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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2024

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A N A C T

RELATING TO INSURANCE -- EXAMINATIONS

Introduced By: Senator V. Susan Sosnowski

Date Introduced: March 22, 2024

Referred To: Senate Commerce

(Dept. of Business Regulation)

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 27-13.1-3 of the General Laws in Chapter 27-13.1 entitled  
2 "Examinations" is hereby amended to read as follows:

3 **27-13.1-3. Authority, scope, and scheduling of examinations.**

4 (a) The director or any of ~~his or her~~ [the director's](#) examiners may conduct an examination  
5 under this chapter of any company as often as the director in ~~his or her~~ [the director's](#) sole discretion  
6 deems appropriate, but shall, at a minimum, conduct an examination of every insurer licensed in  
7 this state not less frequently than once every five (5) years. In scheduling and determining the  
8 nature, scope, and frequency of the examinations, the director shall consider such matters as the  
9 results of financial statement analyses and ratios, changes in management or ownership, actuarial  
10 opinions, reports of independent certified public accountants, and other criteria as set forth in the  
11 Financial Condition Examiners' Handbook adopted by the National Association of Insurance  
12 Commissioners and in effect when the director exercises discretion under this section.

13 (b) For purposes of completing an examination of a company under this chapter, the  
14 director may examine or investigate any person, or the business of any person, in so far as the  
15 examination or investigation is, in the sole discretion of the director, necessary or material to the  
16 examination of the company.

17 (c) In lieu of an examination under this chapter of a foreign or alien insurer licensed in this  
18 state, the director may accept an examination report on the company as prepared by the insurance  
19 department for the company's state of domicile or port of entry state only if:

1 (1) The insurance department was at the time of the examination accredited under the  
2 National Association of Insurance Commissioners' financial regulation standards and accreditation  
3 program; or

4 (2) The examination is performed under the supervision of an accredited insurance  
5 department or with the participation of one or more examiners who are employed by an accredited  
6 state insurance department and who, after a review of the examination work papers and report, state  
7 under oath that the examination was performed in a manner consistent with the standards and  
8 procedures required by their insurance department.

9 (d) The commissioner shall have power to examine and investigate the affairs of any  
10 insurer to determine whether the insurer has been or is engaged in any conduct in violation of this  
11 title.

12 SECTION 2. Chapter 27-1 of the General Laws entitled "Domestic Insurance Companies"  
13 is hereby amended by adding thereto the following sections:

14 **27-1-46. Information security program.**

15 (a) Commensurate with the size and complexity of an insurer, the nature and scope of an  
16 insurer's activities, including its use of third-party service providers, and the sensitivity of the  
17 nonpublic information used by the insurer or in the insurer's possession, custody or control, each  
18 domestic insurance company shall develop, implement, and maintain a comprehensive written  
19 information security program, based on the insurer's risk assessment and that contains  
20 administrative, technical, and physical safeguards for the protection of nonpublic information and  
21 the insurer's information system. For purposes of this chapter, "information security program"  
22 means the administrative, technical, and physical safeguards that an insurer uses to access, collect,  
23 distribute, process, protect, store, use, transmit, dispose of, or otherwise handle, nonpublic  
24 information. "Publicly available information" means any information that a licensee has a  
25 reasonable basis to believe is lawfully made available to the general public from: federal, state or  
26 local government records; widely distributed media; or disclosures to the general public that are  
27 required to be made by federal, state or local law. "Nonpublic information" means information that  
28 is not publicly available information and is:

29 (1) Business related information of a licensee, the tampering with which, or unauthorized  
30 disclosure, access, or use of which, would cause a material adverse impact to the business,  
31 operations or security of the licensee;

32 (2) Any information concerning a consumer which because of name, number, personal  
33 mark, or other identifier can be used to identify such consumer, in combination with any one or  
34 more of the following data elements:

