

INSURANCE COVERAGE REVISIONS

2020 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Michael K. McKell

Senate Sponsor: _____

LONG TITLE

General Description:

This bill amends provisions related to required insurance coverage limits.

Highlighted Provisions:

This bill:

▶ allows a step down in motor vehicle insurance coverage limits if:

- the person operating the vehicle was under the influence of drugs or alcohol;

and

- the person operating the vehicle is a signatory to the contract that provides for reduced coverage.

Money Appropriated in this Bill:

None

Other Special Clauses:

None

Utah Code Sections Affected:

AMENDS:

31A-22-303, as last amended by Laws of Utah 2010, Chapter 172

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

Section 1. Section **31A-22-303** is amended to read:

31A-22-303. Motor vehicle liability coverage.



28 (1) (a) In addition to complying with the requirements of Chapter 21, Insurance
29 Contracts in General, and Chapter 22, Part 2, Liability Insurance in General, a policy of motor
30 vehicle liability coverage under Subsection 31A-22-302(1)(a) shall:

31 (i) name the motor vehicle owner or operator in whose name the policy was purchased,
32 state that named insured's address, the coverage afforded, the premium charged, the policy
33 period, and the limits of liability;

34 (ii) (A) if it is an owner's policy, designate by appropriate reference all the motor
35 vehicles on which coverage is granted, insure the person named in the policy, insure any other
36 person using any named motor vehicle with the express or implied permission of the named
37 insured, and, except as provided in Section 31A-22-302.5, insure any person included in
38 Subsection (1)(a)(iii) against loss from the liability imposed by law for damages arising out of
39 the ownership, maintenance, or use of these motor vehicles within the United States and
40 Canada, subject to limits exclusive of interest and costs, for each motor vehicle, in amounts not
41 less than the minimum limits specified under Section 31A-22-304; or

42 (B) if it is an operator's policy, insure the person named as insured against loss from
43 the liability imposed upon him by law for damages arising out of the insured's use of any motor
44 vehicle not owned by him, within the same territorial limits and with the same limits of liability
45 as in an owner's policy under Subsection (1)(a)(ii)(A);

46 (iii) except as provided in Section 31A-22-302.5, insure persons related to the named
47 insured by blood, marriage, adoption, or guardianship who are residents of the named insured's
48 household, including those who usually make their home in the same household but
49 temporarily live elsewhere, to the same extent as the named insured;

50 (iv) where a claim is brought by the named insured or a person described in Subsection
51 (1)(a)(iii), the available coverage of the policy may not be reduced or stepped-down because:

52 (A) a permissive user driving a covered motor vehicle is at fault in causing an accident;
53 or

54 (B) the named insured or any of the persons described in this Subsection (1)(a)(iii)
55 driving a covered motor vehicle is at fault in causing an accident; and

56 (v) cover damages or injury resulting from a covered driver of a motor vehicle who is
57 stricken by an unforeseeable paralysis, seizure, or other unconscious condition and who is not
58 reasonably aware that paralysis, seizure, or other unconscious condition is about to occur to the

59 extent that a person of ordinary prudence would not attempt to continue driving.

60 (b) The driver's liability under Subsection (1)(a)(v) is limited to the insurance
61 coverage.

62 (c) (i) "Guardianship" under Subsection (1)(a)(iii) includes the relationship between a
63 foster parent and a minor who is in the legal custody of the Division of Child and Family
64 Services if:

65 (A) the minor resides in a foster home, as defined in Section 62A-2-101, with a foster
66 parent who is the named insured; and

67 (B) the foster parent has signed to be jointly and severally liable for compensatory
68 damages caused by the minor's operation of a motor vehicle in accordance with Section
69 53-3-211.

70 (ii) "Guardianship" as defined under this Subsection (1)(c) ceases to exist when a
71 minor described in Subsection (1)(c)(i)(A) is no longer a resident of the named insured's
72 household.

73 (2) (a) A policy containing motor vehicle liability coverage under Subsection
74 31A-22-302(1)(a) may:

75 (i) provide for the prorating of the insurance under that policy with other valid and
76 collectible insurance;

77 (ii) grant any lawful coverage in addition to the required motor vehicle liability
78 coverage;

79 (iii) if the policy is issued to a person other than a motor vehicle business, limit the
80 coverage afforded to a motor vehicle business or its officers, agents, or employees to the
81 minimum limits under Section 31A-22-304, and to those instances when there is no other valid
82 and collectible insurance with at least those limits, whether the other insurance is primary,
83 excess, or contingent; and

84 (iv) if issued to a motor vehicle business, restrict coverage afforded to anyone other
85 than the motor vehicle business or its officers, agents, or employees to the minimum limits
86 under Section 31A-22-304, and to those instances when there is no other valid and collectible
87 insurance with at least those limits, whether the other insurance is primary, excess, or
88 contingent.

89 (b) (i) The liability insurance coverage of a permissive user of a motor vehicle owned

90 by a motor vehicle business shall be primary coverage.

91 (ii) The liability insurance coverage of a motor vehicle business shall be secondary to
92 the liability insurance coverage of a permissive user as specified under Subsection (2)(b)(i).

