means an alien captive insurance company that  
1518 has a certificate of authority from the commissioner to transact the business of insurance  
1519 in this state through a captive insurance company that is domiciled outside of this state.
- 1520 (8) "Branch operation" means a business operation of a branch captive insurance company  
1521 in this state.
- 1522 (9)(a) "Captive insurance company" means the same as that term is defined in Section  
1523 31A-1-301.
- 1524 (b) "Captive insurance company" includes any of the following formed or holding a  
1525 certificate of authority under this chapter:
- 1526 (i) a branch captive insurance company;
- 1527 (ii) a pure captive insurance company;

- 1528 (iii) an association captive insurance company;
- 1529 (iv) a sponsored captive insurance company;
- 1530 (v) an industrial insured captive insurance company, including an industrial insured
- 1531 captive insurance company formed as a risk retention group captive in this state
- 1532 pursuant to the provisions of the Federal Liability Risk Retention Act of 1986;
- 1533 (vi) a special purpose captive insurance company; or
- 1534 (vii) a special purpose financial captive insurance company.
- 1535 (10)(a) "Cell" means a separate account for one or more participants formed and
- 1536 operating under the authority of a sponsored captive insurance company to write
- 1537 insurance coverage as described in this title.
- 1538 (b) "Cell" includes an account formed as either:
- 1539 (i) an incorporated cell; or
- 1540 (ii) a protected cell.
- 1541 ~~[(10)]~~ (11) "Commissioner" means Utah's Insurance Commissioner or the commissioner's
- 1542 designee.
- 1543 ~~[(11)]~~ (12) "Common ownership and control" means that two or more captive insurance
- 1544 companies are owned or controlled by the same person or group of persons as follows:
- 1545 (a) in the case of a captive insurance company that is a stock corporation, the direct or
- 1546 indirect ownership of 80% or more of the outstanding voting stock of the stock
- 1547 corporation;
- 1548 (b) in the case of a captive insurance company that is a mutual corporation, the direct or
- 1549 indirect ownership of 80% or more of the surplus and the voting power of the mutual
- 1550 corporation;
- 1551 (c) in the case of a captive insurance company that is a limited liability company, the
- 1552 direct or indirect ownership by the same member or members of 80% or more of the
- 1553 membership interests in the limited liability company; or
- 1554 (d) in the case of a sponsored captive insurance company, a protected cell is a separate
- 1555 captive insurance company owned and controlled by the protected cell's participant,
- 1556 only if:
- 1557 (i) the participant is the only participant with respect to the protected cell; and
- 1558 (ii) the participant is the sponsor or is affiliated with the sponsor of the sponsored
- 1559 captive insurance company through common ownership and control.
- 1560 ~~[(12)]~~ (13) "Consolidated debt to total capital ratio" means the ratio of Subsection ~~[(12)(a)]~~
- 1561 (13)(a) to (b).

- 1562 (a) This Subsection [~~(12)(a)~~] (13)(a) is an amount equal to the sum of all debts and  
1563 hybrid capital instruments including:
- 1564 (i) all borrowings from depository institutions;
  - 1565 (ii) all senior debt;
  - 1566 (iii) all subordinated debts;
  - 1567 (iv) all trust preferred shares; and
  - 1568 (v) all other hybrid capital instruments that are not included in the determination of  
1569 consolidated GAAP net worth issued and outstanding.
- 1570 (b) This Subsection [~~(12)(b)~~] (13)(b) is an amount equal to the sum of:
- 1571 (i) total capital consisting of all debts and hybrid capital instruments as described in  
1572 Subsection [~~(12)(a)~~] (13)(a); and
  - 1573 (ii) shareholders' equity determined in accordance with generally accepted accounting  
1574 principles for reporting to the United States Securities and Exchange Commission.
- 1575 [~~(13)~~] (14) "Consolidated GAAP net worth" means the consolidated shareholders' or  
1576 members' equity determined in accordance with generally accepted accounting  
1577 principles for reporting to the United States Securities and Exchange Commission.
- 1578 [~~(14)~~] (15) "Controlled unaffiliated business" means a business entity:
- 1579 (a)(i) in the case of a pure captive insurance company, that is not in the corporate or  
1580 limited liability company system of a parent or the parent's affiliate; or
  - 1581 (ii) in the case of an industrial insured captive insurance company, that is not in the  
1582 corporate or limited liability company system of an industrial insured or an  
1583 affiliated company of the industrial insured;
  - 1584 (b)(i) in the case of a pure captive insurance company, that has a contractual  
1585 relationship with a parent or affiliate; or
  - 1586 (ii) in the case of an industrial insured captive insurance company, that has a  
1587 contractual relationship with an industrial insured or an affiliated company of the  
1588 industrial insured; and
  - 1589 (c) whose risks that are or will be insured by a pure captive insurance company, an  
1590 industrial insured captive insurance company, or both, are managed in accordance  
1591 with Subsection 31A-37-106(1)(j) by:
    - 1592 (i)(A) a pure captive insurance company; or
    - 1593 (B) an industrial insured captive insurance company; or
    - 1594 (ii) a parent or affiliate of:
      - 1595 (A) a pure captive insurance company; or

- 1596 (B) an industrial insured captive insurance company.
- 1597 ~~[(15)]~~ (16) "Criminal act" means an act for which a person receives a verdict or finding of  
1598 guilt after a criminal trial or a plea of guilty or nolo contendere to a criminal charge.
- 1599 ~~[(16)]~~ (17) "Establisher" means a person who establishes a business entity or a trust.
- 1600 ~~[(17)]~~ (18) "Governing body" means the persons who hold the ultimate authority to direct  
1601 and manage the affairs of an entity.
- 1602 (19) "Incorporated cell" means a separate account:
- 1603 (a) established and maintained by a sponsored captive insurance company for a  
1604 participant; and
- 1605 (b) that has been organized as a corporation, a limited liability company, or a  
1606 not-for-profit organization.
- 1607 ~~[(18)]~~ (20) "Industrial insured" means an insured:
- 1608 (a) that produces insurance:
- 1609 (i) by the services of a full-time employee acting as a risk manager or insurance  
1610 manager; or
- 1611 (ii) using the services of a regularly and continuously qualified insurance consultant;
- 1612 (b) whose aggregate annual premiums for insurance on all risks total at least \$25,000;  
1613 and
- 1614 (c) that has at least 25 full-time employees.
- 1615 ~~[(19)]~~ (21) "Industrial insured captive insurance company" means a business entity that:
- 1616 (a) insures risks of the industrial insureds that comprise the industrial insured group; and  
1617 (b) may insure the risks of:
- 1618 (i) an affiliated company of an industrial insured; or  
1619 (ii) a controlled unaffiliated business of:
- 1620 (A) an industrial insured; or  
1621 (B) an affiliated company of an industrial insured.
- 1622 ~~[(20)]~~ (22) "Industrial insured group" means:
- 1623 (a) a group of industrial insureds that collectively:
- 1624 (i) own, control, or hold with power to vote all of the outstanding voting securities of  
1625 an industrial insured captive insurance company incorporated or organized as a  
1626 limited liability company as a stock insurer; or
- 1627 (ii) have complete voting control over an industrial insured captive insurance  
1628 company incorporated or organized as a limited liability company as a mutual  
1629 insurer;

- 1630 (b) a group that is:
- 1631 (i) created under the Product Liability Risk Retention Act of 1981, 15 U.S.C. Sec.
- 1632 3901 et seq., as amended, as a corporation or other limited liability association;
- 1633 and
- 1634 (ii) taxable under this title as a:
- 1635 (A) stock corporation; or
- 1636 (B) mutual insurer; or
- 1637 (c) a group that has complete voting control over an industrial captive insurance
- 1638 company formed as a limited liability company.
- 1639 ~~[(21)]~~ (23) "Member organization" means a person that belongs to an association.
- 1640 ~~[(22)]~~ (24) "Parent" means a person that directly or indirectly owns, controls, or holds with
- 1641 power to vote more than 50% of the outstanding securities of an organization.
- 1642 ~~[(23)]~~ (25) "Participant" means an entity that is insured by a sponsored captive insurance
- 1643 company:
- 1644 (a) if the losses of the participant are limited through a participant contract to the assets
- 1645 of a protected cell; and
- 1646 (b)(i) the entity is permitted to be a participant under Section 31A-37-403; or
- 1647 (ii) the entity is an affiliate of an entity permitted to be a participant under Section
- 1648 31A-37-403.
- 1649 ~~[(24)]~~ (26) "Participant contract" means a contract by which a sponsored captive insurance
- 1650 company:
- 1651 (a) insures the risks of a participant; and
- 1652 (b) limits the losses of the participant to the assets of a protected cell.
- 1653 ~~[(25)]~~ (27) "Protected cell" means a separate account:~~[-]~~
- 1654 (a) established and maintained by a sponsored captive insurance company for ~~[one]~~ a
- 1655 participant~~[-]~~ ; and
- 1656 (b) that has been organized as an entity other than a corporation, a limited liability
- 1657 company, or a not-for-profit organization.
- 1658 ~~[(26)]~~ (28)(a) "Pure captive insurance company" means a business entity that insures
- 1659 risks of a parent~~[-or affiliate-]~~ , affiliate, or controlled unaffiliated business of the
- 1660 business entity.
- 1661 (b) "Pure captive insurance company" includes an agency captive or a pooling captive.
- 1662 ~~[(27)]~~ (29) "Special purpose financial captive insurance company" means the same as that
- 1663 term is defined in Section 31A-37a-102.