1           (i) Social security number;  
2           (ii) Driver’s license number or non-driver identification card number;  
3           (iii) Account number, credit, or debit card number;  
4           (iv) Any security code, access code, or password that would permit access to a consumer’s  
5 financial account; or  
6           (v) Biometric records.  
7           (3) Any information or data, except age or gender, in any form or medium created by or  
8 derived from a health care provider or a consumer and that relates to:  
9           (i) The past, present, or future physical, mental, behavioral health, or medical condition of  
10 any consumer or a member of the consumer’s family;  
11           (ii) The provision of health care to any consumer; or  
12           (iii) Payment for the provision of health care to any consumer.  
13           (b) Objectives of information security program. An insurer's information security program  
14 shall be designed to:  
15           (1) Protect the security and confidentiality of nonpublic information and the security of the  
16 information system;  
17           (2) Protect against any threats or hazards to the security or integrity of nonpublic  
18 information and the information system;  
19           (3) Protect against unauthorized access to or use of nonpublic information, and minimize  
20 the likelihood of harm to any consumer. For purposes of this section, “consumer” means an  
21 individual, including, but not limited to, applicants, policyholders, insureds, beneficiaries,  
22 claimants, and certificate holders, who is a resident of this state and whose nonpublic information  
23 is in an insurer’s possession, custody or control; and  
24           (4) Define and periodically reevaluate a schedule for retention of nonpublic information  
25 and a mechanism for its destruction when no longer needed.  
26           (c) Risk assessment. The insurer shall:  
27           (1) Designate one or more employees, an affiliate, or an outside vendor designated to act  
28 on behalf of the insurer who is responsible for the information security program;  
29           (2) Identify reasonably foreseeable internal or external threats that could result in  
30 unauthorized access, transmission, disclosure, misuse, alteration or destruction of nonpublic  
31 information, including the security of information systems and nonpublic information that are  
32 accessible to, or held by, third-party service providers. “Third-party service providers” means a  
33 person, not otherwise defined as a licensee, that contracts with a licensee to maintain, process, store,  
34 or otherwise is permitted access to nonpublic information through its provision of services to the

1 licensee:

2 (3) Assess the likelihood and potential damage of these threats, taking into consideration

3 the sensitivity of the nonpublic information;

4 (4) Assess the sufficiency of policies, procedures, information systems and other

5 safeguards in place to manage these threats, including consideration of threats in each relevant area

6 of the insurer's operations, including:

7 (i) Employee training and management;

8 (ii) Information systems, including network and software design, as well as information

9 classification, governance, processing, storage, transmission, and disposal; and

10 (iii) Detecting, preventing, and responding to attacks, intrusions, or other systems failures;

11 and

12 (5) Implement information safeguards to manage the threats identified in its ongoing

13 assessment, and no less than annually, assess the effectiveness of the safeguards' key controls,

14 systems, and procedures.

15 (d) Risk management. Based on its risk assessment, the insurer shall:

16 (1) Design its information security program to mitigate the identified risks, commensurate

17 with the size and complexity of the insurer's activities, including its use of third-party service

18 providers, and the sensitivity of the nonpublic information used by the insurer or in the insurer's

19 possession, custody or control;

20 (2) Determine which security measures listed below are appropriate and implement such

21 security measures:

22 (i) Place access controls on information systems, including controls to authenticate and

23 permit access only to authorized individuals to protect against the unauthorized acquisition of

24 nonpublic information. "Authorized individual" means an individual known to and screened by the

25 insurer, and determined to be necessary and appropriate to have access to the nonpublic information

26 held by the insurer, and the insurer's information systems;

27 (ii) Identify and manage the data, personnel, devices, systems, and facilities that enable the

28 organization to achieve business purposes in accordance with their relative importance to business

29 objectives and the organization's risk strategy;

30 (iii) Restrict access at physical locations containing nonpublic information only to

31 authorized individuals;

32 (iv) Protect, by encryption or other appropriate means, all nonpublic information while

33 being transmitted over an external network and all nonpublic information stored on a laptop

34 computer or other portable computing or storage device or media;

1           (v) Adopt secure development practices for in-house developed applications utilized by the  
2 insurer and procedures for evaluating, assessing or testing the security of externally developed  
3 applications utilized by the insurer.

4           (vi) Modify the information system in accordance with the insurer's information security  
5 program;

6           (vii) Utilize effective controls, which may include multi-factor authentication procedures  
7 for any individual accessing nonpublic information;

8           (viii) Regularly test and monitor systems and procedures to detect actual and attempted  
9 attacks on, or intrusions into, information systems;

10          (ix) Include audit trails within the information security program designed to detect and  
11 respond to cybersecurity events and designed to reconstruct material financial transactions  
12 sufficient to support normal operations and obligations of the insurer;

13          (x) Implement measures to protect against destruction, loss, or damage of nonpublic  
14 information due to environmental hazards, such as fire and water damage or other catastrophes or  
15 technological failures; and

16          (xi) Develop, implement, and maintain procedures for the secure disposal of nonpublic  
17 information in any format;

18          (3) Include cybersecurity risks in the insurer's enterprise risk management process;

19          (4) Stay informed regarding emerging threats or vulnerabilities and utilize reasonable  
20 security measures when sharing information relative to the character of the sharing and the type of  
21 information shared; and

22          (5) Provide its personnel with cybersecurity awareness training that is updated as necessary  
23 to reflect risks identified by the insurer in the risk assessment.