93 (3) Motor vehicle liability coverage need not insure any liability:

94 (a) under any workers' compensation law under Title 34A, Utah Labor Code;

95 (b) resulting from bodily injury to or death of an employee of the named insured, other
96 than a domestic employee, while engaged in the employment of the insured, or while engaged
97 in the operation, maintenance, or repair of a designated vehicle; or

98 (c) resulting from damage to property owned by, rented to, bailed to, or transported by
99 the insured.

100 (4) An insurance carrier providing motor vehicle liability coverage has the right to
101 settle any claim covered by the policy, and if the settlement is made in good faith, the amount
102 of the settlement is deductible from the limits of liability specified under Section 31A-22-304.

103 (5) A policy containing motor vehicle liability coverage imposes on the insurer the
104 duty to defend, in good faith, any person insured under the policy against any claim or suit
105 seeking damages which would be payable under the policy.

106 (6) (a) If a policy containing motor vehicle liability coverage provides an insurer with
107 the defense of lack of cooperation on the part of the insured, that defense is not effective
108 against a third person making a claim against the insurer, unless there was collusion between
109 the third person and the insured.

110 (b) If the defense of lack of cooperation is not effective against the claimant, after
111 payment, the insurer is subrogated to the injured person's claim against the insured to the extent
112 of the payment and is entitled to reimbursement by the insured after the injured third person has
113 been made whole with respect to the claim against the insured.

114 (7) A policy of motor vehicle liability coverage may limit coverage to the policy
115 minimum limits under Section 31A-22-304 if [~~the insured motor vehicle is operated by a~~
116 ~~person who has consumed any alcohol or any illegal drug or illegal substance if~~];

117 (a) the policy or a specifically reduced premium was extended to the insured upon
118 express written declaration executed by the insured that the insured motor vehicle would not be
119 [~~so~~] operated[~~:~~] by a person who is under the influence of alcohol or any illegal drug or illegal
120 substance; and

121 (b) the person who operated the vehicle while under the influence of alcohol or any
122 illegal drug or illegal substance executed the policy.

123 (8) (a) When a claim is brought exclusively by a named insured or a person described
124 in Subsection (1)(a)(iii) and asserted exclusively against a named insured or an individual
125 described in Subsection (1)(a)(iii), the claimant may elect to resolve the claim:

126 (i) by submitting the claim to binding arbitration; or

127 (ii) through litigation.

128 (b) Once the claimant has elected to commence litigation under Subsection (8)(a)(ii),
129 the claimant may not elect to resolve the claim through binding arbitration under this section
130 without the written consent of both parties and the defendant's liability insurer.

131 (c) (i) Unless otherwise agreed on in writing by the parties, a claim that is submitted to
132 binding arbitration under Subsection (8)(a)(i) shall be resolved by a panel of three arbitrators.

133 (ii) Unless otherwise agreed on in writing by the parties, each party shall select an
134 arbitrator. The arbitrators selected by the parties shall select a third arbitrator.

135 (d) Unless otherwise agreed on in writing by the parties, each party will pay the fees
136 and costs of the arbitrator that party selects. Both parties shall share equally the fees and costs
137 of the third arbitrator.

138 (e) Except as otherwise provided in this section, an arbitration procedure conducted
139 under this section shall be governed by Title 78B, Chapter 11, Utah Uniform Arbitration Act,
140 unless otherwise agreed on in writing by the parties.

141 (f) (i) Discovery shall be conducted in accordance with Rules 26b through 36, Utah
142 Rules of Civil Procedure.

143 (ii) All issues of discovery shall be resolved by the arbitration panel.

144 (g) A written decision of two of the three arbitrators shall constitute a final decision of
145 the arbitration panel.

146 (h) Prior to the rendering of the arbitration award:

147 (i) the existence of a liability insurance policy may be disclosed to the arbitration
148 panel; and

149 (ii) the amount of all applicable liability insurance policy limits may not be disclosed to
150 the arbitration panel.

151 (i) The amount of the arbitration award may not exceed the liability limits of all the

152 defendant's applicable liability insurance policies, including applicable liability umbrella
153 policies. If the initial arbitration award exceeds the liability limits of all applicable liability
154 insurance policies, the arbitration award shall be reduced to an amount equal to the liability
155 limits of all applicable liability insurance policies.

156 (j) The arbitration award is the final resolution of all claims between the parties unless
157 the award was procured by corruption, fraud, or other undue means.

158 (k) If the arbitration panel finds that the action was not brought, pursued, or defended
159 in good faith, the arbitration panel may award reasonable fees and costs against the party that
160 failed to bring, pursue, or defend the claim in good faith.

161 (l) Nothing in this section is intended to limit any claim under any other portion of an
162 applicable insurance policy.

163 (9) An at-fault driver or an insurer issuing a policy of insurance under this part that is
164 covering an at-fault driver may not reduce compensation to an injured party based on the
165 injured party not being covered by a policy of insurance that provides personal injury
166 protection coverage under Sections [31A-22-306](#) through [31A-22-309](#).