1664 [(28)] (30) "Sponsor" means an entity that:

1665 (a) meets the requirements of Section 31A-37-402; and

1666 (b) is approved by the commissioner to:

1667 (i) provide all or part of the capital and surplus in an amount:

1668 (A) required by [~~applicable law in an amount of not less than \$350,000~~] Section  
1669 31A-37-204; or

1670 (B) [~~which amount the commissioner may increase by order if the commissioner~~  
1671 ~~considers it necessary~~] greater than the amount required by Section

1672 31A-37-204, if, by order, the commissioner deems the increase necessary; and

1673 (ii) organize and operate a sponsored captive insurance company.

1674 [(29)] (31) "Sponsored captive insurance company" means a captive insurance company:

1675 (a) in which the minimum capital and surplus required by applicable law is provided by  
1676 one or more sponsors or participants;

1677 (b) that is formed or holding a certificate of authority under this chapter;

1678 (c) that insures the risks of a separate participant through the contract; and

1679 (d) that segregates each participant's liability through one or more [~~protected~~] cells.

1680 [(30)] (32) "Treasury rates" means the United States Treasury strip asked yield as published  
1681 in the Wall Street Journal as of a balance sheet date.

1682 Section 23. Section **31A-37-104** is amended to read:

1683 **31A-37-104 . Applicability of reorganization, receivership, and injunction**  
1684 **authority.**

1685 (1) Except as provided in Chapter 37a, Special Purpose Financial Captive Insurance  
1686 Company Act, and Subsection (2), Chapter 27a, Insurer Receivership Act, applies to a  
1687 captive insurance company formed or holding a certificate of authority under this  
1688 chapter.

1689 (2) In the case of a sponsored captive insurance company:

1690 (a) the assets of a [~~protected~~] cell may not be used to pay an expense or claim other than  
1691 one attributable to the [~~protected~~] cell; and

1692 (b) the capital and surplus of the sponsored captive insurance company:

1693 (i) shall at all times be available to pay:

1694 (A) an expense of the sponsored captive insurance company; or

1695 (B) a claim against the sponsored captive insurance company; and

1696 (ii) may not be used to pay an expense or claim attributable to a [~~protected~~] cell.

1697 Section 24. Section **31A-37-201** is amended to read:

1698           **31A-37-201 . Certificate of authority.**

- 1699       (1) The commissioner may issue a certificate of authority to act as an insurer in this state to  
1700           a captive insurance company that meets the requirements of this chapter.
- 1701       (2) To conduct insurance business in this state, a captive insurance company shall:
- 1702           (a) obtain from the commissioner a certificate of authority authorizing [~~it~~] the captive  
1703                 insurance company to conduct insurance business in this state;
- 1704           (b) [~~hold at least once each year in the state a meeting of the governing body;~~]
- 1705                 (i) hold a meeting of the governing body:
- 1706                         (A) at least once each year;
- 1707                         (B) at which a quorum is present;
- 1708                         (C) in the state; and
- 1709                         (D) at which at least one out-of-state individual is physically present; or
- 1710                 (ii) become a member of the Utah Captive Insurance Association at the highest level  
1711                         of membership;
- 1712           (c) maintain in this state:
- 1713                 (i) the principal place of business of the captive insurance company; or
- 1714                 (ii) in the case of a branch captive insurance company, the principal place of business  
1715                         for the branch operations of the branch captive insurance company; and
- 1716           (d) except as provided in Subsection (3), appoint a resident registered agent to accept  
1717                 service of process and to otherwise act on behalf of the captive insurance company in  
1718                 the state.
- 1719       (3) In the case of a captive insurance company formed as a corporation, if the registered  
1720           agent cannot with reasonable diligence be found at the registered office of the captive  
1721           insurance company, the commissioner is the agent of the captive insurance company  
1722           upon whom process, notice, or demand may be served.
- 1723       (4)(a) Before receiving a certificate of authority, an applicant captive insurance  
1724           company shall file with the commissioner:
- 1725                 (i) a certified copy of the captive insurance company's organizational charter;
- 1726                 (ii) a statement under oath of the captive insurance company's president and secretary  
1727                         or their equivalents showing the captive insurance company's financial condition;  
1728                         and
- 1729                 (iii) any other statement or document required by the commissioner under Section  
1730                         31A-37-106.
- 1731       (b) In addition to the information required under Subsection (4)(a), an applicant captive

- 1732 insurance company shall file with the commissioner evidence of:
- 1733 (i) the amount and liquidity of the assets of the applicant captive insurance company  
1734 relative to the risks to be assumed by the applicant captive insurance company;
- 1735 (ii) the adequacy of the expertise, experience, and character of the person who will  
1736 manage the applicant captive insurance company;
- 1737 (iii) the overall soundness of the plan of operation of the applicant captive insurance  
1738 company;
- 1739 (iv) the adequacy of the loss prevention programs for the prospective insureds of the  
1740 applicant captive insurance company as the commissioner deems necessary; and
- 1741 (v) any other factor the commissioner:
- 1742 (A) adopts by rule under Section 31A-37-106; and
- 1743 (B) considers relevant in ascertaining whether the applicant captive insurance  
1744 company will be able to meet the policy obligations of the applicant captive  
1745 insurance company.
- 1746 (c) In addition to the information required by Subsections (4)(a) and (b), an applicant  
1747 sponsored captive insurance company shall file with the commissioner:
- 1748 (i) a business plan at the level of detail required by the commissioner under Section  
1749 31A-37-106 demonstrating:
- 1750 (A) the manner in which the applicant sponsored captive insurance company will  
1751 account for the losses and expenses of each [protected] cell; and
- 1752 (B) the manner in which the applicant sponsored captive insurance company will  
1753 report to the commissioner the financial history, including losses and expenses,  
1754 of each [protected] cell;
- 1755 (ii) a statement acknowledging that the applicant sponsored captive insurance  
1756 company will make all financial records of the applicant sponsored captive  
1757 insurance company, including records pertaining to a [protected] cell, available for  
1758 inspection or examination by the commissioner;
- 1759 (iii) a contract or sample contract between the applicant sponsored captive insurance  
1760 company and a participant; and
- 1761 (iv) evidence that expenses will be allocated to each [protected] cell in an equitable  
1762 manner.
- 1763 (5)(a) Information submitted [~~pursuant to~~] in accordance with this section is classified as  
1764 a protected record under Title 63G, Chapter 2, Government Records Access and  
1765 Management Act.

- 1766 (b) Notwithstanding Title 63G, Chapter 2, Government Records Access and  
1767 Management Act, the commissioner may disclose information submitted [~~pursuant to~~]  
1768 in accordance with this section to a public official having jurisdiction over the  
1769 regulation of insurance in another state if:
- 1770 (i) the public official receiving the information agrees in writing to maintain the  
1771 confidentiality of the information; and
  - 1772 (ii) the laws of the state in which the public official serves require the information to  
1773 be confidential.
- 1774 (c) This Subsection (5) does not apply to information provided by an industrial insured  
1775 captive insurance company insuring the risks of an industrial insured group.
- 1776 (6)(a) A captive insurance company shall pay to the department the following  
1777 nonrefundable fees established by the department under Sections 31A-3-103,  
1778 31A-3-304, and 63J-1-504:
- 1779 (i) a fee for examining, investigating, and processing, by a department employee, of  
1780 an application for a certificate of authority made by an applicant captive insurance  
1781 company;
  - 1782 (ii) a fee for obtaining a certificate of authority for the year the captive insurance  
1783 company is issued a certificate of authority by the department; and
  - 1784 (iii) a certificate of authority renewal fee, assessed annually.
- 1785 (b) The commissioner may:
- 1786 (i) assign a department employee or retain legal, financial, or examination services  
1787 from outside the department to perform the services described in:
    - 1788 (A) Subsection (6)(a); and
    - 1789 (B) Section 31A-37-502; and
  - 1790 (ii) charge the reasonable cost of services described in Subsection (6)(b)(i) to the  
1791 applicant captive insurance company.
- 1792 (7) If the commissioner is satisfied that the documents and statements filed by the applicant  
1793 captive insurance company comply with this chapter, the commissioner may grant a  
1794 certificate of authority authorizing the company to do insurance business in this state.
- 1795 (8) A certificate of authority granted under this section expires annually and shall be  
1796 renewed by July 1 of each year.
- 1797 Section 25. Section **31A-37-202** is amended to read:  
1798 **31A-37-202 . Permissive areas of insurance.**  
1799 (1) Except as provided in Subsections (2) and (3), a captive insurance company may not

