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STATE OF CONNECTICUT

INSURANCE DEPARTMENT

**Testimony of the
Connecticut Insurance Department
Before
The Insurance and Real Estate Committee
March 5, 2015**

Raised Bill No. 1024: An Act Concerning The Security of Consumer Data.

Chairmen Crisco and Megna, Ranking Members Kelly and Sampson, and Members of the Committee, the Insurance Department appreciates the opportunity to submit written testimony on Raised Bill No 1024.

Our private and confidential information in the right hands keeps this state, this nation, this world functioning. Whether we use it to access health care, banks, pay bills and shop online, book vacations and transportation or use myriad other functions, the rapidly changing technology of our times has shaped our needs and habits forever – for better or worse.

Protecting confidential information has never been more critical either for our own financial protection or national interests. The Anthem data breach that has affected 1.7 million Connecticut residents and nearly 80 million nationwide is hard evidence of that fact. The Insurance Departments commends lawmakers for their immediate attention to this issue and can assure the Committee that if House Bill 1024 becomes law, the Department will vigorously enforce it as we do all state insurance laws.

It is also appropriate that this hearing on this bill is being held during National Consumer Protection Week.

It is the “national” part of that equation that we would like to underscore. The Department strongly believes that while Connecticut’s response to these threats must be swift and exacting, it must not be narrow in scope. Confidential information is in all facets of our daily lives and swift reacting legislation, while well-intended, may fail to consider the totality of the problem. The solution for strong cyber security, prevention and enforcement is one that we believe ultimately requires the coordinated efforts of state and federal authorities.

Much of that work has already begun.

While preventing cyber attacks on information held by insurance companies has involved this Department, both on a state and national level through the National Association of Insurance Commissioners there are other Connecticut leaders that are taking part in a larger conversation

that recognizes protecting consumer data encompasses the nation and is not limited to a single state or industry.

Governor Malloy was recently appointed by the President to serve on a 10-member Council of Governors to lead discussions on cyber security. Congressman Jim Himes was recently appointed Ranking Member of Subcommittee on National Security Agency and Cybersecurity. Attorney General George Jepsen is a member of the National Association of Attorneys General Committee on Internet Safety/Cyber Privacy and Security and Commissioner Dowling has been appointed to the newly formed Cybersecurity Task Force of National Association of Insurance Commissioners (NAIC)

Encrypting health care data will help protect Connecticut consumers. However, it is imperative that industry wide or national encryption criteria be identified. To institute standardized encryption criteria would help to ensure that these protections do not inadvertently undermine existing efforts in the areas of electronic medical records or the all payer claims database. When moving forward the Committee should work to ensure that a regulator's ability to obtain data is not impeded. The Insurance Department for example, has thousands of out of state and international companies that are not domiciled in Connecticut but do business here. For each state to have its own manner of encryption could be a barrier for industries and regulators that cross state and national boundaries. In addition, it is of utmost importance that the goals of aggregating state and national data for medical research and public health improvement not be inadvertently stalled.

This Department has long promoted and defended the effectiveness of state-based insurance regulation. We know our consumers, our carriers and our local issues, better than anyone and have voiced strong concern when the federal government appears to overstep its bounds. However, in the case of cyber security, a coordinated national response that already has many Connecticut officials engaged may be the more sustaining approach.

It should be noted that the Governor has also submitted legislation regarding data security to the legislature. The Governor's bill S.B. 949 takes great strides in protecting confidential information when State Agencies contract with private contractors. In addition, S.B. 949 directs the Office of Policy and Management to develop and implement a secure information technology solution to link data across executive agencies and to develop and implement a detailed data security and safeguarding plan for the data accessed or shared through such solution. The Insurance Department is in strong support of S.B. 949 and thanks Governor Malloy for his leadership and his statewide, multi-industry approach. Should S.B. 1024 move forward, we ask that the legislature ensure that it is in harmony with S.B. 949.

The Department thanks the Committee for the opportunity to provide testimony on S.B. 1024

About the Connecticut Insurance Department: The mission of the Connecticut Insurance Department is to protect consumers through regulation of the industry, outreach, education and advocacy. The Department recovers an average of more than \$4 million yearly on behalf of consumers and regulates the industry by ensuring carriers adhere to state insurance laws and regulations and are financially solvent to pay claims. The Department's annual budget is funded through assessments from the insurance industry. Each year, the Department returns an average of \$100 million a year to the state General Fund in license fees, premium taxes, fines and other revenue sources to support various state programs, including childhood immunization.