

Calvin R. Musselman proposes the following substitute bill:

Motor Vehicle Civil Action Amendments

2026 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Calvin R. Musselman

House Sponsor:

LONG TITLE

General Description:

This bill amends the Insurance Code to establish requirements relating to policy-limit demands and disclosures in third-party liability claims related to motor vehicle liability.

Highlighted Provisions:

This bill:

- establishes requirements for the content of policy-limit demand letters from a claimant to a liability insurance carrier;
- establishes requirements for correspondence from a claimant or a claimant's legal counsel to an unrepresented insured;
- requires a liability insurance carrier to provide written disclosure to the insured regarding defense and indemnification;
- addresses the effect of a disclosure and the consequences of noncompliance; and
- preserves existing rights and remedies.

Money Appropriated in this Bill:

None

Other Special Clauses:

None

Utah Code Sections Affected:

ENACTS:

31A-22-323, Utah Code Annotated 1953

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

Section 1. Section **31A-22-323** is enacted to read:

31A-22-323 . Policy-limit demands, correspondence, and disclosure requirements

-- Third-party liability claims.

- 29 (1)(a) In a third-party liability claim arising under this part in which a claimant or
30 claimant's legal counsel sends a demand letter to a liability insurance carrier
31 demanding the insured's liability policy limits in exchange for a release of claims,
32 such a demand letter shall:
- 33 (i) include reasonably sufficient information to allow a reasonable liability insurance
34 carrier to evaluate the claim, including a description of the incident, injuries,
35 liability basis, and damages, copies of the medical records and bills supporting
36 claimed medical damages, and information supporting any other elements of
37 claimed economic damages; and
 - 38 (ii) provide the liability insurance carrier with no less than 30 days to accept or reject
39 the policy-limit demand.
- 40 (b) A claimant is not required to provide expert reports or attorney work product as part
41 of the demand letter described in Subsection (1)(a).
- 42 (2)(a) If the liability insurance carrier that receives a claimant's demand letter described
43 in Subsection (1) declines to tender the insured's liability policy limits following the
44 receipt of the demand letter, and the claimant intends to file a cause of action against
45 the insured, and the claimant or claimant's legal counsel elects to correspond directly
46 with an unrepresented insured, the correspondence with the insured shall:
- 47 (i) be in writing, with a copy of the correspondence delivered to the applicable
48 liability insurance carrier;
 - 49 (ii) include:
 - 50 (A) a reference to this statutory section;
 - 51 (B) a plain-language explanation of the claimant's claims against the insured;
 - 52 (C) a description of the claimant's related injuries;
 - 53 (D) a copy of the demand letter described in Subsection (1) that was sent to the
54 liability insurance carrier; and
 - 55 (E) if applicable, a copy of the liability insurance carrier's written response to the
56 demand letter described in Subsection (1);
 - 57 (iii) comply with the Rules of Professional Conduct established by the Utah Supreme
58 Court, including an indication that the interests of the claimant and the claimant's
59 legal counsel are adverse to the insured; and
 - 60 (iv) indicate the legal action the claimant and claimant's legal counsel intend to
61 pursue against the insured.
- 62 (b) Unless necessary to preserve the claimant's legal rights, a claimant or the claimant's

63 legal counsel may not file a cause of action against the insured until 45 days after that
64 date on which the insured has received the correspondence described in Subsection
65 (2)(a).

66 (c) If a claimant intends to pursue damages in the legal action described in Subsection
67 (2)(a) that exceed the applicable liability insurance policy limit, the correspondence
68 described in Subsection (2)(a):

69 (i) shall identify the insured's right:

70 (A) to review the entirety of the claimant's demand letter, claimed medical records
71 and expenses, and other supporting documentation with the claimant's liability
72 insurance carrier; and

73 (B) to discuss the insured's rights and responsibilities with respect to any excess
74 verdict, judgment, settlement, or award with the insured's liability insurance
75 carrier, as well as with independent legal counsel; and

76 (ii) if the correspondence references or suggests the possibility of placing a judgment
77 lien against personal property of the insured following any judgment, shall include
78 a plain-language explanation of the process for obtaining a judgment lien.

79 (3)(a) Within 30 days after the date on which the liability insurance carrier receives a
80 copy of the correspondence described in Subsection (2), the liability insurance carrier
81 shall provide the insured with a written disclosure stating whether the liability
82 insurance carrier agrees:

83 (i) to defend the insured against the claim; and

84 (ii) to indemnify the insured for any verdict, judgment, settlement, or award arising
85 from the claim, including whether:

86 (A) the indemnification is limited to the applicable policy limits; or

87 (B) the indemnification will extend to a verdict, judgment, settlement, or award in
88 excess of the applicable policy limit.

89 (b) If the liability insurance carrier's decision to indemnify the insured is limited to the
90 applicable policy limits, the disclosure in Subsection (3)(a) shall:

91 (i) provide a reasonable explanation as to the basis of the decision; and

92 (ii) notify the insured of the insured's right to seek independent legal counsel
93 regarding the insured's rights and responsibilities with respect to the decision
94 whether to indemnify the insured.

95 (4)(a) A disclosure made under Subsection (3):

96 (i) does not expand, reduce, or modify coverage under the insurance policy; and

97 (ii) is intended solely to provide clarity to the insured regarding the liability insurance
98 carrier's position.

99 (b)(i) Compliance with the procedural provisions of this section does not preclude a
100 finding that the liability insurance carrier breached the liability insurance carrier's
101 duty of good faith if the liability insurance carrier's substantive decisions
102 regarding settlement, defense, or indemnification were unreasonable under the
103 circumstances.

104 (ii) The reasonableness of a liability insurance carrier's conduct with regard to the
105 decision to defend and indemnify the insured as described in Subsection (3) shall
106 be evaluated based on all relevant circumstances existing at the time decisions
107 were made.

108 (5) Nothing in this section alters, limits, or waives:

109 (a) a liability insurance carrier's duty to act in good faith and deal fairly with the liability
110 insurance carrier's insured;

111 (b) any rights or remedies available to an insured arising from a liability insurance
112 carrier's failure to accept a reasonable settlement offer within applicable policy limits;
113 or

114 (c) any defenses, claims, or causes of action available under common law or statute to
115 any party.

116 (6)(a) A claimant's failure to comply with Subsection (1) or (2) does not bar the claimant
117 from filing suit against the insured or pursuing any remedies available at law, but
118 may be considered by a court in evaluating whether a settlement demand was
119 reasonable for purposes of determining whether a liability insurance carrier breached
120 the liability insurance carrier's duty of good faith.

121 (b) A liability insurance carrier's failure to comply with the disclosure requirements of
122 Subsection (3) does not create an independent cause of action, but may be considered
123 as evidence of bad faith in any subsequent action by the insured against the liability
124 insurance carrier.

125 (c) Nothing in this section may be construed to create additional procedural prerequisites
126 to an insured's right to pursue a bad faith claim against the liability insurance carrier.

127 (d) This section supplements and does not replace existing common law and statutory
128 duties and remedies relating to a liability insurance carrier's duty of good faith and
129 fair dealing with the liability insurance carrier's insured.

130 (e) Nothing in this section creates a private cause of action.

131 Section 2. **Effective Date.**
132 This bill takes effect on May 6, 2026.