- 1800 directly insure a risk other than the risk of the captive insurance company's parent or  
1801 affiliated company.
- 1802 (2) In addition to the risks described in Subsection (1), an association captive insurance  
1803 company may insure the risk of:
- 1804 (a) a member organization of the association captive insurance company's association; or  
1805 (b) an affiliate of a member organization of the association captive insurance company's  
1806 association.
- 1807 (3) The following may insure a risk of a controlled unaffiliated business:
- 1808 (a) an industrial insured captive insurance company;  
1809 (b) ~~[a protected cell]~~ an association captive insurance company;  
1810 (c) a pure captive insurance company; or  
1811 (d) a sponsored captive insurance company and the sponsored captive insurance  
1812 company's cells.
- 1813 (4) To the extent allowed by a captive insurance company's organizational charter, a captive  
1814 insurance company may provide any type of insurance described in this title, except:
- 1815 (a) workers' compensation insurance;  
1816 (b) personal motor vehicle insurance;  
1817 (c) homeowners' insurance; and  
1818 (d) any component of the types of insurance described in Subsections (4)(a) through (c).
- 1819 (5) A captive insurance company may not provide coverage for:
- 1820 (a) a wager or gaming risk;  
1821 (b) loss of an election; or  
1822 (c) the ~~[penal]~~ punitive consequences of a crime.
- 1823 (6) Unless the punitive damages award arises out of a criminal act of an insured, a captive  
1824 insurance company may provide coverage for punitive damages awarded, including  
1825 through adjudication or compromise, against the captive insurance company's:
- 1826 (a) parent; or  
1827 (b) affiliated company.
- 1828 (7) Notwithstanding Subsection (4), if approved by the commissioner:
- 1829 (a) a captive insurance company may insure as a reimbursement a limited layer or  
1830 deductible of workers' compensation coverage; and  
1831 (b) an association captive insurance company that satisfies the requirements of this  
1832 chapter may provide homeowners' insurance.
- 1833 Section 26. Section **31A-37-204** is amended to read:

1834 **31A-37-204 . Paid-in capital -- Other capital.**1835 (1) For purposes of this section, "marketable securities" means:1836 (a) a bond or other evidence of indebtedness of a governmental unit in the United States  
1837 or Canada or any instrumentality of the United States or Canada; or1838 (b) securities:1839 (i) traded on one or more of the following exchanges in the United States:1840 (A) New York;1841 (B) American; or1842 (C) NASDAQ;1843 (ii) when no particular security, or a substantially related security, applied toward the  
1844 required minimum capital and surplus requirement of Subsection (2) represents  
1845 more than 50% of the minimum capital and surplus requirement; and1846 (iii) when no group of up to four particular securities, consolidating substantially  
1847 related securities, applied toward the required minimum capital and surplus  
1848 requirement of Subsection (2) represents more than 90% of the minimum capital  
1849 and surplus requirement.1850 [~~(1)~~] (2)(a) The commissioner may not issue a certificate of authority to a company  
1851 described in Subsection [~~(1)~~](e)] (2)(c) unless the company possesses and [thereafter-]  
1852 maintains unimpaired paid-in capital and unimpaired paid-in surplus of:

1853 (i) in the case of a pure captive insurance company:

1854 (A) except as provided in Subsection [~~(1)~~](a)(i)(B)] (2)(a)(i)(B), not less than  
1855 \$250,000; or1856 (B) if the pure captive insurance company is not acting as a pool that facilitates  
1857 risk distribution for other captive insurers, an amount that is the greater of:

1858 (I) not less than 20% of the company's total aggregate risk; or

1859 (II) \$50,000;

1860 (ii) in the case of an association captive insurance company, not less than [~~\$750,000~~]  
1861 \$500,000;1862 (iii) in the case of an industrial insured captive insurance company incorporated as a  
1863 stock insurer, not less than \$700,000;1864 (iv) in the case of a sponsored captive insurance company, not less than \$250,000 of  
1865 which a minimum of \$50,000 is provided by the sponsor; or

1866 (v) in the case of a special purpose captive insurance company, an amount

1867 determined by the commissioner after giving due consideration to the company's

- 1868 business plan, feasibility study, and pro-formas, including the nature of the risks  
1869 to be insured.
- 1870 (b) The paid-in capital and surplus required under this Subsection [~~(1)~~] (2) may be in the  
1871 form of:
- 1872 (i)(A) cash; or  
1873 (B) cash equivalent;  
1874 (ii) an irrevocable letter of credit:  
1875 (A) issued by:  
1876 (I) a bank chartered by this state;  
1877 (II) a member bank of the Federal Reserve System; or  
1878 (III) a member bank of the Federal Deposit Insurance Corporation;  
1879 (B) approved by the commissioner;  
1880 (iii) marketable securities as determined by Subsection [~~(5)~~] (1); or  
1881 (iv) some other thing of value approved by the commissioner, for a period not to  
1882 exceed 45 days, to facilitate the formation of a captive insurance company in this  
1883 state pursuant to an approved plan of liquidation and reorganization of another  
1884 captive insurance company or alien captive insurance company in another  
1885 jurisdiction.
- 1886 (c) This Subsection [~~(1)~~] (2) applies to:  
1887 (i) a pure captive insurance company;  
1888 (ii) a sponsored captive insurance company;  
1889 (iii) a special purpose captive insurance company;  
1890 (iv) an association captive insurance company; or  
1891 (v) an industrial insured captive insurance company.
- 1892 [~~(2)~~] (3)(a) The commissioner may, under Section 31A-37-106, prescribe additional  
1893 capital based on the type, volume, and nature of insurance business transacted.
- 1894 (b) The capital prescribed by the commissioner under this Subsection [~~(2)~~] (3) may be in  
1895 the form of:  
1896 (i) cash;  
1897 (ii) an irrevocable letter of credit issued by:  
1898 (A) a bank chartered by this state; or  
1899 (B) a member bank of the Federal Reserve System; or  
1900 (iii) marketable securities as determined by Subsection [~~(5)~~] (1).
- 1901 [~~(3)~~] (4)(a) Except as provided in Subsection [~~(3)~~](e)] (4)(c), a branch captive insurance

- 1902 company, as security for the payment of liabilities attributable to branch operations,  
 1903 shall, through [its] the branch captive insurance company's branch operations,  
 1904 establish and maintain a trust fund:
- 1905 (i) funded by an irrevocable letter of credit or other acceptable asset; and
  - 1906 (ii) in the United States for the benefit of:
    - 1907 (A) United States policyholders; and
    - 1908 (B) United States ceding insurers under:
      - 1909 (I) insurance policies issued; or
      - 1910 (II) reinsurance contracts issued or assumed.
- 1911 (b) The amount of the security required under this Subsection [~~(3)~~] (4) shall be no less  
 1912 than:
- 1913 (i) the capital and surplus required by this chapter; and
  - 1914 (ii) the reserves on the insurance policies or reinsurance contracts, including:
    - 1915 (A) reserves for losses;
    - 1916 (B) allocated loss adjustment expenses;
    - 1917 (C) incurred but not reported losses; and
    - 1918 (D) unearned premiums with regard to business written through branch operations.
- 1919 (c) Notwithstanding the other provisions of this Subsection [~~(3)~~] (4):
- 1920 (i) the commissioner may permit a branch captive insurance company that is required  
 1921 to post security for loss reserves on branch business by [its] the branch captive  
 1922 insurance company's reinsurer to reduce the funds in the trust account required by  
 1923 this section by the same amount as the security posted if the security remains  
 1924 posted with the reinsurer; and
  - 1925 (ii) a branch captive insurance company that is the result of the licensure of an alien  
 1926 captive insurance company that is not formed in an alien jurisdiction is not subject  
 1927 to the requirements of this Subsection [~~(3)~~] (4).
- 1928 [~~(4)~~] (5)(a) A captive insurance company may not pay the following without the prior  
 1929 approval of the commissioner:
- 1930 (i) a dividend out of capital or surplus [~~in excess of the limits under Section~~  
 1931 ~~16-10a-640~~]; or
  - 1932 (ii) a distribution with respect to capital or surplus [~~in excess of the limits under~~  
 1933 ~~Section 16-10a-640~~].
- 1934 (b) The commissioner shall condition approval of an ongoing plan for the payment of  
 1935 dividends or other distributions on the retention, at the time of each payment, of

