

1                   **INSURANCE POLICY NOTIFICATION AMENDMENTS**

2                                   2021 GENERAL SESSION

3                                   STATE OF UTAH

4                   **Chief Sponsor: Wayne A. Harper**

5                                   House Sponsor: Steve Eliason

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7 **LONG TITLE**

8 **General Description:**

9                   This bill amends provisions regarding life insurance policy notifications.

10 **Highlighted Provisions:**

11                   This bill:

- 12                   ▶ requires an insurer of life insurance to send a notice to a designated third party
- 13 before terminating coverage;
- 14                   ▶ requires an insurer of life insurance who sends a notice of termination of coverage
- 15 to obtain and, upon request, demonstrate proof of delivery for the notice of
- 16 termination of coverage; and
- 17                   ▶ makes technical and conforming changes.

18 **Money Appropriated in this Bill:**

19                   None

20 **Other Special Clauses:**

21                   None

22 **Utah Code Sections Affected:**

23 AMENDS:

24                   **31A-22-402**, as last amended by Laws of Utah 2002, Chapter 308

25                   **31A-22-430**, as enacted by Laws of Utah 2020, Chapter 32

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

28                   Section 1. Section **31A-22-402** is amended to read:

29 **31A-22-402. Grace period -- Notification.**

30 (1) (a) Every life insurance policy other than a group policy shall contain a provision  
31 entitling the policyholder to a grace period within which the payment of any premium may be  
32 made after the first payment of any premium.

33 (b) During the grace period described in Subsection (1)(a), the policy continues in full  
34 force.

35 (2) The grace period required by Subsection (1) may not be less than:

36 (a) 31 days; or

37 (b) four weeks for policies whose premiums are payable more frequently than monthly.

38 (3) The insurer may impose an interest charge during the grace period not in excess of  
39 the interest rate:

40 (a) set by the policy for policy loans; or

41 (b) in the absence of a provision described in Subsection (3)(a), a rate set by the  
42 commissioner by rule.

43 (4) If a claim arises under the policy during the grace period, an insurer may deduct  
44 from the policy proceeds:

45 (a) the amount of any premium due or overdue;

46 (b) interest at the rate provided in this section; and

47 (c) any deferred installment of the annual premium.

48 (5) (a) [The] At least 30 days before the day on which the insurer terminates coverage,  
49 the insurer shall send written notice of termination of coverage to:

50 [(a) to] (i) the policyholder's last-known address; and

51 [(b) at least 30 days before the date that the coverage is terminated.]

52 (ii) a third party designated in accordance with Section [31A-22-430](#).

53 (b) An insurer shall obtain and, upon request, demonstrate proof of delivery for a  
54 notice the insurer sends under Subsection (5)(a).

55 (c) Proof of delivery described in Subsection (5)(b) may include a certified mail receipt

56 or, for electronic delivery, a read receipt.

57 Section 2. Section **31A-22-430** is amended to read:

58 **31A-22-430. Policy notification.**

59 (1) (a) An insurer that delivers or issues for delivery an individual life insurance policy  
60 in this state shall notify the applicant for the policy, in writing at the time of application for the  
61 policy, of an applicant's right to designate a third party to receive notice of lapse or cancellation  
62 of the policy based on nonpayment of premium.

63 (b) An applicant may make a designation described in Subsection (1)(a) at the time of  
64 application for the policy, or at any time the policy is in force, by submitting a written notice to  
65 the insurer containing the name and address of the third-party designee.

66 (2) ~~[Am]~~ In accordance with Subsection [31A-22-402\(5\)](#), an insurer shall transmit a  
67 copy of a notice of lapse or cancellation of the policy based on nonpayment of premium to a  
68 third party designated in accordance with this section in addition to the transmission of the  
69 notice of lapse or cancellation of the policy to the policyholder.

70 (3) The designation of a third party under this section does not constitute acceptance of  
71 any liability on the part of the third party or insurer for a service provided to the policyholder.