

September 12, 2018

The Honorable Jeb Hensarling  
Chairman  
Committee on Financial Services  
U.S. House of Representatives  
2129 Rayburn House Office Building  
Washington, DC 20515

The Honorable Maxine Waters  
Ranking Member  
Committee on Financial Services  
U.S. House of Representatives  
4340 Thomas P. O'Neill, Jr. Federal Office Bldg.  
Washington, DC 20515

Dear Chairman Hensarling and Ranking Member Waters:

On behalf of the National Association of Insurance Commissioners (NAIC)<sup>1</sup>, we write today in opposition to the “Consumer Information Notification Requirement Act (H.R. 6743).” While we appreciate the legislation’s goal of promoting effective cybersecurity risk management and data protection safeguards, we have serious concerns that the bill’s language would significantly limit state insurance regulators from protecting consumers in their state.

H.R. 6743 would broadly preempt all state laws and regulations and prohibit states, the primary regulators of the insurance sector, from imposing any stronger requirements for insurance consumer protection. All states have standards that comply with the Gramm-Leach-Bliley Act and we continue to enhance safeguards to protect the security of insurance customer information through standards, examination processes, and model laws. Most recently, the NAIC adopted the Insurance Data Security Model Law to update state insurance regulatory requirements relating to data security, the investigation of a cyber event, and the notification to state insurance commissioners of cybersecurity events at regulated entities. H.R. 6743 disregards the existing state insurance regulatory framework and would inhibit ongoing efforts in the states to adopt data security laws and regulations in the best interest of insurance consumers.

In addition to the explicit preemption of state laws, the legislation undercuts state insurance regulators’ authority to protect their own state’s residents when a data security breach occurs. The bill assigns enforcement of its federal data security requirements to an insurer’s state of domicile, which may be far removed from the location of consumers who are harmed by a data breach. Under current laws and regulations, if policyholders from one state are affected by a breach at an insurer domiciled in another state, both insurance departments work with the company to ensure all policyholders are appropriately protected moving forward, regardless of where they are located. Under this bill, only one regulator would have authority to require mitigation for policyholders from a breached insurer. This could leave consumers less protected. It is fundamentally at odds with the state-based regulatory regime, which recognizes that

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<sup>1</sup> Founded in 1871, the NAIC is the U.S. standard-setting and regulatory support organization created and governed by the chief insurance regulators from the 50 states, the District of Columbia and the five U.S. territories. Through the NAIC, state insurance regulators establish standards and best practices, conduct peer review, and coordinate their regulatory oversight. NAIC members, together with the central resources of the NAIC, form the national system of state-based insurance regulation in the U.S.

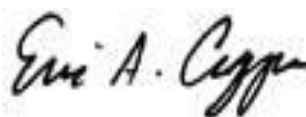
those insurance regulators that have expertise and experience with a local insurance market are best positioned to protect a state's insurance consumers. We recognize that consistent standards around the country are important, but because further cyber attacks and data breaches are inevitable, it is even more important for a regulator to have the power to act and help remedy the situation on behalf of his or her constituents and yours.

For these reasons, the NAIC urges the committee to oppose H.R. 6743, which would limit state insurance authorities to protect insurance policyholders in all states and undermine existing state consumer protections. It is critically important that federal legislation preserve state insurance regulatory authority so that we can continue working in the best interests of insurance consumers. Thank you for your consideration of our perspective. If you have any questions, please don't hesitate to contact Ethan Sonnichsen, Managing Director, Government Relations at [esonnichsen@naic.org](mailto:esonnichsen@naic.org) or Mark Sagat, Assistant Director Financial Policy and Legislation, at [msagat@naic.org](mailto:msagat@naic.org).

Sincerely,



Julie Mix McPeak  
NAIC President  
Commissioner  
Tennessee Department of  
Commerce & Insurance



Eric A. Cioppa  
NAIC President-Elect  
Superintendent  
Maine Bureau of Insurance



Raymond G. Farmer  
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Michael F. Consedine  
Chief Executive Officer  
National Association of Insurance  
Commissioners

cc: Members of the House Committee on Financial Services