- 1936 capital or surplus [~~in excess of:~~] .
- 1937 [(i) amounts specified by the commissioner under Section 31A-37-106; or]
- 1938 [(ii) determined in accordance with formulas approved by the commissioner under
- 1939 Section 31A-37-106.]
- 1940 [(5) For purposes of this section, marketable securities means:]
- 1941 [(a) a bond or other evidence of indebtedness of a governmental unit in the United States
- 1942 or Canada or any instrumentality of the United States or Canada; or]
- 1943 [(b) securities:]
- 1944 [(i) traded on one or more of the following exchanges in the United States:]
- 1945 [(A) New York;]
- 1946 [(B) American; or]
- 1947 [(C) NASDAQ;]
- 1948 [(ii) when no particular security, or a substantially related security, applied toward the
- 1949 required minimum capital and surplus requirement of Subsection (1) represents more
- 1950 than 50% of the minimum capital and surplus requirement; and]
- 1951 [(iii) when no group of up to four particular securities, consolidating substantially related
- 1952 securities, applied toward the required minimum capital and surplus requirement of
- 1953 Subsection (1) represents more than 90% of the minimum capital and surplus
- 1954 requirement.]
- 1955 (6) Notwithstanding Subsection [(5)] (1), to protect the solvency and liquidity of a captive
- 1956 insurance company, the commissioner may reject the application of specific assets or
- 1957 amounts of specific assets to satisfying the requirement of Subsection [(1)] (2).
- 1958 Section 27. Section **31A-37-301** is amended to read:
- 1959 **31A-37-301 . Formation.**
- 1960 (1) A captive insurance company, other than a branch captive insurance company, may [be
- 1961 ~~formed~~] form as a corporation[~~-or~~] , a limited liability company[~~-:~~] , or a not-for-profit
- 1962 organization.
- 1963 (2) The capital of a captive insurance company shall be held by:
- 1964 (a) the interest holders of the captive insurance company; or
- 1965 (b) a governing body elected by:
- 1966 (i) the insureds;
- 1967 (ii) one or more affiliates; or
- 1968 (iii) a combination of the persons described in Subsections (2)(b)(i) and (ii).
- 1969 (3) A captive insurance company formed in this state shall have at least one establisher who

- 1970 is an individual and a resident of the state.
- 1971 (4)(a) An applicant captive insurance company's establishers shall obtain a certificate of  
1972 public good from the commissioner before filing [its] the applicant captive insurance  
1973 company's governing documents with the Division of Corporations and Commercial  
1974 Code.
- 1975 (b) In considering a request for a certificate under Subsection (4)(a), the commissioner  
1976 shall consider:
- 1977 (i) the character, reputation, financial standing, and purposes of the establishers;  
1978 (ii) the character, reputation, financial responsibility, insurance experience, and  
1979 business qualifications of the principal officers or members of the governing body;  
1980 (iii) any information in:
- 1981 (A) the application for a certificate of authority; or  
1982 (B) the department's files; and  
1983 (iv) other aspects that the commissioner considers advisable.
- 1984 (5)(a) Except as otherwise provided in this title, the governing body of a captive  
1985 insurance company shall consist of at least three individuals as members, at least one  
1986 of whom is a resident of the state.
- 1987 (b) One-third of the members of the governing body of a captive insurance company  
1988 constitutes a quorum of the governing body.
- 1989 (6) A captive insurance company shall have at least three separate individuals as principal  
1990 officers with duties comparable to those of president, treasurer, and secretary.
- 1991 (7)(a)(i) A captive insurance company formed as a corporation is subject to the  
1992 provisions of Title 16, Chapter 10a, Utah Revised Business Corporation Act, and  
1993 this chapter.[-]
- 1994 (ii) If a conflict exists between a provision of Title 16, Chapter 10a, Utah Revised  
1995 Business Corporation Act, and a provision of this chapter, this chapter controls.
- 1996 (b) A captive insurance company formed as a limited liability company is subject to the  
1997 provisions of Title 48, Chapter 3a, Utah Revised Uniform Limited Liability Company  
1998 Act, and this chapter. If a conflict exists between a provision of Title 48, Chapter 3a,  
1999 Utah Revised Uniform Limited Liability Company Act, and a provision of this  
2000 chapter, this chapter controls.
- 2001 (c) Except as provided in Subsection (7)(d), the provisions of this title that govern a  
2002 merger, consolidation, conversion, mutualization, and redomestication apply to a  
2003 captive insurance company in carrying out any of the transactions described in those

- 2004 provisions.
- 2005 (d) Notwithstanding Subsection (7)(c), the commissioner may waive or modify the
- 2006 requirements for public notice and hearing in accordance with rules adopted under
- 2007 Section 31A-37-106.
- 2008 (e) If a notice of public hearing is required, but no one requests a hearing, the
- 2009 commissioner may cancel the public hearing.
- 2010 Section 28. Section **31A-37-302** is amended to read:
- 2011 **31A-37-302 . Investment requirements.**
- 2012 (1)(a) Except as provided in Subsection (1)(b), ~~[an association]~~ a captive insurance
- 2013 company~~[- a sponsored captive insurance company,]~~ and an industrial insured ~~[group]~~
- 2014 captive insurance company shall comply with the investment requirements contained
- 2015 in this title.
- 2016 (b) Notwithstanding Subsection (1)(a) and any other provision of this title, the
- 2017 commissioner may approve the use of alternative reliable methods of valuation and
- 2018 rating under Section 31A-37-106 for[:]
- 2019 [(i) ~~an association captive insurance company;~~
- 2020 [(ii) ~~a sponsored captive insurance company; or]~~
- 2021 [(iii) ~~an industrial insured group]~~ a captive insurance company or an industrial
- 2022 insured captive insurance company.
- 2023 (2)(a) Except as provided in Subsection (2)(b), a pure captive insurance company or
- 2024 industrial insured captive insurance company is not subject to any restrictions on
- 2025 allowable investments ~~[contained in this title]~~ described in Section 31A-18-108.
- 2026 (b) ~~[Notwithstanding Subsection (2)(a), the commissioner may, under Section~~
- 2027 ~~31A-37-106,]~~ Under Section 31A-37-106, the commissioner may prohibit or limit an
- 2028 investment that threatens the solvency or liquidity of[:]
- 2029 ~~[(i) a pure captive insurance company; or]~~
- 2030 ~~[(ii) an industrial insured captive insurance company]~~ a captive insurance company
- 2031 or industrial insured captive insurance company.
- 2032 (3)(a)(i) Except as provided in Subsection (3)(a)(ii), a captive insurance company
- 2033 may not make loans to:
- 2034 (A) the parent company of the captive insurance company; or
- 2035 (B) an affiliate of the captive insurance company.
- 2036 (ii) ~~[Notwithstanding Subsection (3)(a)(i), a]~~ A pure captive insurance company and
- 2037 an incorporated cell of a sponsored captive insurance company may make loans to:

- 2038 (A) the parent company of the pure captive insurance company or incorporated  
 2039 cell of a sponsored captive insurance company; or
- 2040 (B) an affiliate of the pure captive insurance company or incorporated cell of a  
 2041 sponsored captive insurance company.
- 2042 (b) A loan under Subsection (3)(a):
- 2043 (i) may be made only on the prior written approval of the commissioner and, when  
 2044 applicable, the sponsor for an incorporated cell; and
- 2045 (ii) shall be evidenced by a note in a form approved by the commissioner and, when  
 2046 applicable, the sponsor for an incorporated cell.
- 2047 (c) A pure captive insurance company may not make a loan from the paid-in capital  
 2048 required under Subsection [~~31A-37-204(1)~~] 31A-37-204(2).
- 2049 (4) If a captive insurer has excess surplus above the minimum capital required by Section  
 2050 31A-37-204, the captive insurer may invest the captive insurer's excess surplus in a  
 2051 manner inconsistent with the authorized classes of investments described in Section  
 2052 31A-18-110.
- 2053 (5) Nothing in this section empowers a captive insurer to make an investment that is illegal  
 2054 or otherwise prohibited by this title.
- 2055 Section 29. Section **31A-37-303** is amended to read:
- 2056 **31A-37-303 . Reinsurance.**
- 2057 (1)(a) A captive insurance company may cede risks to any insurance company approved  
 2058 by the commissioner.
- 2059 (b) Except as provided in Subsection (1)(c), a captive insurance company may provide  
 2060 reinsurance on risks ceded by any other insurer with prior approval of the  
 2061 commissioner.
- 2062 (c) A captive insurance company may not provide reinsurance on a punitive damages  
 2063 risk ceded by an insurer, unless the punitive damages risk is the risk of the captive  
 2064 insurance company's:
- 2065 (i) parent;
- 2066 (ii) affiliated company; or
- 2067 (iii) controlled unaffiliated business.
- 2068 (2) To facilitate the risk distribution of captive insurance companies participating in a  
 2069 pooling arrangement, a captive insurance company licensed to operate as a pooling  
 2070 captive insurance company may directly insure a risk that any pooling participant's  
 2071 captive insurance company could otherwise directly insure in accordance with Section