24          (e) Oversight by board of directors. If the insurer has a board of directors, the board or an  
25 appropriate committee of the board shall, at a minimum:

26                 (1) Require the insurer's executive management or its designees to develop, implement,  
27 and maintain the insurer's information security program;

28                 (2) Require the insurer's executive management or its designees to report in writing at least  
29 annually, the following information:

30                         (i) The overall status of the information security program and the insurer's compliance with  
31 this chapter; and

32                         (ii) Material matters related to the information security program, addressing issues such as  
33 risk assessment, risk management and control decisions, third-party service provider arrangements,  
34 results of testing, cybersecurity events or violations and management's responses thereto, or

1 recommendations for changes in the information security program; and

2 (3) If executive management delegates any of its responsibilities pursuant to this section,  
3 it shall oversee the development, implementation and maintenance of the insurer's information  
4 security program prepared by the designee(s) and shall receive a report from the designee(s)  
5 complying with the requirements of the report to the board of directors.

6 (f) Oversight of third-party service provider arrangements.

7 (1) An insurer shall exercise due diligence in selecting its third-party service provider; and  
8 (2) An insurer shall take reasonable steps to request a third-party service provider to  
9 implement appropriate administrative, technical, and physical measures to protect and secure the  
10 information systems and nonpublic information that are accessible to, or held by, the third-party  
11 service provider.

12 (g) Program adjustments. The insurer shall monitor, evaluate and adjust, as appropriate,  
13 the information security program consistent with any relevant changes in technology, the sensitivity  
14 of its nonpublic information, internal or external threats to information, and the insurer's own  
15 changing business arrangements, such as mergers and acquisitions, alliances and joint ventures,  
16 outsourcing arrangements and changes to information systems.

17 (h) Incident response plan:

18 (1) As part of its information security program, each insurer shall establish a written  
19 incident response plan designed to promptly respond to, and recover from, any cybersecurity event  
20 that compromises the confidentiality, integrity or availability of nonpublic information in its  
21 possession, the insurer 's information systems, or the continuing functionality of any aspect of the  
22 insurer 's business or operations;

23 (2) Such incident response plan shall address the following areas:

24 (i) The internal process for responding to a cybersecurity event;  
25 (ii) The goals of the incident response plan;  
26 (iii) The definition of clear roles, responsibilities and levels of decision-making authority;  
27 (iv) External and internal communications and information sharing;  
28 (v) Identification of requirements for the remediation of any identified weaknesses in  
29 information systems and associated controls;

30 (vi) Documentation and reporting regarding cybersecurity events and related incident  
31 response activities; and

32 (vii) The evaluation and revision as necessary of the incident response plan following a  
33 cybersecurity event.

34 (3) If the insurer learns that a cybersecurity event has or have occurred, the insurer, or

1 an outside vendor and/or service provider designated to act on behalf of the insurer, shall conduct  
2 a prompt investigation. For purposes of this section, “cybersecurity event” means an event resulting  
3 in unauthorized access to, disruption or misuse of, an information system or nonpublic information  
4 stored on such information system. This does not include the unauthorized acquisition of encrypted  
5 nonpublic information if the encryption, process or key is not also acquired, released, or used  
6 without authorization. This also does not include an event with regard to which the insurer has  
7 determined that the nonpublic information accessed by an unauthorized person has not been used  
8 or released and has been returned or destroyed.

9 (i) During the investigation, the insurer, or an outside vendor and/or service provider  
10 designated to act on behalf of the insurer, shall, at a minimum, determine as much of the following  
11 information as possible:

12 (A) Whether a cybersecurity event has occurred;

13 (B) Assess the nature and scope of the cybersecurity event;

14 (C) Identify any nonpublic information that may have been involved in the cybersecurity  
15 event; and

16 (D) Perform or oversee reasonable measures to restore the security of the information  
17 systems compromised in the cybersecurity event in order to prevent further unauthorized  
18 acquisition, release or use of nonpublic information in the insurer's possession, custody or control.

19 (ii) If the insurer learns that a cybersecurity event has or may have occurred in a system  
20 maintained by a third-party service provider, and it has or may have impacted the insurer's  
21 nonpublic information, the insurer shall make reasonable efforts to complete the steps set forth in  
22 subsection (a) of this section or make reasonable efforts to confirm and document that the third-  
23 party service provider has completed those steps.

24 (iii) The insurer shall maintain records concerning all cybersecurity events for a period of  
25 at least five (5) years from the date of the cybersecurity event. The insurer shall produce those  
26 records upon demand of the commissioner pursuant to chapter 13.1 of title 27 or other statutory  
27 authority.

