

**Representative James A. Dunnigan** proposes the following substitute bill:

**INSURANCE RENEWAL AMENDMENTS**

2020 GENERAL SESSION

STATE OF UTAH

**Chief Sponsor: Jacob L. Anderegg**

House Sponsor: James A. Dunnigan

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**LONG TITLE**

**General Description:**

This bill amends the Insurance Code regarding the cancellation of insurance policies.

**Highlighted Provisions:**

This bill:

- ▶ amends provisions regarding cancellation of a commercial lines insurance policy for nonpayment of premium; and
- ▶ makes technical and conforming changes.

**Money Appropriated in this Bill:**

None

**Other Special Clauses:**

This bill provides a special effective date.

**Utah Code Sections Affected:**

AMENDS:

**31A-21-303**, as last amended by Laws of Utah 2015, Chapter 385

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

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

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



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

(i) except for:

(A) life insurance;

(B) accident and health insurance; and

(C) annuities; and

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

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

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

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

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

(i) material misrepresentation;

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

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

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

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

(A) the named insured; or

(B) any other person who customarily drives the motor vehicle.

(b) (i) Except as provided in Subsection (2)(e) or unless the conditions of Subsection (2)(b)(ii) ~~or (iii)~~ are met, an insurance policy may not be canceled by the insurer before the earlier of:

(A) the expiration of the agreed term; or

(B) one year from the effective date of the policy or renewal.

(ii) Notwithstanding Subsection (2)(b)(i), an insurance policy may be canceled by the insurer for:

(A) nonpayment of a premium when due; or

(B) on grounds defined in Subsection (2)(a).

(c) (i) The cancellation provided by Subsection (2)(b), except cancellation for nonpayment of premium, is effective no sooner than 30 days after the delivery or first-class mailing of a written notice to the policyholder.

(ii) Cancellation for nonpayment of premium of a personal lines policy is effective no sooner than 10 days after delivery or ~~[first-class]~~ first-class mailing of a written notice to the policyholder.

(iii) Cancellation for nonpayment of premium of a commercial lines policy is effective no sooner than 10 days after delivery or first-class mailing of a written notice to:

(A) the policyholder;

(B) ~~the~~ each agent of record of the policyholder in accordance with Subsection (2)(c)(iv);

~~—(C) the~~ each assignee of the policyholder, if the assignee is named in the policy; and

~~the~~ (C) each loss payee or mortgagee or lienholder under property insurance of the policyholder, if the loss payee, mortgagee, or lienholder is named in the policy.

(iv) An insurer shall ~~provide~~ deliver or send by first-class mail a copy of the notice of cancellation for nonpayment of premium described in Subsection (2)(c)(iii) to an agent of record ~~as required under Subsection (2)(c)(iii)~~ of the policyholder on or before the day on which the insurer provides the notice to the policyholder.

(d) (i) Notice of cancellation for nonpayment of premium shall include a statement of the reason for cancellation.

(ii) Subsection (7) applies to the notice required for grounds of cancellation other than nonpayment of premium.

(e) (i) Subsections (2)(a) through (d) do not apply to any insurance contract that has not been previously renewed if the contract has been in effect less than 60 days ~~[when]~~ on the day on which the written notice of cancellation is mailed or delivered.

(ii) A cancellation under this Subsection (2)(e) may not be effective until at least 10 days after the ~~[delivery to the insured of]~~ day on which a written notice of cancellation is delivered to the insured.

(iii) If the notice required by this Subsection (2)(e) is sent by first-class mail, postage

prepaid, to the insured at the insured's last-known address, delivery is considered accomplished after the passing, since the mailing date, of the mailing time specified in the Utah Rules of Civil Procedure.

(iv) A policy cancellation subject to this Subsection (2)(e) is not subject to the procedures described in Subsection (7).

(3) A policy may be issued for a term longer than one year or for an indefinite term if the policy includes a clause providing for cancellation by the insurer by giving notice as provided in Subsection (4)(b)(i) 30 days ~~[prior to any]~~ before an anniversary date.

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

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

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

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

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

(i) at least 30 days before the ~~[policy expiration]~~ day on which the policy expires or completes an anniversary [date], the insurer delivers or sends by first-class mail a notice of intention not to renew the policy beyond the agreed expiration or anniversary date ~~[is delivered or sent by first-class mail by the insurer]~~ to the policyholder at the policyholder's last-known address;

(ii) not more than 45 nor less than 14 days before the ~~[due date of]~~ day on which the renewal premium is due, the insurer delivers or sends by first-class mail a notice to the policyholder at the policyholder's last-known address, clearly stating:

(A) the renewal premium;

(B) how the renewal premium may be paid, including the due date for payment of the renewal premium;

(C) that failure to pay the renewal premium extinguishes the policyholder's right to renewal; and

(D) subject to Subsection (4)(e), that the extinguishment of the right to renew for nonpayment of premium is effective no sooner than at least 10 days after delivery or ~~[first~~

class] first-class mailing of a written notice to the policyholder that the policyholder has failed to pay the premium when due;

(iii) the policyholder has:

(A) accepted replacement coverage; or

(B) requested or agreed to nonrenewal; or

(iv) the policy is expressly designated as nonrenewable.

