Insurance and Real Estate Committee
JOINT FAVORABLE REPORT

Bill No.: SB-903
Title: AN ACT CONCERNING INSURANCE DATA AND INFORMATION SECURITY.
Vote Date: 3/14/2019
Vote Action: Joint Favorable
PH Date: 2/27/2019
File No.: 

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SPONSORS OF BILL:

Insurance and Real Estate Committee

REASONS FOR BILL:

The bill requires insurers to maintain consumer privacy and security protections, and to have a timely process in place in the event of a security breach.

RESPONSE FROM ADMINISTRATION/AGENCY:

State of Connecticut, Insurance Department – The legislation will require Department Licensees to develop, implement, and maintain a security program to protect consumer’s information.

NATURE AND SOURCES OF SUPPORT:

Freedom of Information Commission – Although the FOI Committee does not oppose the bill it is concerned that the new definitions of “nonpublic information” and “public information” of the proposal may conflict with the definition of “public records or files of the FOI Act. They welcome the opportunity to work with the Committee in addressing the conflict.

Professional Insurance Agents of Connecticut, Inc. (PIACT) – The Association supports the bill however recommends increasing the exception in Section (j)(l)(A) from “fewer than 10 employees” to “fewer than 20 employees.” “...the raised bill does this in way that allows every licensee to develop a cyber-security program and response plan that fits their businesses use of information systems and financial capabilities. It encourages licensees to update the programs as their needs change. We urge members of the CT Joint Committee on Insurance and real Estate to vote YES on Raised Bill SB903 and respectfully recommend increasing the exception based on the number of employees from fewer than 10 to fewer than 20.
NATURE AND SOURCES OF OPPOSITION:

**American Council of Life Insurers (ACLI)** – They oppose the current form of SB 903. They state that federal and state privacy laws requiring life insurers to protect the confidentiality and security of their customers personal information already exists.

**American Property Casualty Insurance Association (APCIA)** – The APCIA urges the Committee to revise the legislation. They state that the bill is modeled after the NAIC’s Insurance Data Security Model Law and offers constructive observations and request technical amendments to promote clarity and reinforce the purpose of the Model law. Areas of concern are:

- **Definition of “Cybersecurity Event”:** They feel that “third party service provider” should be deleted from the definition of “Cybersecurity event.”

- **Commissioner Notice** – We feel that with the Department receiving so many notices that it may become difficult to triage the ones which require more attention, which could be detrimental to the overall effectiveness of the provisions in protecting nonpublic information. Additionally, the APCIA requests that the legislation include a materially factor in the notification to the domestic regulator requirement.

- **Consumer Notice** – APCIA believes the consumer notification requirement could be interpreted to create consumer notice obligations beyond those already required by law. SB903 should be amended consistent with the NAIC model to simply direct licensees to comply with existing consumer notification obligations. The NAIC model law purposefully did not address consumer notice obligations other than to direct licensee’s to comply with the state’s general breach notification law, as applicable. APCIA believes SB903 should do the same.

- **Definition of “Information System”**: The definition should reference “Nonpublic information” not just “information.”

- **Exclusivity** – We encourage the inclusion of statement in the law establishing that the model is to serve as the exclusive data security standards for the insurance industry to avoid future conflicts as well.

- **Security Measures** – We urge the Legislature to take an approach of recognizing that not all employees require the same cybersecurity awareness training and that such training should be on an as needed basis to keep pace with the evolving threat landscape.

- **Producer Notice** – APCIA recommends establishing a trigger for notification to a producer based on when notice to a customer is required. By the Connecticut breach notification statute. Additionally, we recommend replacing “as soon as practicable as directed by the Commissioner” with “no later than the time at which notice is provided to the affected Consumers.”

- **Uniformity** – We urge consistency in the drafting note of the bill.

**Insurance Association of Connecticut, (IAC)** – The IAC is a member of the American Property and Casualty Insurers of America (APCIA) and they have a number of common members. The AIC fully endorses the APCIA’s testimony as stated above.

**Connecticut Association of Health Plans** – Members have some concerns with the language as drafted and its overlay with current law. They have reached out to the Connecticut Department of Insurance to discuss concerns.

**Warren Ruppar, President, Independent Insurance Agents of Connecticut, Inc.** – The corporation is unclear as to why this bill is necessary and how the listing law is inadequate.
Insurance agents today are already required by state and federal law to establish security measures and information security programs, and are unaware of problems that exist in the marketplace and the outcomes not occurring today that would occur following the bill’s passage. They believe it is a mistake to establish unique data security standards for the insurance industry. A fundamental problem with the bill is that it forces insurance licensees to police the actions of larger and more sophisticated vendors. Two concerns cited are:

**Scope/Application to Small Licensees:** Subsection (j) of this bill appropriately includes an exemption for certain small licensees, but the scope of this provision is too narrow.

**Third Party Service Provider Issues:** One of our most significant concerns is the manner in which the proposal imposes unrealistic burdens and duties on licensees in relation to their engagement with third party service providers. It is inefficient, ineffective, and unreasonable to expect licensees to oversee and dictate the data security practices of much larger and geographically distant vendors.

Reported by:  Dawn Silveira  
Date: 3/28/19