28 (i) Annually, each insurer domiciled in this state shall submit to the commissioner a written  
29 statement by April 15 certifying that the insurer is in compliance with the requirements set forth in  
30 this section. Each insurer shall maintain for examination by the department all records, schedules  
31 and data supporting this certificate for a period of five (5) years. To the extent an insurer has  
32 identified areas, systems or processes that require material improvement, updating or redesign, the  
33 insurer shall document the identification and the remedial efforts planned and underway to address  
34 such areas, systems or processes. This documentation must be available for inspection by the

1 commissioner pursuant to a request under chapter 13.1 of title 27 or other statutory authority.

2 **27-1-47. Notification of a cybersecurity event.**

3 (a) Each domestic insurer shall notify the commissioner as promptly as possible but in no  
4 event later than three (3) business days from a determination that a cybersecurity event has occurred  
5 when either of the following criteria has been met:

6 (1) A cybersecurity event impacting the insurer of which notice is required to be provided  
7 to any government body, self-regulatory agency or any other supervisory body pursuant to any state  
8 or federal law; or

9 (2) A cybersecurity event that has a reasonable likelihood of materially harming:

10 (i) Any consumer residing in this state; or

11 (ii) Any material part of the normal operation(s) of the insurer.

12 (b) The insurer shall provide any information required by this section in electronic form as  
13 directed by the commissioner. The insurer shall have a continuing obligation to update and  
14 supplement initial and subsequent notifications to the commissioner concerning the cybersecurity  
15 event. The insurer shall provide as much of the following information as possible. The insurer  
16 should indicate whether it is making claims under chapter 2 of title 38 to any of the information  
17 provided. The following information shall be provided:

18 (1) Date of the cybersecurity event;

19 (2) Description of how the information was exposed, lost, stolen, or breached, including  
20 the specific roles and responsibilities of third-party service providers, if any;

21 (3) How the cybersecurity event was discovered;

22 (4) Whether any lost, stolen, or breached information has been recovered and if so, how  
23 this recovery was achieved;

24 (5) The identity of the source of the cybersecurity event;

25 (6) Whether the insurer has filed a police report or has notified any regulatory, government  
26 or law enforcement agencies and, if so, when such notification was provided;

27 (7) Description of the specific types of information acquired without authorization.  
28 Specific types of information consisting of particular data elements including, for example, types  
29 of medical information, types of financial information or types of information allowing  
30 identification of the consumer;

31 (8) The period during which the information system was compromised by the cybersecurity  
32 event;

33 (9) The number of total consumers in this state affected by the cybersecurity event. The  
34 insurer shall provide the best estimate in the initial report to the commissioner and update this



1 estimate with each subsequent report to the commissioner pursuant to this section;

2 (10) The results of any internal review identifying a lapse in either automated controls or  
3 internal procedures, or confirming that all automated controls or internal procedures were followed;

4 (11) Description of efforts being undertaken to remediate the situation which permitted the  
5 cybersecurity event to occur;

6 (12) A copy of the insurer privacy policy and a statement outlining the steps the insurer  
7 will take to investigate and notify consumers affected by the cybersecurity event; and

8 (13) Name of a contact person who is both familiar with the cybersecurity event and  
9 authorized to act for the insurer.

10 (c) An insurer shall comply with chapter 49.3 of title 11, as applicable, and provide a copy  
11 of the notice sent to consumers under that chapter to the commissioner, when an insurer is required  
12 to notify the commissioner.

13 (d) Notice regarding cybersecurity events of third-party service providers:

14 (1) In the case of a cybersecurity event involving an insurer's nonpublic information in a  
15 system maintained by a third-party service provider, of which the insurer has become aware, the  
16 insurer shall treat that event as it would under subsection (a) of this section;

17 (2) The computation of the insurer's deadlines shall begin on the day after the third-party  
18 service provider notifies the insurer of the cybersecurity event or the insurer otherwise has actual  
19 knowledge of the cybersecurity event, whichever is sooner;

20 (3) Nothing in this chapter shall prevent or abrogate an agreement between an insurer and  
21 another insurer, a third-party service provider or any other party to fulfill any of the investigation  
22 requirements or notice requirements imposed under this section.

23 (e) Notice regarding cybersecurity events of reinsurers to insurers:

24 (1)(i) In the case of a cybersecurity event involving nonpublic information that is used by  
25 the insurer that is acting as an assuming insurer or in the possession, custody or control of an insurer  
26 that is acting as an assuming insurer and that does not have a direct contractual relationship with  
27 the affected consumers, the assuming insurer shall notify its affected ceding insurers and the  
28 commissioner of its state of domicile within seventy-two (72) hours of making the determination  
29 that a cybersecurity event has occurred;

30 (ii) The ceding insurers that have a direct contractual relationship with affected consumers  
31 shall fulfill the consumer notification requirements imposed under chapter 49.3 of title 11,  
32 ("identity theft protection act of 2015"), and any other notification requirements relating to a  
33 cybersecurity event imposed under this section.