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

(i) references a policy coverage; and

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

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

(e) (i) ~~[During]~~ (A) If the policy is a personal lines policy, during the period that begins when an insurer delivers or sends by first-class mail the notice described in Subsection (4)(b)(ii)(D) [is delivered or mailed] and ends when the premium is paid, coverage exists and premiums are due.

(B) If the policy is a commercial lines policy, during the period that begins when an insurer delivers or sends by first-class mail the notice described in Subsection (2)(c)(iii) and ends when the premium is paid, coverage exists and premiums are due.

(ii) (A) If after receiving the notice required by Subsection (4)(b)(ii)(D) a personal lines policyholder fails to pay the renewal premium, the coverage is extinguished as of the date the renewal premium is originally due.

(B) If after receiving the notice required under Subsection (2)(c)(iii), a commercial lines policyholder fails to pay the renewal premium within the 10 days before the day on which cancellation for nonpayment is effective, the coverage is extinguished as of the day on which the renewal premium is originally due.

(iii) Delivery of the notice required by Subsection ~~(2)(c)(iii)~~ ~~→~~ **(2)(c)(iv)**, ~~←~~ or (4)(b)(ii)(D) includes

electronic delivery in accordance with Section **31A-21-316**.

(iv) An insurer is not subject to Subsection (4)(b)(ii)(D) if [it]:

(A) the insurer provides notice of the extinguishment of the right to renew for failure to pay premium at least 15 days, but no longer than 45 days, before the day on which the renewal payment is due[-]; and

150           (B) the policy is a personal lines policy.  
151           (v) Subsection (4)(b)(ii)(D) does not apply to a policy that provides coverage for 30  
152 days or less.  
153           (5) Notwithstanding Subsection (4), an insurer may not fail to renew the following  
154 personal lines insurance policies solely on the basis of:  
155           (a) in the case of a motor vehicle insurance policy:  
156           (i) a claim from the insured that:  
157           (A) results from an accident in which:  
158           (I) the insured is not at fault; and  
159           (II) the driver of the motor vehicle that is covered by the motor vehicle insurance  
160 policy is 21 years of age or older; and  
161           (B) is the only claim meeting the condition of Subsection (5)(a)(i)(A) within a  
162 36-month period;  
163           (ii) a single traffic violation by an insured that:  
164           (A) is a violation of a speed limit under Title 41, Chapter 6a, Traffic Code;  
165           (B) is not in excess of 10 miles per hour over the speed limit;  
166           (C) is not a traffic violation under:  
167           (I) Section 41-6a-601;  
168           (II) Section 41-6a-604; or  
169           (III) Section 41-6a-605;  
170           (D) is not a violation by an insured driver who is younger than 21 years of age; and  
171           (E) is the only violation meeting the conditions of Subsections (5)(a)(ii)(A) through  
172 (D) within a 36-month period; or  
173           (iii) a claim for damage that:  
174           (A) results solely from:  
175           (I) wind;  
176           (II) hail;  
177           (III) lightning; or  
178           (IV) an earthquake;  
179           (B) is not preventable by the exercise of reasonable care; and  
180           (C) is the only claim meeting the conditions of Subsections (5)(a)(iii)(A) and (B)

181 within a 36-month period; and

182 (b) in the case of a homeowner's insurance policy, a claim by the insured that is for  
183 damage that:

184 (i) results solely from:

185 (A) wind;

186 (B) hail; or

187 (C) lightning;

188 (ii) is not preventable by the exercise of reasonable care; and

189 (iii) is the only claim meeting the conditions of Subsections (5)(b)(i) and (ii) within a  
190 36-month period.

191 (6) (a) (i) Subject to Subsection (6)(b), if the insurer offers or purports to renew the  
192 policy, but on less favorable terms or at higher rates, the new terms or rates take effect on the  
193 renewal date if the insurer delivered or sent by first-class mail to the policyholder notice of the  
194 new terms or rates at least 30 days ~~[prior to the expiration date of the prior policy]~~ before the  
195 day on which the previous policy expires.

196 (ii) If the insurer did not give the prior notification described in Subsection (6) (a)(i) to  
197 the policyholder, the new terms or rates do not take effect until 30 days after the day on which  
198 the insurer delivers or sends by first-class mail the notice ~~[is delivered or sent by first-class~~  
199 ~~mail]~~, in which case the policyholder may elect to cancel the renewal policy at any time during  
200 the 30-day period.

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

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

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

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

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

210 (7) (a) If a notice of cancellation or nonrenewal under Subsection (2)(c) does not state  
211 with reasonable precision the facts on which the insurer's decision is based, the insurer shall

send by first-class mail or deliver that information within 10 working days after receipt of a written request by the policyholder.

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

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

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

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

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

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

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

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

(a) the person may make the payment using:

(i) the United States Postal Service;

(ii) a delivery service the commissioner describes or designates by rule made in



243 accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act; or  
244 (iii) electronic means; and  
245 (b) the payment is considered to be made:  
246 (i) for a payment that is mailed using the method described in Subsection (12)(a)(i), on  
247 the date on which the payment is postmarked;  
248 (ii) for a payment that is delivered using the method described in Subsection (12)(a)(ii),  
249 on the date on which the delivery service records or marks the payment as having been received  
250 by the delivery service; or  
251 (iii) for a payment that is made using the method described in Subsection (12)(a)(iii),  
252 on the date on which the payment is made electronically.  
253 Section 2. **Effective date.**  
254 This bill takes effect on July 1, H→ [2020] 2021 ←H .