

Representative Todd E. Kiser proposes the following substitute bill:

MOTOR VEHICLE INSURANCE
REQUIREMENTS

2010 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Todd E. Kiser

Senate Sponsor: Kevin T. Van Tassell

LONG TITLE

General Description:

This bill modifies the Insurance Code by amending provisions relating to notice requirements for motor vehicle insurance carriers.

Highlighted Provisions:

This bill:

- requires an insurer that gives notice of nonrenewal or cancellation of insurance on a motor vehicle insurance policy for nonpayment of a premium to notify the lienholder if the insurer has been provided the name and mailing address of the lienholder;

- requires a lienholder to provide a current physical address of notification or an electronic address of notification to an insurer that is required to make a notification; and

- makes technical changes.

Monies Appropriated in this Bill:

None

Other Special Clauses:

None



26 **Utah Code Sections Affected:**

27 AMENDS:

28 **31A-21-303**, as last amended by Laws of Utah 2006, Chapter 197

29

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

31 Section 1. Section **31A-21-303** is amended to read:

32 **31A-21-303. Cancellation, issuance, renewal.**

33 (1) (a) Except as otherwise provided in this section, other statutes, or by rule under
34 Subsection (1)(c), this section applies to all policies of insurance:

35 (i) except for:

36 (A) life insurance;

37 (B) accident and health insurance; and

38 (C) annuities; and

39 (ii) if the policies of insurance are issued on forms that are subject to filing under
40 Subsection 31A-21-201(1).

41 (b) A policy may provide terms more favorable to insureds than this section requires.

42 (c) The commissioner may by rule totally or partially exempt from this section classes
43 of insurance policies in which the insureds do not need protection against arbitrary or
44 unannounced termination.

45 (d) The rights provided by this section are in addition to and do not prejudice any other
46 rights the insureds may have at common law or under other statutes.

47 (2) (a) As used in this Subsection (2), "grounds" means:

48 (i) material misrepresentation;

49 (ii) substantial change in the risk assumed, unless the insurer should reasonably have
50 foreseen the change or contemplated the risk when entering into the contract;

51 (iii) substantial breaches of contractual duties, conditions, or warranties;

52 (iv) attainment of the age specified as the terminal age for coverage, in which case the
53 insurer may cancel by notice under Subsection (2)(c), accompanied by a tender of proportional
54 return of premium; or

55 (v) in the case of motor vehicle insurance, revocation or suspension of the driver's
56 license of:

- 57 (A) the named insured; or
- 58 (B) any other person who customarily drives the motor vehicle.
- 59 (b) (i) Except as provided in Subsection (2)(e) or unless the conditions of Subsection
- 60 (2)(b)(ii) are met, an insurance policy may not be canceled by the insurer before the earlier of:
- 61 (A) the expiration of the agreed term; or
- 62 (B) one year from the effective date of the policy or renewal.
- 63 (ii) Notwithstanding Subsection (2)(b)(i), an insurance policy may be canceled by the
- 64 insurer for:
- 65 (A) nonpayment of a premium when due; or
- 66 (B) on grounds defined in Subsection (2)(a).
- 67 (c) (i) The cancellation provided by Subsection (2)(b), except cancellation for
- 68 nonpayment of premium, is effective no sooner than 30 days after the delivery or first-class
- 69 mailing of a written notice to the policyholder.
- 70 (ii) Cancellation for nonpayment of premium is effective no sooner than 10 days after
- 71 delivery or first class mailing of a written notice to the policyholder.
- 72 (d) (i) Notice of cancellation for nonpayment of premium shall include a statement of
- 73 the reason for cancellation.
- 74 (ii) Subsection (7) applies to the notice required for grounds of cancellation other than
- 75 nonpayment of premium.
- 76 (e) (i) Subsections (2)(a) through (d) do not apply to any insurance contract that has not
- 77 been previously renewed if the contract has been in effect less than 60 days when the written
- 78 notice of cancellation is mailed or delivered.
- 79 (ii) A cancellation under this Subsection (2)(e) may not be effective until at least 10
- 80 days after the delivery to the insured of a written notice of cancellation.
- 81 (iii) If the notice required by this Subsection (2)(e) is sent by first-class mail, postage
- 82 prepaid, to the insured at the insured's last-known address, delivery is considered accomplished
- 83 after the passing, since the mailing date, of the mailing time specified in the Utah Rules of
- 84 Civil Procedure.
- 85 (iv) A policy cancellation subject to this Subsection (2)(e) is not subject to the
- 86 procedures described in Subsection (7).
- 87 (3) A policy may be issued for a term longer than one year or for an indefinite term if

88 the policy includes a clause providing for cancellation by the insurer by giving notice as
89 provided in Subsection (4)(b)(i) 30 days prior to any anniversary date.

90 (4) (a) Subject to Subsections (2), (3), and (4)(b), a policyholder has a right to have the
91 policy renewed:

92 (i) on the terms then being applied by the insurer to similar risks; and

93 (ii) (A) for an additional period of time equivalent to the expiring term if the agreed
94 term is one year or less; or

95 (B) for one year if the agreed term is longer than one year.