34 (2)(i) In the case of a cybersecurity event involving nonpublic information that is in the

1 possession, custody or control of a third-party service provider of an insurer that is an assuming  
2 insurer, the assuming insurer shall notify its affected ceding insurers and the commissioner of its  
3 state of domicile within seventy-two (72) hours of receiving notice from its third-party service  
4 provider that a cybersecurity event has occurred;

5 (ii) The ceding insurers that have a direct contractual relationship with affected consumers  
6 shall fulfill the consumer notification requirements imposed under chapter 49.3 of title 11 and any  
7 other notification requirements relating to a cybersecurity event imposed under this section.

8 (f) Notice regarding cybersecurity events of insurers to producers of record.

9 (1) In the case of a cybersecurity event involving nonpublic information that is in the  
10 possession, custody or control of an insurer that is an insurer or its third-party service provider and  
11 for which a consumer accessed the insurer's services through an independent insurance producer,  
12 the insurer shall notify the producers of record of all affected consumers as soon as practicable as  
13 directed by the commissioner.

14 (2) The insurer is excused from this obligation for those instances in which it does not have  
15 the current producer of record information for any individual consumer.

16 SECTION 3. Chapter 27-2 of the General Laws entitled "Foreign Insurance Companies"  
17 is hereby amended by adding thereto the following sections:

18 **27-2-29. Information security program.**

19 (a) Commensurate with the size and complexity of an insurer, the nature and scope of an  
20 insurers activities, including its use of third-party service providers, and the sensitivity of the  
21 nonpublic information used by the insurer or in the insurer's possession, custody or control, each  
22 foreign insurance company shall develop, implement, and maintain a comprehensive written  
23 information security program, based on the insurer's risk assessment and that contains  
24 administrative, technical, and physical safeguards for the protection of nonpublic information and  
25 the insurer's information system. For purposes of this section, "information security program"  
26 means the administrative, technical, and physical safeguards that an insurer uses to access, collect,  
27 distribute, process, protect, store, use, transmit, dispose of, or otherwise handle nonpublic  
28 information. "Publicly available information" means any information that a licensee has a  
29 reasonable basis to believe is lawfully made available to the general public from: federal, state or  
30 local government records; widely distributed media; or disclosures to the general public that are  
31 required to be made by federal, state or local law. "Nonpublic information" means information that  
32 is not publicly available information and is:

33 (1) Business related information of a licensee, the tampering with which, or unauthorized  
34 disclosure, access or use of which, would cause a material adverse impact to the business,

1 operations or security of the licensee;

2 (2) Any information concerning a consumer which because of name, number, personal  
3 mark, or other identifier can be used to identify such consumer, in combination with any one or  
4 more of the following data elements:

5 (i) Social security number;

6 (ii) Driver's license number or non-driver identification card number;

7 (iii) Account number, credit or debit card number;

8 (iv) Any security code, access code or password that would permit access to a consumer's  
9 financial account; or

10 (v) Biometric records;

11 (3) Any information or data, except age or gender, in any form or medium created by or  
12 derived from a health care provider or a consumer and that relates to:

13 (i) The past, present or future physical, mental, behavioral health, or medical condition of  
14 any consumer or a member of the consumer's family;

15 (ii) The provision of health care to any consumer; or

16 (iii) Payment for the provision of health care to any consumer.

17 (b) Objectives of information security program. An insurer's information security program  
18 shall be designed to:

19 (1) Protect the security and confidentiality of nonpublic information and the security of the  
20 information system.

21 (2) Protect against any threats or hazards to the security or integrity of nonpublic  
22 information and the information system;

23 (3) Protect against unauthorized access to or use of nonpublic information, and minimize  
24 the likelihood of harm to any consumer. For the purposes of this section "consumer" means an  
25 individual, including, but not limited to, applicants, policyholders, insureds, beneficiaries,  
26 claimants, and certificate holders who is a resident of this state and whose nonpublic information  
27 is in an insurer's possession, custody or control.; and

28 (4) Define and periodically reevaluate a schedule for retention of nonpublic information  
29 and a mechanism for its destruction when no longer needed.