- 2072 31A-37-202.
- 2073 [(2)] (3)(a) A captive insurance company may take credit for reserves on risks or
- 2074 portions of risks ceded to reinsurers if the captive insurance company complies with:
- 2075 (i) Section 31A-17-404, 31A-17-404.1, 31A-17-404.3, or 31A-17-404.4; or
- 2076 (ii) other requirements as the commissioner may establish by rule made in
- 2077 accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act.
- 2078 (b) Unless the reinsurer is in compliance with Section 31A-17-404, 31A-17-404.1,
- 2079 31A-17-404.3, or 31A-17-404.4 or a rule adopted under Subsection [(2)(a)(ii)]
- 2080 (3)(a)(ii), a captive insurance company may not take credit for:
- 2081 (i) reserves on risks ceded to a reinsurer; or
- 2082 (ii) portions of risks ceded to a reinsurer.
- 2083 Section 30. Section **31A-37-401** is amended to read:
- 2084 **31A-37-401 . Sponsored captive insurance companies -- Formation.**
- 2085 (1) One or more sponsors may form a sponsored captive insurance company under this
- 2086 chapter.
- 2087 (2) A sponsored captive insurance company formed under this chapter may establish and
- 2088 maintain, ~~[a protected cell]~~ with prior approval of the commissioner, a combination of
- 2089 incorporated cells and protected cells to insure risks of a participant if:
- 2090 (a) the interest holders of a sponsored captive insurance company are limited to:
- 2091 (i) the participants of the sponsored captive insurance company; and
- 2092 (ii) the sponsors of the sponsored captive insurance company;
- 2093 (b) each ~~[protected]~~ cell is accounted for separately on the books and records of the
- 2094 sponsored cell captive insurance company to reflect:
- 2095 (i) the financial condition of each ~~[individual protected]~~ cell;
- 2096 (ii) the results of operations of each ~~[individual protected]~~ cell;
- 2097 (iii) the net income or loss of each ~~[individual protected]~~ cell;
- 2098 (iv) the dividends or other distributions to participants of each ~~[individual protected]~~
- 2099 cell; and
- 2100 (v) other factors that may be:
- 2101 (A) provided in the participant contract; or
- 2102 (B) required by the commissioner;
- 2103 (c) the assets of a ~~[protected]~~ cell are not chargeable with liabilities arising out of any
- 2104 other insurance business the sponsored captive insurance company may conduct;
- 2105 (d) a sale, exchange, or other transfer of assets is not made by the sponsored captive

- 2106 insurance company between or among any of the ~~[protected]~~ cells of the sponsored  
 2107 captive insurance company without the consent of the ~~[protected]~~ cells;
- 2108 (e) a sale, exchange, transfer of assets, dividend, or distribution is not made from a [  
 2109 ~~protected~~] cell to a sponsor or participant without the commissioner's approval, which  
 2110 may not be given if the sale, exchange, transfer, dividend, or distribution would result  
 2111 in insolvency or impairment with respect to a ~~[protected]~~ cell;
- 2112 (f) a sponsored captive insurance company annually files with the commissioner  
 2113 financial reports the commissioner requires under Section 31A-37-106, including  
 2114 accounting statements detailing the financial experience of each ~~[protected]~~ cell;
- 2115 (g) a sponsored captive insurance company notifies the commissioner in writing within  
 2116 10 business days of a ~~[protected]~~ cell that is insolvent or otherwise unable to meet the  
 2117 claim or expense obligations of the ~~[protected]~~ cell;
- 2118 (h) a participant contract does not take effect without the commissioner's prior written  
 2119 approval; and
- 2120 (i) the addition of each new ~~[protected]~~ cell and withdrawal of a participant of any  
 2121 existing ~~[protected]~~ cell does not take effect without the commissioner's prior written  
 2122 approval[;] .~~[-and]~~
- 2123 ~~[(j)]~~ (3)~~[(i)]~~ ~~a protected~~ A cell of a sponsored captive insurance company shall pay to  
 2124 the department the following nonrefundable fees established by the department under  
 2125 Sections 31A-3-103, 31A-3-304, and 63J-1-504:
- 2126 ~~[(A)]~~ (a) a fee for examining, investigating, and processing ~~[by a department employee of]~~  
 2127 an application ~~[for a certificate of authority]~~ made by a ~~[protected]~~ cell to insure risks  
 2128 under the certificate of authority of a sponsored captive insurance company;
- 2129 ~~[(B)]~~ (b) a fee for obtaining a certificate to insure risks under the certificate of authority  
 2130 of a sponsored captive insurance company for the year the ~~[protected]~~ cell of the  
 2131 sponsored captive insurance company is issued a certificate~~[of authority]~~ by the  
 2132 department; and
- 2133 ~~[(C)]~~ (c) a certificate of authority renewal fee[;] .~~[-and]~~
- 2134 ~~[(i)]~~ (4) ~~[a protected]~~ A sponsor may create a cell~~[-may be created by the sponsor]~~ or [the  
 2135 sponsor may create] a pooling insurance arrangement for the sponsor's cell participants  
 2136 to provide for pooling of risks to allow for risk distribution upon written approval from  
 2137 every~~[protected]~~ cell under the sponsor and written approval of the commissioner.
- 2138 Section 31. Section **31A-37-402** is amended to read:
- 2139 **31A-37-402 . Sponsored captive insurance companies -- Certificate of authority**

2140 **mandatory.**

2141 (1) A sponsor of a sponsored captive insurance company shall be:

2142 (a) an insurer authorized or approved under the laws of a state;

2143 (b) a reinsurer authorized or approved under the laws of a state;

2144 (c) a captive insurance company holding a certificate of authority under this chapter;

2145 (d) an insurance holding company that:

2146 (i) controls an insurer licensed pursuant to the laws of a state; and

2147 (ii) is subject to registration pursuant to the holding company system of laws of the  
2148 state of domicile of the insurer described in Subsection (1)(d)(i);

2149 (e) an approved captive management firm in Utah or its affiliates; or

2150 (f) another person approved by the commissioner after finding that the approval of the  
2151 person as a sponsor is not inconsistent with the purposes of this chapter.

2152 (2)(a) The business written by a sponsored captive insurance company with respect to a

2153 protected cell shall be fronted by the ~~[sponsor]~~ sponsored captive insurance company

2154 through a controlled unaffiliated contract or an insurer that is:

2155 (i) authorized or approved:

2156 (A) under the laws of a state; or

2157 (B) under any jurisdiction if the insurance company is a wholly owned subsidiary  
2158 of an insurance company licensed pursuant to the laws of a state;

2159 (ii) reinsured by a reinsurer authorized or approved by this state; or

2160 (iii) subject to Subsection (2)(b), secured by a trust fund:

2161 (A) in the United States;

2162 (B) for the benefit of policyholders and claimants;

2163 (C) funded by an irrevocable letter of credit or other asset acceptable to the  
2164 commissioner; and

2165 (D) held by the sponsor as provided in Subsection 31A-17-404(1).

2166 (b)(i) The amount of security provided by the trust fund described in Subsection

2167 (2)(a)(iii) may not be less than the reserves associated with the liabilities of the  
2168 trust fund, including:

2169 (A) reserves for losses;

2170 (B) allocated loss adjustment expenses;

2171 (C) incurred but unreported losses; and

2172 (D) unearned premiums for business written through the participant's protected  
2173 cell.

- 2174 (ii) The commissioner may require the sponsored captive insurance company to  
2175 increase the funding of a trust established pursuant to this Subsection (2).
- 2176 (iii) If the form of security in the trust described in Subsection (2)(a)(iii) is a letter of  
2177 credit, the letter of credit shall be established, issued, or confirmed by a bank that  
2178 is:
- 2179 (A) chartered in this state;
- 2180 (B) a member of the federal reserve system; or
- 2181 (C) chartered by another state if that state-chartered bank is acceptable to the  
2182 commissioner.
- 2183 (iv) A trust and trust instrument maintained pursuant to this Subsection (2) shall be in  
2184 a form and upon terms approved by the commissioner.
- 2185 (3) The business written by a sponsored captive insurance company with respect to an  
2186 incorporated cell may be:
- 2187 (a) fronted by the sponsored captive insurance company in accordance with Subsection  
2188 (2)(a); or
- 2189 (b) with prior approval of the sponsored captive insurance company, written directly by  
2190 the incorporated cell.
- 2191 ~~[(3)]~~ (4) A risk retention group may not be either a sponsor or a participant of a sponsored  
2192 captive insurance company.
- 2193 Section 32. Section **31A-37-403** is amended to read:
- 2194 **31A-37-403 . Participants in sponsored captive insurance companies.**
- 2195 (1) Any of the following may be a participant in a sponsored captive insurance company  
2196 holding a certificate of authority under this chapter:
- 2197 (a) an association;
- 2198 (b) a corporation that is for profit or nonprofit;
- 2199 (c) a limited liability company;
- 2200 (d) a partnership;
- 2201 (e) a trust; or
- 2202 (f) any other business entity.
- 2203 (2) A sponsor may be a participant in a sponsored captive insurance company.
- 2204 (3) A participant need not be:
- 2205 (a) a shareholder of the sponsored captive insurance company; or
- 2206 (b) an affiliate of the sponsored captive insurance company.
- 2207 ~~[(4) A participant shall insure only the participant's own risks through a sponsored captive~~

2208 ~~insurance company unless otherwise approved by the commissioner.]~~

2209 Section 33. Section **31A-37-404** is amended to read:

2210 **31A-37-404 . Sponsored captive insurance companies -- Reserves opinion and**  
2211 **discounting.**

2212 (1) A sponsored captive insurance company may discount [its] the sponsored captive  
2213 insurance company's loss and loss adjustment expense reserves at treasury rates applied  
2214 to the applicable payments projected through the use of the expected payment pattern  
2215 associated with the reserves.

