

Representative Michael K. McKell proposes the following substitute bill:

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 property damage coverage limits if the person operating the vehicle was under the influence of drugs or alcohol and the policy specifically provides for that coverage limitation.

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.



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

71 (2) (a) A policy containing motor vehicle liability coverage under Subsection
72 31A-22-302(1)(a) may:

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

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

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

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

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

88 by a motor vehicle business shall be primary coverage.

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

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

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

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

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

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

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

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

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

112 (7) A policy of motor vehicle liability coverage may limit property damage coverage to
113 the policy minimum limits under Section 31A-22-304 if the insured motor vehicle is operated
114 by a person who has consumed any alcohol or any illegal drug or illegal substance if the policy
115 or a specifically reduced premium was extended to the insured upon express written declaration
116 executed by the insured that the insured motor vehicle would not be so operated.

117 (8) (a) When a claim is brought exclusively by a named insured or a person described
118 in Subsection (1)(a)(iii) and asserted exclusively against a named insured or an individual

119 described in Subsection (1)(a)(iii), the claimant may elect to resolve the claim:

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

121 (ii) through litigation.

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

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

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

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

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

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

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

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

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

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

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

145 (i) The amount of the arbitration award may not exceed the liability limits of all the
146 defendant's applicable liability insurance policies, including applicable liability umbrella
147 policies. If the initial arbitration award exceeds the liability limits of all applicable liability
148 insurance policies, the arbitration award shall be reduced to an amount equal to the liability
149 limits of all applicable liability insurance policies.

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

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

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

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