96 (b) Except as provided in Subsections (4)(c) and (5), the right to renewal under
97 Subsection (4)(a) is extinguished if:

98 (i) at least 30 days prior to the policy expiration or anniversary date a notice of
99 intention not to renew the policy beyond the agreed expiration or anniversary date is delivered
100 or sent by first-class mail by the insurer to the policyholder at the policyholder's last-known
101 address;

102 (ii) not more than 45 nor less than 14 days prior to the due date of the renewal
103 premium, the insurer delivers or sends by first-class mail a notice to the policyholder at the
104 policyholder's last-known address, clearly stating:

105 (A) the renewal premium;

106 (B) how the renewal premium may be paid; and

107 (C) that failure to pay the renewal premium by the due date extinguishes the
108 policyholder's right to renewal;

109 (iii) the policyholder has:

110 (A) accepted replacement coverage; or

111 (B) requested or agreed to nonrenewal; or

112 (iv) the policy is expressly designated as nonrenewable.

113 (c) Unless the conditions of Subsection (4)(b)(iii) or (iv) apply, an insurer may not fail
114 to renew an insurance policy as a result of a telephone call or other inquiry that:

115 (i) references a policy coverage; and

116 (ii) does not result in the insured requesting payment of a claim.

117 (d) Failure to renew under this Subsection (4) is subject to Subsection (5).

118 (5) Notwithstanding Subsection (4), an insurer may not fail to renew the following

119 personal lines insurance policies solely on the basis of:
120 (a) in the case of a motor vehicle insurance policy:
121 (i) a claim from the insured that:
122 (A) results from an accident in which:
123 (I) the insured is not at fault; and
124 (II) the driver of the motor vehicle that is covered by the motor vehicle insurance
125 policy is 21 years of age or older; and
126 (B) is the only claim meeting the condition of Subsection (5)(a)(i)(A) within a
127 36-month period;
128 (ii) a single traffic violation by an insured that:
129 (A) is a violation of a speed limit under Title 41, Chapter 6a, Traffic Code;
130 (B) is not in excess of 10 miles per hour over the speed limit;
131 (C) is not a traffic violation under:
132 (I) Section 41-6a-601;
133 (II) Section 41-6a-604; or
134 (III) Section 41-6a-605;
135 (D) is not a violation by an insured driver who is younger than 21 years of age; and
136 (E) is the only violation meeting the conditions of Subsections (5)(a)(ii)(A) through
137 (D) within a 36-month period; or
138 (iii) a claim for damage that:
139 (A) results solely from:
140 (I) wind;
141 (II) hail;
142 (III) lightning; or
143 (IV) an earthquake;
144 (B) is not preventable by the exercise of reasonable care; and
145 (C) is the only claim meeting the conditions of Subsections (5)(a)(iii)(A) and (B)
146 within a 36-month period; and
147 (b) in the case of a homeowner's insurance policy, a claim by the insured that is for
148 damage that:
149 (i) results solely from:

150 (A) wind;
151 (B) hail; or
152 (C) lightning;
153 (ii) is not preventable by the exercise of reasonable care; and
154 (iii) is the only claim meeting the conditions of Subsections (5)(b)(i) and (ii) within a
155 36-month period.

156 (6) (a) (i) Subject to Subsection (6)(b), if the insurer offers or purports to renew the
157 policy, but on less favorable terms or at higher rates, the new terms or rates take effect on the
158 renewal date if the insurer delivered or sent by first-class mail to the policyholder notice of the
159 new terms or rates at least 30 days prior to the expiration date of the prior policy.

160 (ii) If the insurer did not give the prior notification described in Subsection (6)(a)(i) to
161 the policyholder, the new terms or rates do not take effect until 30 days after the notice is
162 delivered or sent by first-class mail, in which case the policyholder may elect to cancel the
163 renewal policy at any time during the 30-day period.

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

166 (b) Subsection (6)(a) does not apply if the only change in terms that is adverse to the
167 policyholder is:

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

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

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

173 (7) (a) If a notice of cancellation or nonrenewal under Subsection (2)(c) does not state
174 with reasonable precision the facts on which the insurer's decision is based, the insurer shall
175 send by first-class mail or deliver that information within 10 working days after receipt of a
176 written request by the policyholder.

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

179 (8) (a) An insurer that gives a notice of nonrenewal or cancellation of insurance on a
180 motor vehicle insurance policy issued in accordance with the requirements of Chapter 22, Part

181 3, Motor Vehicle Insurance, for nonpayment of a premium shall provide notice of nonrenewal
182 or cancellation to a lienholder if the insurer has been provided the name and mailing address of
183 the lienholder.

184 (b) The notice described in Subsection (8)(a) shall be provided to the lienholder by first
185 class mail or, if agreed by the parties, any electronic means of communication.

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

189 [~~8~~] (9) If a risk-sharing plan under Section 31A-2-214 exists for the kind of coverage
190 provided by the insurance being cancelled or nonrenewed, a notice of cancellation or
191 nonrenewal required under Subsection (2)(c) or (4)(b)(i) may not be effective unless it contains
192 instructions to the policyholder for applying for insurance through the available risk-sharing
193 plan.

194 [~~9~~] (10) There is no liability on the part of, and no cause of action against, any
195 insurer, its authorized representatives, agents, employees, or any other person furnishing to the
196 insurer information relating to the reasons for cancellation or nonrenewal or for any statement
197 made or information given by them in complying or enabling the insurer to comply with this
198 section unless actual malice is proved by clear and convincing evidence.

199 [~~10~~] (11) This section does not alter any common law right of contract rescission for
200 material misrepresentation.

H.B. 378 1st Sub. (Buff) - Motor Vehicle Insurance Requirements

Fiscal Note

2010 General Session

State of Utah

State Impact

Enactment of this bill will not require additional appropriations.

Individual, Business and/or Local Impact

Enactment of this bill likely will not result in direct, measurable costs and/or benefits for individuals, businesses, or local governments.
