

TIMELY PAYMENTS OF INSURANCE CLAIMS

2002 GENERAL SESSION

STATE OF UTAH

Sponsor: John L. Valentine

This act modifies the Insurance Code to address the scope of claims that are subject to requirements for timely payments and to make technical changes.

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

AMENDS:

31A-26-301, as last amended by Chapter 121, Laws of Utah 2001

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

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

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

(1) (a) Unless otherwise provided by law, an insurer shall timely pay every valid insurance claim made by an insured.

(b) By rule the commissioner may prescribe:

(i) the kinds of notice and proof of loss that will establish validity[;];

(ii) the manner in which an insurer may make a bona fide denial of a claim[;];

(iii) the periods of time within which payment is required to be made to be timely[;]; and

(iv) the reasonable interest rates to be charged upon late claim payments.

(2) (a) Notwithstanding Subsection (1) and subject to Subsection (2)(b), the payment of a claim is not overdue during any period in which:

(i) the insurer is unable to pay the claim because there is no recipient legally able to give a valid release for the payment[;]; or [~~in which~~]

(ii) the insurer is unable to determine who is entitled to receive the payment[~~, provided that~~ ~~has~~].

(b) Subsection (2)(a) applies only if the insurer:

(i) promptly [~~notified~~] notifies the claimant of the inability to pay the claim; and [~~has~~



28 offered]

29 (ii) offers in good faith to pay the claim promptly when the inability to pay the claim is
30 removed.

31 (3) This section applies only to ~~claims~~ a claim § [:

32 ~~(a)~~] § for first party benefits made by~~:(a)~~ a person who is;

33 § [~~(i)~~] (a) § named or defined as an insured under the terms of an insurance policy; § [~~or~~] §

33a [~~(b)~~ a person

34 who is]

35 § [(ii)] (b) § described as a covered person under the terms of a policy of health care insurance

36 [policy] as defined in Section 31A-1-301[:]; or

37 § [~~(b) made under:~~] (c) **NAMED, DEFINED, OR DESCRIBED:**

37a (i) **AS:**

37b (A) **AN INSURED;**

37c (B) **A BENEFICIARY;**

37d (C) **A POLICYHOLDER; OR**

37e (D) **OTHERWISE COVERED PERSON; AND**

37f (ii) **UNDER THE TERMS OF:** §

38 § [(i)] (A) § a life insurance policy; or

39 § [(ii)] (B) § an annuity.

Legislative Review Note

as of 1-17-02 12:30 PM

A limited legal review of this legislation raises no obvious constitutional or statutory concerns.

Office of Legislative Research and General Counsel