2216 (2)(a) A sponsored captive insurance company shall annually file with the department  
2217 an actuarial opinion provided by an independent actuary on loss and loss adjustment  
2218 expense reserves.

2219 (b) The independent actuary described in Subsection (2)(a) may not be an employee of:

2220 (i) the company filing the actuarial opinion; or

2221 (ii) an affiliate of the company filing the actuarial opinion.

2222 (3) The commissioner may disallow the discounting of reserves by a sponsored captive  
2223 insurance company if the sponsored captive insurance company violates this title.

2224 Section 34. Section **31A-37-501** is amended to read:

2225 **31A-37-501 . Reports to commissioner.**

2226 (1) A captive insurance company is not required to make a report except those provided in  
2227 this chapter.

2228 (2)(a) Before March 1 of each year, a captive insurance company shall submit to the  
2229 commissioner a report of the financial condition of the captive insurance company,  
2230 verified by oath of at least two individuals who are executive officers of the captive  
2231 insurance company.

2232 (b) Except as provided in Section 31A-37-204, a captive insurance company shall report:

2233 (i) using generally accepted accounting principles, except to the extent that the  
2234 commissioner requires, approves, or accepts the use of a statutory accounting  
2235 principle;

2236 (ii) using a useful or necessary modification or adaptation to an accounting principle  
2237 that is required, approved, or accepted by the commissioner for the type of  
2238 insurance and kind of insurer to be reported upon; and

2239 (iii) supplemental or additional information required by the commissioner.

2240 (c) Except as otherwise provided:

2241 (i) a licensed captive insurance company shall file the report required by Section

- 2242 31A-4-113; and
- 2243 (ii) an industrial insured group shall comply with Section 31A-4-113.5.
- 2244 (3)(a) A pure captive insurance company may make written application to file the
- 2245 required report on a fiscal year end that is consistent with the fiscal year of the parent
- 2246 company of the pure captive insurance company.
- 2247 (b) If the commissioner grants an alternative reporting date for a pure captive insurance
- 2248 company requested under Subsection (3)(a), the annual report is due 60 days after the
- 2249 fiscal year end.
- 2250 (4)(a) Sixty days after the fiscal year end, a branch captive insurance company shall file
- 2251 with the commissioner a copy of the reports and statements required to be filed under
- 2252 the laws of the jurisdiction in which the alien captive insurance company is formed,
- 2253 verified by oath by two of the alien captive insurance company's executive officers.
- 2254 (b) If the commissioner is satisfied that the annual report filed by the alien captive
- 2255 insurance company in the jurisdiction in which the alien captive insurance company
- 2256 is formed provides adequate information concerning the financial condition of the
- 2257 alien captive insurance company, the commissioner may waive the requirement for
- 2258 completion of the annual statement required for a captive insurance company under
- 2259 this section with respect to business written in the alien or foreign jurisdiction.
- 2260 (c) A waiver by the commissioner under Subsection (4)(b):
- 2261 (i) shall be in writing; and
- 2262 (ii) is subject to public inspection.
- 2263 (5) Before March 1 of each year, a sponsored ~~cell~~-captive insurance company shall submit
- 2264 to the commissioner a consolidated report of the financial condition of each ~~individual~~
- 2265 ~~protected~~ cell, including a financial statement for each ~~protected~~ cell.
- 2266 (6)(a) A captive insurance company shall notify the commissioner in writing if there is:
- 2267 (i) a material change to the captive insurance company's most recently filed report of
- 2268 financial condition; or
- 2269 (ii) an adverse material change in the financial condition of a captive insurance
- 2270 company since the captive insurance company's most recently filed report of
- 2271 financial condition.
- 2272 (b) A captive insurance company shall submit a notification described in this subsection
- 2273 within 20 days after the day on which the captive insurance company learns of the
- 2274 material change.
- 2275 Section 35. Section **31A-37-505** is amended to read:

2276 **31A-37-505 . Suspension or revocation -- Grounds.**

- 2277 (1) The commissioner may suspend or revoke the certificate of authority of a captive  
 2278 insurance company to conduct an insurance business in this state for:
- 2279 (a) insolvency or impairment of capital or surplus;
- 2280 (b) failure to meet the requirements of Section 31A-37-204;
- 2281 (c) refusal or failure to submit:
- 2282 (i) an annual report required by Section 31A-37-501; or
- 2283 (ii) any other report or statement required by law or by lawful order of the  
 2284 commissioner;
- 2285 (d) failure to comply with the charter, bylaws, or other organizational document of the  
 2286 captive insurance company;
- 2287 (e) failure to submit to:
- 2288 (i) an examination under Section 31A-37-502; or
- 2289 (ii) any legal obligation relative to an examination under Section 31A-37-502;
- 2290 (f) refusal or failure to pay~~[the cost of examination under Section 31A-37-502;]~~ :
- 2291 (i) an annual fee described in Section 31A-3-304;
- 2292 (ii) the cost of examination described in Section 31A-37-502; or
- 2293 (iii) any other fee prescribed by this title;
- 2294 (g) use of methods that, although not otherwise specifically prohibited by law, render:
- 2295 (i) the operation of the captive insurance company detrimental to the public or the  
 2296 policyholders of the captive insurance company; or
- 2297 (ii) the condition of the captive insurance company unsound with respect to the  
 2298 public or to the policyholders of the captive insurance company; or
- 2299 (h) failure otherwise to comply with laws of this state.
- 2300 (2) Notwithstanding any other provision of this title, if the commissioner finds, upon  
 2301 examination, hearing, or other evidence, that a captive insurance company has  
 2302 committed any of the acts specified in Subsection (1), the commissioner may suspend or  
 2303 revoke the certificate of authority of the captive insurance company if the commissioner  
 2304 considers it in the best interest of the public and the policyholders of the captive  
 2305 insurance company to revoke the certificate of authority.

2306 Section 36. Section **31A-37-701** is amended to read:

2307 **31A-37-701 . Certificate of dormancy.**

- 2308 (1) In accordance with the provisions of this section, a captive insurance company, other  
 2309 than a risk retention group, may apply, without fee, to the commissioner for a certificate

- 2310 of dormancy.
- 2311 (2)(a) A captive insurance company, other than [~~a risk retention group~~] an industrial
- 2312 insured captive insurance company or a cell of a sponsored captive insurance
- 2313 company, is eligible for a certificate of dormancy if the [~~captive insurance~~] company:
- 2314 (i) has ceased transacting the business of insurance, including the issuance of
- 2315 insurance policies; and
- 2316 (ii) has no remaining insurance liabilities or obligations associated with insurance
- 2317 business transactions or insurance policies.
- 2318 (b) For purposes of Subsection (2)(a)(ii), the commissioner may disregard liabilities or
- 2319 obligations for which the captive insurance company has withheld sufficient funds or
- 2320 that are otherwise sufficiently secured.
- 2321 (3) Except as provided in Subsection (4), a captive insurance company that holds a
- 2322 certificate of dormancy is subject to all requirements of this chapter.
- 2323 (4) A captive insurance company that holds a certificate of dormancy:
- 2324 (a) shall possess and maintain unimpaired paid-in capital and unimpaired paid-in surplus
- 2325 of:
- 2326 (i) in the case of a pure captive insurance company or a special purpose captive
- 2327 insurance company, not less than \$25,000;
- 2328 (ii) in the case of an association captive insurance company, not less than \$75,000; or
- 2329 (iii) in the case of a sponsored captive insurance company, not less than \$50,000, of
- 2330 which the sponsor provides at least \$20,000; and
- 2331 (b) is not required to:
- 2332 (i) subject to Subsection (5), submit an annual audit or statement of actuarial opinion;
- 2333 (ii) maintain an active agreement with an independent auditor or actuary; or
- 2334 (iii) hold an annual meeting of the captive insurance company in the state.
- 2335 (5) The commissioner may require a captive insurance company that holds a certificate of
- 2336 dormancy to submit an annual audit if the commissioner determines that there are
- 2337 concerns regarding the captive insurance company's solvency or liquidity.
- 2338 (6) To maintain a certificate of dormancy and in lieu of a certificate of authority renewal
- 2339 fee, no later than July 1 of each year, a captive insurance company shall pay an annual
- 2340 dormancy renewal fee that is equal to 50% of the captive insurance's company's
- 2341 certificate of authority renewal fee.
- 2342 [~~(7) A captive insurance company may consecutively renew a certificate of dormancy no~~
- 2343 ~~more than five times.]~~