30 (c) Risk assessment. The insurer shall:

31 (1) Designate one or more employees, an affiliate, or an outside vendor designated to act  
32 on behalf of the insurer who is responsible for the information security program;

33 (2) Identify reasonably foreseeable internal or external threats that could result in  
34 unauthorized access, transmission, disclosure, misuse, alteration or destruction of nonpublic

1 information, including the security of information systems and nonpublic information that are  
2 accessible to, or held by, third-party service providers. For purposes of this section, “third-party  
3 service providers” means a person, not otherwise defined as a licensee, that contracts with a licensee  
4 to maintain, process, store or otherwise is permitted access to nonpublic information through its  
5 provision of services to the licensee;

6 (3) Assess the likelihood and potential damage of these threats, taking into consideration  
7 the sensitivity of the nonpublic information;

8 (4) Assess the sufficiency of policies, procedures, information systems and other  
9 safeguards in place to manage these threats, including consideration of threats in each relevant area  
10 of the insurer 's operations, including:

11 (i) Employee training and management;

12 (ii) Information systems, including network and software design, as well as information  
13 classification, governance, processing, storage, transmission, and disposal; and

14 (iii) Detecting, preventing, and responding to attacks, intrusions, or other systems failures;  
15 and

16 (5) Implement information safeguards to manage the threats identified in its ongoing  
17 assessment, and no less than annually, assess the effectiveness of the safeguards' key controls,  
18 systems, and procedures.

19 (d) Risk management. Based on its risk assessment, the insurer shall:

20 (1) Design its information security program to mitigate the identified risks, commensurate  
21 with the size and complexity of the insurer's activities, including its use of third-party service  
22 providers, and the sensitivity of the nonpublic information used by the insurer or in the insurer's  
23 possession, custody or control;

24 (2) Determine which security measures listed below are appropriate and implement such  
25 security measures:

26 (i) Place access controls on information systems, including controls to authenticate and  
27 permit access only to authorized individuals to protect against the unauthorized acquisition of  
28 nonpublic information. Authorized individual means an individual known to and screened by the  
29 insurer and determined to be necessary and appropriate to have access to the nonpublic information  
30 held by the insurer and its information systems;

31 (ii) Identify and manage the data, personnel, devices, systems, and facilities that enable the  
32 organization to achieve business purposes in accordance with their relative importance to business  
33 objectives and the organization's risk strategy;

34 (iii) Restrict access at physical locations containing nonpublic information only to

1 authorized individuals;

2 (iv) Protect, by encryption or other appropriate means, all nonpublic information while

3 being transmitted over an external network and all nonpublic information stored on a laptop

4 computer or other portable computing or storage device or media;

5 (v) Adopt secure development practices for in-house developed applications utilized by the

6 insurer and procedures for evaluating, assessing or testing the security of externally developed

7 applications utilized by the insurer;

8 (vi) Modify the information system in accordance with the insurer's information security

9 program;

10 (vii) Utilize effective controls, which may include multi-factor authentication procedures

11 for any individual accessing nonpublic information;

12 (viii) Regularly test and monitor systems and procedures to detect actual and attempted

13 attacks on, or intrusions into, information systems;

14 (ix) Include audit trails within the information security program designed to detect and

15 respond to cybersecurity events and designed to reconstruct material financial transactions

16 sufficient to support normal operations and obligations of the insurer;

17 (x) Implement measures to protect against destruction, loss, or damage of nonpublic

18 information due to environmental hazards, such as fire and water damage or other catastrophes or

19 technological failures; and

20 (xi) Develop, implement, and maintain procedures for the secure disposal of nonpublic

21 information in any format;

22 (3) Include cybersecurity risks in the insurer 's enterprise risk management process;

23 (4) Stay informed regarding emerging threats or vulnerabilities and utilize reasonable

24 security measures when sharing information relative to the character of the sharing and the type of

25 information shared; and

26 (5) Provide its personnel with cybersecurity awareness training that is updated as necessary

27 to reflect risks identified by the insurer in the risk assessment.

28 (e) Oversight by board of directors. If the insurer has a board of directors, the board or an

29 appropriate committee of the board shall, at a minimum:

30 (1) Require the insurer's executive management or its designees to develop, implement,

31 and maintain the insurer's information security program;

32 (2) Require the insurer's executive management or its designees to report in writing at least

33 annually, the following information:

34 (i) The overall status of the information security program and the insurer's compliance with

1 this chapter; and

2 (ii) Material matters related to the information security program, addressing issues such as  
3 risk assessment, risk management and control decisions, third-party service provider arrangements,  
4 results of testing, cybersecurity events or violations and management's responses thereto, or  
5 recommendations for changes in the information security program; and

6 (3) If executive management delegates any of its responsibilities pursuant to this section,  
7 it shall oversee the development, implementation and maintenance of the insurer's information  
8 security program prepared by the designee(s) and shall receive a report from the designee(s)  
9 complying with the requirements of the report to the board of directors.

10 (f) Oversight of third-party service provider arrangements.

11 (1) An insurer shall exercise due diligence in selecting its third-party service provider; and

12 (2) An insurer shall take reasonable steps to request a third-party service provider to  
13 implement appropriate administrative, technical, and physical measures to protect and secure the  
14 information systems and nonpublic information that are accessible to, or held by, the third-party  
15 service provider.

