Senator John L. Valentine proposes to substitute the following bill:

1 # PAYMENT OF INSURANCE CLAIMS

2 ## 2001 GENERAL SESSION

3 ### STATE OF UTAH

4 ## Sponsor: John L. Valentine

5 **This act modifies the Insurance Code. The act changes the application of the section on**

6 **timely payment of insurance claims from claimants in privity of contract with the insured**

7 **to a person named as an insured or a covered person.**

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

9 AMENDS:

10   **31A-26-301**, as enacted by Chapter 242, Laws of Utah 1985

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

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

13   **31A-26-301.   Timely payment of claims.**

14   (1) Unless otherwise provided by law, an insurer shall timely pay every valid insurance

15 claim made by an insured. By rule the commissioner may prescribe the kinds of notice and proof

16 of loss that will establish validity, the manner in which an insurer may make a bona fide denial of

17 a claim, the periods of time within which payment is required to be made to be timely, and the

18 reasonable interest rates to be charged upon late claim payments.

19   (2) Notwithstanding Subsection (1), the payment of a claim is not overdue during any

20 period in which the insurer is unable to pay the claim because there is no recipient legally able to

21 give a valid release for the payment, or in which the insurer is unable to determine who is entitled

22 to receive the payment, provided that the insurer has promptly notified the claimant of the inability

23 and has offered in good faith to pay the claim promptly when the inability is removed.

24   (3) This section applies only to claims <u>for first party benefits</u> made by [~~claimants in direct~~

25 ~~privity of contract with the insurer.~~]<u>:</u>

26   (a) a person who is named or defined as an insured under the terms of an insurance policy;

27   or

28   (b) a person who is described as a covered person under the terms of a health care

29   insurance policy as defined in Section 31A-1-301.