- 2344 Section 37. Section **31A-37a-205** is amended to read:
- 2345 **31A-37a-205 . Sponsored captives.**
- 2346 (1) In addition to the other provisions of this chapter, this section applies to a
- 2347 sponsored captive insurance company under Chapter 37, Captive Insurance Companies
- 2348 Act, that has a certificate of authority as a special purpose financial captive insurance
- 2349 company [~~pursuant to~~] in accordance with this chapter.
- 2350 [(2)]
- 2351 [(3)]
- 2352 [(6)]
- 2353 [(8)]
- 2354 [(1)] (2) A sponsored captive insurance company may have a certificate of authority as a
- 2355 special purpose financial captive insurance company under this chapter.
- 2356 [(a)] (3)(a) For purposes of a sponsored captive insurance company having a certificate
- 2357 of authority as a special purpose financial captive insurance company, "general
- 2358 account" means the assets and liabilities of the sponsored captive insurance company
- 2359 not attributable to a [~~protected~~] cell.
- 2360 (b) For purposes of applying Chapter 27a, Insurer Receivership Act, to a sponsored
- 2361 captive insurance company having a certificate of authority as a special purpose
- 2362 financial captive insurance company, the definition of "insolvency" and "insolvent"
- 2363 in Section 31A-37a-102 shall be applied separately to:
- 2364 (i) each [~~protected~~] cell; and
- 2365 (ii) the special purpose financial captive insurance company's general account.
- 2366 [(a)] (4)(a) A participant in a sponsored captive insurance company having a certificate
- 2367 of authority as a special purpose financial captive insurance company shall be a
- 2368 ceding insurer, unless approved by the commissioner before a person becomes a
- 2369 participant.
- 2370 (b) A change in a participant in a sponsored captive insurance company having a
- 2371 certificate of authority as a special purpose financial captive insurance company is
- 2372 subject to prior approval by the commissioner.
- 2373 [(4)] (5) Notwithstanding Section 31A-37-401, a special purpose financial captive insurance
- 2374 company that is a sponsored captive insurance company may issue a security to a person
- 2375 not described in Section 31A-37-401 if the issuance to that person is approved by the
- 2376 commissioner before the issuance of the security.
- 2377 [(5)] (6) Notwithstanding Section 31A-37a-302, a sponsored captive insurance company

- 2378 having a certificate of authority as a special purpose financial captive insurance  
 2379 company shall:
- 2380 (a) at the time of initial application for a certificate of authority as a special purpose  
 2381 financial captive insurance company, possess unimpaired paid-in capital and surplus  
 2382 of not less than \$500,000; and
- 2383 (b) maintain at least \$500,000 of unimpaired paid-in capital and surplus of not less than  
 2384 \$500,000 during the time that it holds a certificate of authority under this chapter.
- 2385 ~~[(a)]~~ (7)(a) For purposes of a sponsored captive insurance company having a certificate  
 2386 of authority as a special purpose financial captive insurance company, this  
 2387 Subsection ~~[(6)]~~ (7) applies to:
- 2388 (i) a security issued by the special purpose financial captive insurance company with  
 2389 respect to a ~~[protected]~~ cell; or
- 2390 (ii) a contract or obligation of the special purpose financial captive insurance  
 2391 company with respect to a ~~[protected]~~ cell.
- 2392 (b) A sponsored captive insurance company having a certificate of authority as a special  
 2393 purpose financial captive insurance company shall include with a security, contract,  
 2394 or obligation described in Subsection ~~[(6)(a)]~~ (7)(a):
- 2395 (i) the designation of the ~~[protected]~~ cell; and
- 2396 (ii) a disclosure in a form and content satisfactory to the commissioner to the effect  
 2397 that the holder of the security or a counterparty to the contract or obligation has no  
 2398 right or recourse against the special purpose financial captive insurance company  
 2399 and its assets other than against an asset properly attributable to the ~~[protected]~~  
 2400 cell.
- 2401 (c) Notwithstanding the requirements of this Subsection ~~[(6)]~~ (7) and subject to other  
 2402 statutes or rules including this chapter and Chapter 37, Captive Insurance Companies  
 2403 Act, a creditor, ceding insurer, or another person may not use a failure to include a  
 2404 disclosure described in Subsection ~~[(6)(b)]~~ (7)(b), in whole or part, as the sole basis to  
 2405 have recourse against:
- 2406 (i) the general account of the special purpose financial captive insurance company; or  
 2407 (ii) the assets of another ~~[protected]~~ cell of the special financial captive insurance  
 2408 company.
- 2409 ~~[(7)]~~ (8) In addition to Section 31A-37-401, a sponsored captive insurance company having  
 2410 a certificate of authority as a special purpose financial captive insurance company is  
 2411 subject to the following with respect to a ~~[protected]~~ cell:

- 2412 (a)(i) A sponsored captive insurance company having a certificate of authority as a  
2413 special purpose financial captive insurance company shall establish a~~[-protected]~~  
2414 cell only for the purpose of insuring or reinsuring risks of one or more reinsurance  
2415 contracts with a ceding insurer with the intent of facilitating an insurance  
2416 securitization.
- 2417 (ii) Subject to Subsection ~~[(7)(a)(iii)]~~ (8)(a)(iii), a sponsored captive insurance  
2418 company having a certificate of authority as a special purpose financial captive  
2419 insurance company shall establish a separate~~[-protected]~~ cell with respect to a  
2420 ceding insurer described in Subsection ~~[(7)(a)(i)]~~ (8)(a).
- 2421 (iii) A sponsored captive insurance company having a certificate of authority as a  
2422 special purpose financial captive insurance company shall establish a separate [  
2423 ~~protected~~]-cell with respect to each reinsurance contract that is funded in whole or  
2424 in part by a separate insurance securitization transaction.
- 2425 (b) A sponsored captive insurance company having a certificate of authority as a special  
2426 purpose financial captive insurance company may not sale, exchange, or transfer an  
2427 asset by, between, or among any of ~~[its]~~ the sponsored captive insurance company's  
2428 ~~protected]~~ cells without the prior approval of the commissioner.
- 2429 ~~[(a)]~~ (9)(a) A sponsored captive insurance company having a certificate of authority as a  
2430 special purpose financial captive insurance company shall attribute an asset or  
2431 liability to a~~[-protected]~~ cell and to the general account in accordance with the plan of  
2432 operation approved by the commissioner.
- 2433 (b) Except as provided by Subsection ~~[(8)(a)]~~ (9)(a), a sponsored captive insurance  
2434 company having a certificate of authority as a special purpose financial captive  
2435 insurance company may not attribute an asset or liability between:
- 2436 (i) ~~[its]~~ the sponsored captive insurance company's general account and a~~[-protected]~~  
2437 cell; or
- 2438 (ii) ~~[its protected]~~ the sponsored captive insurance company's cells.
- 2439 (c) A sponsored captive insurance company having a certificate of authority as a special  
2440 purpose financial captive insurance company shall attribute:
- 2441 (i) an insurance obligation, asset, or liability relating to a reinsurance contract entered  
2442 into with respect to a [~~protected~~]-cell; and
- 2443 (ii) an insurance securitization transaction related to the obligation, asset, or liability  
2444 described in Subsection ~~[(8)(e)(i)]~~ (9)(c)(i), including a security issued by the  
2445 special purpose financial captive insurance company as part of the insurance