16 (g) Program adjustments. The insurer shall monitor, evaluate and adjust, as appropriate,  
17 the information security program consistent with any relevant changes in technology, the sensitivity  
18 of its nonpublic information, internal or external threats to information, and the insurer's own  
19 changing business arrangements, such as mergers and acquisitions, alliances and joint ventures,  
20 outsourcing arrangements and changes to information systems.

21 (h) Incident response plan:

22 (1) As part of its information security program, each insurer shall establish a written  
23 incident response plan designed to promptly respond to, and recover from, any cybersecurity event  
24 that compromises the confidentiality, integrity or availability of nonpublic information in its  
25 possession, the insurer's information systems, or the continuing functionality of any aspect of the  
26 insurer's business or operations;

27 (2) Such incident response plan shall address the following areas:

28 (i) The internal process for responding to a cybersecurity event;

29 (ii) The goals of the incident response plan;

30 (iii) The definition of clear roles, responsibilities and levels of decision-making authority;

31 (iv) External and internal communications and information sharing;

32 (v) Identification of requirements for the remediation of any identified weaknesses in  
33 information systems and associated controls;

34 (vi) Documentation and reporting regarding cybersecurity events and related incident

1 response activities; and

2 (vii) The evaluation and revision as necessary of the incident response plan following a  
3 cybersecurity event.

4 (3) If the insurer learns that a cybersecurity event has or may have occurred, the insurer, or  
5 an outside vendor and/or service provider designated to act on behalf of the insurer, shall conduct  
6 a prompt investigation. For the purposes of this section, “cybersecurity event” means an event  
7 resulting in unauthorized access to, disruption or misuse of, an information system or nonpublic  
8 information stored on such information system. This does not include the unauthorized acquisition  
9 of encrypted nonpublic information if the encryption, process, or key is not also acquired, released,  
10 or used without authorization. This also does not include an event with regard to which the insurer  
11 has determined that the nonpublic information accessed by an unauthorized person has not been  
12 used or released and has been returned or destroyed.

13 (i) During the investigation, the insurer, or an outside vendor and/or service provider  
14 designated to act on behalf of the insurer, shall, at a minimum, determine as much of the following  
15 information as possible:

16 (A) Whether a cybersecurity event has occurred;

17 (B) Assess the nature and scope of the cybersecurity event;

18 (C) Identify any nonpublic information that may have been involved in the cybersecurity  
19 event; and

20 (D) Perform or oversee reasonable measures to restore the security of the information  
21 systems compromised in the cybersecurity event in order to prevent further unauthorized  
22 acquisition, release or use of nonpublic information in the insurer's possession, custody or control.

23 (ii) If the insurer learns that a cybersecurity event has or may have occurred in a system  
24 maintained by a third-party service provider, and it has or may have impacted the insurer's  
25 nonpublic information, the insurer shall make reasonable efforts to complete the steps set forth in  
26 subsection (h)(3)(i) of this section or make reasonable efforts to confirm and document that the  
27 third-party service provider has completed those steps.

28 (iii) The insurer shall maintain records concerning all cybersecurity events for a period of  
29 at least five (5) years from the date of the cybersecurity event. The insurer and shall produce those  
30 records upon demand of the commissioner pursuant to chapter 13.1 of title 27 or other statutory  
31 authority.

32 **27-2-30. Notification of a cybersecurity event.**

33 (a) Each insurer shall notify the commissioner as promptly as possible but in no event later  
34 than three (3) business days from a determination that a cybersecurity event has occurred when the

1 insurer reasonably believes that the nonpublic information involved affects two hundred fifty (250)  
2 or more consumers residing in this state and that either of the following apply:

3 (1) A cybersecurity event impacting the insurer of which notice is required to be provided  
4 to any government body, self-regulatory agency or any other supervisory body pursuant to any state  
5 or federal law; or

6 (2) A cybersecurity event that has a reasonable likelihood of materially harming:

7 (i) Any consumer residing in this state; or

8 (ii) Any material part of the normal operation(s) of the insurer.

