

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2003

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SENATE BILL 966
House Committee Substitute Favorable 6/5/03

Short Title: Insurance Personal Info. Safeguards.

(Public)

Sponsors:

Referred to:

April 3, 2003

1 A BILL TO BE ENTITLED
2 AN ACT TO REQUIRE INSURERS TO IMPLEMENT SAFEGUARDS FOR THE
3 PROTECTION OF CUSTOMER INFORMATION, PURSUANT TO THE
4 PROVISIONS OF THE GRAMM-LEACH-BLILEY ACT.

5 The General Assembly of North Carolina enacts:

6 SECTION 1. The heading for Article 39 of Chapter 58 of the General
7 Statutes reads as rewritten:

8 "Article 39.

9 ~~Insurance Information and Privacy Protection Act.~~

10 Consumer and Customer Information Privacy."

11 SECTION 2. Article 39 of Chapter 58 of the General Statutes is amended
12 by:

13 (1) Designating G.S. 58-39-1 through G.S. 58-39-76 as:

14 "Part 1. Insurance Information and Privacy Protection."

15 (2) Designating G.S. 58-39-80 through G.S. 58-39-125 as:

16 "Part 2. Enforcement, Sanctions, Remedies, and Rights." and

17 (3) Recodifying G.S. 58-39-70 as G.S. 58-39-125.

18 SECTION 3. G.S. 58-39-1 reads as rewritten:

19 "§ 58-39-1. Short title, titles.

20 This Article may be cited as the Consumer and Customer Information Privacy Act.
21 Part 1 of this Article may be cited as the Insurance Information and Privacy Protection
22 Act. Part 3 of this Article may be cited as the Customer Information Safeguards Act."

23 SECTION 4. Article 39 of Chapter 58 of the General Statutes is amended by
24 adding a new Part to read:

25 "Part 3. Customer Information Safeguards.

26 "§ 58-39-130. Purpose.

27 The purpose of this Part is to establish standards for developing and implementing
28 administrative, technical, and physical safeguards to protect the security, confidentiality,
29 and integrity of customer information, as required by sections 501, 505(b), and 507 of

1 the federal Gramm-Leach-Bliley Act (Public Law 106-102), codified as 15 U.S.C. §§
2 6801, 6805(b), and 6807. The purpose of this Part is also to provide privacy and security
3 protection consistent with federal regulations governing the privacy and security of
4 medical records when this Part is consistent with those federal regulations. In those
5 instances in which this Part and the federal regulations are inconsistent and this Part
6 provides privacy and security protection beyond that offered by the federal regulations,
7 the purpose of this Part is to provide that additional privacy and security protection.

8 **"§ 58-39-135. Scope.**

9 The safeguards established under this Part apply to all customer information as
10 defined in G.S. 58-39-140.

11 **"§ 58-39-140. Definitions.**

12 As used in this Part, in addition to the definitions in G.S. 58-39-15:

- 13 (1) 'Customer' means an applicant with or policyholder of a licensee.
14 (2) 'Customer information' means nonpublic personal information about a
15 customer, whether in paper, electronic, or other form that is maintained
16 by or on behalf of the licensee.
17 (3) 'Customer information systems' means the electronic or physical
18 methods used to access, collect, store, use, transmit, protect, or dispose
19 of customer information.
20 (4) 'Licensee' means any producer, as defined in G.S. 58-33-10(7), insurer,
21 MEWA, HMO, or service corporation governed by this Chapter.
22 'Licensee' does not mean:
23 a. An insurance-support organization.
24 b. A licensee who is a natural person operating within the scope of
25 the licensee's employment by or affiliation with an insurer or
26 producer.
27 c. A surplus lines insurer or licensee under Article 21 of this
28 Chapter.
29 (5) 'Service provider' means a person that maintains, processes, or
30 otherwise is permitted access to customer information through its
31 provision of services directly to the licensee and includes an insurance
32 support organization.

33 **"§ 58-39-145. Information security program.**

34 Each licensee shall implement a comprehensive written information security
35 program that includes administrative, technical, and physical safeguards for the
36 protection of customer information. The administrative, technical, and physical
37 safeguards included in the information security program shall be appropriate to the size
38 and complexity of the licensee and the nature and scope of its activities.

39 **"§ 58-39-150. Objectives of information security program.**

40 A licensee's information security program shall be designed to:

- 41 (1) Ensure the security and confidentiality of customer information;
42 (2) Protect against any anticipated threats or hazards to the security or
43 integrity of the information; and

1 (3) Protect against unauthorized access to or use of the information that
2 could result in substantial harm or inconvenience to any customer.

3 **"§ 58-39-155. Rules.**

4 The Commissioner may adopt rules that the Commissioner deems necessary to carry
5 out the purposes of this Part, including rules that govern licensee oversight of service
6 providers with which it contracts or has a relationship.

7 **"§ 58-39-160. Violation.**

8 A violation of G.S. 58-39-145 or G.S. 58-39-150 subjects the violator to Part 2 of
9 this Article.

10 **"§ 58-39-165. Effective date.**

11 Each licensee shall establish an information security program, including appropriate
12 policies and systems under this Part by April 1, 2005."

13 **SECTION 5.** This act is effective when it becomes law.