- 2446 securitization, to the ~~[protected]~~ cell.
- 2447 (d) The following shall reflect an insurance obligation, asset, or liability relating to a  
2448 reinsurance contract and the insurance securitization transaction that are attributed to a  
2449 ~~protected~~ cell:
- 2450 (i) a right, benefit, obligation, or a liability of a security attributable to a ~~[protected]~~  
2451 cell described in Subsection ~~[(8)(e)]~~ (9)(c);
- 2452 (ii) the performance under a reinsurance contract and the related insurance  
2453 securitization transaction; and
- 2454 (iii) a tax benefit, loss, refund, or credit allocated pursuant to a tax allocation  
2455 agreement to which the special purpose financial captive insurance company is a  
2456 party, including a payment made by or due to be made to the special purpose  
2457 financial captive insurance company pursuant to the terms of the tax allocation  
2458 agreement.
- 2459 ~~[(9)]~~ (10) In addition to Section 31A-37a-502:
- 2460 (a) Chapter 27a, Insurer Receivership Act, applies to each ~~[protected]~~ cell of a sponsored  
2461 captive insurance company having a certificate of authority as a special purpose  
2462 financial captive insurance company.
- 2463 (b) A proceeding or action taken by the commissioner pursuant to Chapter 27a, Insurer  
2464 Receivership Act, with respect to a ~~[protected]~~ cell of a sponsored captive insurance  
2465 company having a certificate of authority as a special purpose financial captive  
2466 insurance company may not be the sole basis for a proceeding pursuant to Chapter  
2467 27a, Insurer Receivership Act, with respect to:
- 2468 (i) another ~~[protected]~~ cell of the special purpose financial captive insurance  
2469 company; or
- 2470 (ii) the special purpose financial captive insurance company's general account.
- 2471 (c)(i) Except as provided in Subsection ~~[(9)(e)(ii)]~~ (10)(c)(ii), the receiver of a special  
2472 purpose financial captive insurance company shall ensure that the assets  
2473 attributable to one ~~[protected]~~ cell are not applied to the liabilities attributable to:
- 2474 (A) another ~~[protected]~~ cell; or
- 2475 (B) the special purpose financial captive insurance company's general account.
- 2476 (ii) Notwithstanding Subsection ~~[(9)(e)(i)]~~ (10)(c)(i), if an asset or liability is  
2477 attributable to more than one ~~[protected]~~ cell, the receiver shall deal with the asset  
2478 or liability in accordance with the terms of a relevant governing instrument or  
2479 contract.

- 2480 (d) The insolvency of a [protected] cell of a sponsored captive insurance company  
 2481 having a certificate of authority as a special purpose financial captive insurance  
 2482 company may not be the sole basis for the commissioner to prohibit:
- 2483 (i) a payment by the special purpose financial captive insurance company made  
 2484 pursuant to a special purpose financial captive insurance company security or  
 2485 reinsurance contract with respect to another [protected] cell; or
- 2486 (ii) an action required to make a payment described in Subsection [(9)(d)(i)] (10)(d)(i).  
 2487 Section 38. Section **61-2g-502** is amended to read:
- 2488 **61-2g-502 . Disciplinary action -- Grounds.**
- 2489 (1)(a) The board may order disciplinary action, with the concurrence of the division,  
 2490 against a person:
- 2491 (i) registered, licensed, or certified under this chapter; or  
 2492 (ii) required to be registered, licensed, or certified under this chapter.
- 2493 (b) On the basis of a ground listed in Subsection (2) for disciplinary action, board action  
 2494 may include:
- 2495 (i) revoking, suspending, or placing a person's registration, license, or certification on  
 2496 probation;
- 2497 (ii) denying a person's original registration, license, or certification;
- 2498 (iii) denying a person's renewal license, certification, or registration;
- 2499 (iv) in the case of denial or revocation of a registration, license, or certification,  
 2500 setting a waiting period for an applicant to apply for a registration, license, or  
 2501 certification under this chapter;
- 2502 (v) ordering remedial education;
- 2503 (vi) imposing a civil penalty upon a person not to exceed the greater of:  
 2504 (A) \$5,000 for each violation; or  
 2505 (B) the amount of any gain or economic benefit from a violation;
- 2506 (vii) issuing a cease and desist order;
- 2507 (viii) modifying an action described in Subsections (1)(b)(i) through (vii) if the  
 2508 board, with the concurrence of the division, finds that the person complies with  
 2509 court ordered restitution; or
- 2510 (ix) doing any combination of Subsections (1)(b)(i) through (viii).
- 2511 (c)(i) If the board or division issues an order that orders a fine or educational  
 2512 requirements as part of the disciplinary action against a person, including a  
 2513 stipulation and order, the board or division shall state in the order the deadline by

- 2514 which the person shall comply with the fine or educational requirements.
- 2515 (ii) If a person fails to comply with a stated deadline:
- 2516 (A) the person's license, certificate, or registration is automatically suspended:
- 2517 (I) beginning on the day specified in the order as the deadline for compliance;
- 2518 and
- 2519 (II) ending the day on which the person complies in full with the order; and
- 2520 (B) if the person fails to pay a fine required by an order, the division may begin a
- 2521 collection process:
- 2522 (I) established by the division by rule made in accordance with Title 63G,
- 2523 Chapter 3, Utah Administrative Rulemaking Act; and
- 2524 (II) subject to Title 63A, Chapter 3, Part 5, Office of State Debt Collection.
- 2525 (2) The following are grounds for disciplinary action under this section:
- 2526 (a) procuring or attempting to procure a registration, license, or certification under this
- 2527 chapter:
- 2528 (i) by fraud; or
- 2529 (ii) by making a false statement, submitting false information, or making a material
- 2530 misrepresentation in an application filed with the division;
- 2531 (b) paying money or attempting to pay money other than a fee provided for by this
- 2532 chapter to a member or employee of the division to procure a registration, license, or
- 2533 certification under this chapter;
- 2534 (c) an act or omission in the practice of real estate appraising that constitutes dishonesty,
- 2535 fraud, or misrepresentation;
- 2536 (d) entry of a judgment against a registrant, licensee, or certificate holder on grounds of
- 2537 fraud, misrepresentation, or deceit in the making of an appraisal of real estate;
- 2538 (e) regardless of whether the crime is related to the appraisal business, to:
- 2539 (i) be convicted of a felony;
- 2540 (ii) be convicted of any of the following involving fraud, misrepresentation, theft, or
- 2541 dishonesty:
- 2542 (A) a class A misdemeanor;
- 2543 (B) a class B misdemeanor; or
- 2544 (C) a criminal offense comparable to a class A or class B misdemeanor;
- 2545 (iii) plead guilty or nolo contendere to a felony;
- 2546 (iv) plead guilty or nolo contendere to any of the following involving fraud,
- 2547 misrepresentation, theft, or dishonesty:

- 2548 (A) a class A misdemeanor;
- 2549 (B) a class B misdemeanor; or
- 2550 (C) a criminal offense comparable to a class A or class B misdemeanor;
- 2551 (v) enter into a plea in abeyance agreement involving a felony; or
- 2552 (vi) enter into a plea in abeyance agreement involving any of the following involving
- 2553 fraud, misrepresentation, theft, or dishonesty:
- 2554 (A) a class A misdemeanor;
- 2555 (B) a class B misdemeanor; or
- 2556 (C) a criminal offense comparable to a class A or class B misdemeanor;
- 2557 (f) engaging in the business of real estate appraising under an assumed or fictitious name
- 2558 not properly registered in this state;
- 2559 (g) paying a finder's fee or a referral fee to a person not licensed or certified under this
- 2560 chapter in connection with an appraisal of real estate or real property in this state;
- 2561 (h) making a false or misleading statement in:
- 2562 (i) that portion of a written appraisal report that deals with professional
- 2563 qualifications; or
- 2564 (ii) testimony concerning professional qualifications;
- 2565 (i) violating or disregarding:
- 2566 (i) this chapter;
- 2567 (ii) an order of:
- 2568 (A) the board; or
- 2569 (B) the division, in a case when the board delegates to the division the authority to
- 2570 make a decision on behalf of the board; or
- 2571 (iii) a rule issued under this chapter;
- 2572 (j) violating the confidential nature of governmental records to which a person
- 2573 registered, licensed, or certified under this chapter gained access through
- 2574 employment or engagement as an appraiser by a governmental agency;
- 2575 (k) accepting a contingent fee for performing an appraisal if in fact the fee is or was
- 2576 contingent upon:
- 2577 (i) the appraiser reporting a predetermined analysis, opinion, or conclusion;
- 2578 (ii) the analysis, opinion, conclusion, or valuation reached; or
- 2579 (iii) the consequences resulting from the appraisal assignment;
- 2580 (l) unprofessional conduct as defined by statute or rule; or
- 2581 [~~(m) in the case of a dual licensed title licensee as defined in Section 31A-2-402.;~~]

2582           ~~[(i) providing a title insurance product or service without the approval required by~~  
2583                   ~~Section 31A-2-405; or]~~  
2584           ~~[(ii) knowingly providing false or misleading information in the statement required by~~  
2585                   ~~Subsection 31A-2-405(2); or]~~  
2586           ~~[(n)]~~ (m) other conduct that constitutes dishonest dealing.  
2587 (3) A person previously licensed, certified, or registered under this chapter remains  
2588           responsible for, and is subject to disciplinary action for, an act that the person  
2589           committed, while the person was licensed, certified, or registered, in violation of this  
2590           chapter or an administrative rule in effect at the time that the person committed the act,  
2591           regardless of whether the person is currently licensed, certified, or registered.  
2592           Section 39. **Effective Date.**  
2593           This bill takes effect on May 7, 2025.