9 (b) The insurer shall provide any information required by this section in electronic form as  
10 directed by the commissioner. The insurer shall have a continuing obligation to update and  
11 supplement initial and subsequent notifications to the commissioner concerning the cybersecurity  
12 event. The insurer should indicate whether it is making claims under chapter 2 of title 38 to any of  
13 the information provided. The following information shall be provided:

14 (1) Date of the cybersecurity event;

15 (2) Description of how the information was exposed, lost, stolen, or breached, including  
16 the specific roles and responsibilities of third-party service providers, if any;

17 (3) How the cybersecurity event was discovered;

18 (4) Whether any lost, stolen, or breached information has been recovered and if so, how  
19 this recovery was achieved;

20 (5) The identity of the source of the cybersecurity event;

21 (6) Whether the insurer has filed a police report or has notified any regulatory, government  
22 or law enforcement agencies and, if so, when such notification was provided;

23 (7) Description of the specific types of information acquired without authorization.  
24 Specific types of information consisting of particular data elements including, for example, types  
25 of medical information, types of financial information or types of information allowing  
26 identification of the consumer;

27 (8) The period during which the information system was compromised by the cybersecurity  
28 event;

29 (9) The number of total consumers in this state affected by the cybersecurity event. The  
30 insurer shall provide the best estimate in the initial report to the commissioner and update this  
31 estimate with each subsequent report to the commissioner pursuant to this section;

32 (10) The results of any internal review identifying a lapse in either automated controls or  
33 internal procedures, or confirming that all automated controls or internal procedures were followed;

34 (11) Description of efforts being undertaken to remediate the situation which permitted the



1 cybersecurity event to occur:

2 (12) A copy of the insurer privacy policy and a statement outlining the steps the insurer  
3 will take to investigate and notify consumers affected by the cybersecurity event; and

4 (13) Name of a contact person who is both familiar with the cybersecurity event and  
5 authorized to act for the insurer.

6 (c) An insurer shall comply with chapter 49.3 of title 11, as applicable, and provide a copy  
7 of the notice sent to consumers under that chapter to the commissioner, when an insurer is required  
8 to notify the commissioner.

9 (d) Notice regarding cybersecurity events of third-party service providers:

10 (1) In the case of a cybersecurity event involving an insurer 's nonpublic information in a  
11 system maintained by a third-party service provider, of which the insurer has become aware, the  
12 insurer shall treat that event as it would under subsection (a) of this section;

13 (2) The computation of the insurer's deadlines shall begin on the day after the third-party  
14 service provider notifies the insurer of the cybersecurity event or the insurer otherwise has actual  
15 knowledge of the cybersecurity event, whichever is sooner;

16 (3) Nothing in this chapter shall prevent or abrogate an agreement between an insurer and  
17 another insurer, a third-party service provider or any other party to fulfill any of the investigation  
18 requirements imposed under § 27-1.3-5 or notice requirements imposed under this section.

19 (e) Notice regarding cybersecurity events of reinsurers to insurers:

20 (1)(i) In the case of a cybersecurity event involving nonpublic information that is used by  
21 the insurer that is acting as an assuming insurer or in the possession, custody or control of an insurer  
22 that is acting as an assuming insurer and that does not have a direct contractual relationship with  
23 the affected consumers, the assuming insurer shall notify its affected ceding insurers and the  
24 commissioner of its state of domicile within seventy-two (72) hours of making the determination  
25 that a cybersecurity event has occurred;

26 (ii) The ceding insurers that have a direct contractual relationship with affected consumers  
27 shall fulfill the consumer notification requirements imposed under chapter 49.3 of title 11,  
28 ("identity theft protection act of 2015"), and any other notification requirements relating to a  
29 cybersecurity event imposed under this section;

30 (2)(i) In the case of a cybersecurity event involving nonpublic information that is in the  
31 possession, custody or control of a third-party service provider of an insurer that is an assuming  
32 insurer, the assuming insurer shall notify its affected ceding insurers and the commissioner of its  
33 state of domicile within seventy-two (72) hours of receiving notice from its third-party service  
34 provider that a cybersecurity event has occurred;

1           (ii) The ceding insurers that have a direct contractual relationship with affected consumers  
2 shall fulfill the consumer notification requirements imposed under chapter 49.3 of title 11 and any  
3 other notification requirements relating to a cybersecurity event imposed under this section.

4           (f) Notice regarding cybersecurity events of insurers to producers of record.

5           (1) In the case of a cybersecurity event involving nonpublic information that is in the  
6 possession, custody or control of an insurer or its third-party service provider and for which a  
7 consumer accessed the insurer's services through an independent insurance producer, the insurer  
8 shall notify the producers of record of all affected consumers as soon as practicable as directed by  
9 the commissioner.

10           (2) The insurer is excused from this obligation for those instances in which it does not have  
11 the current producer of record information for any individual consumer.

12           SECTION 4. This act shall take effect on January 1, 2025.

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EXPLANATION  
BY THE LEGISLATIVE COUNCIL  
OF  
A N A C T  
RELATING TO INSURANCE -- EXAMINATIONS

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1           This act would amend the statutory provisions regarding domestic and foreign insurers and  
2 insurer examinations to provide provisions with regard to cybersecurity events involving Rhode  
3 Island consumers.

4           This act would take effect on January 1, 2025.

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LC004391  
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