PROPOSED REGULATION OF THE

COMMISSIONER OF INSURANCE

LCB FILE NO. R125-18I

The following document is the initial draft regulation proposed

by the agency submitted on 05/24/2018

PROPOSED PERMANENT REGULATION OF

THE COMMISSIONER OF INSURANCE

LCB File No. R_____-___

May 22, 2018

EXPLANATION – Matter in *italics* is new; matter in brackets [omitted material] is material to be omitted.

AUTHORITY: NRS 679B.130; NRS 679B.137

A REGULATION relating to insurance; establishes standards for developing and implementing
administrative, technical and physical safeguards to protect the security, confidentiality
and integrity of customer information, pursuant to Sections 501, 505(b), and 507 of the
Gramm-Leach-Bliley Act, codified at 15 U.S.C. 6801, 6805(b) and 6807.

Section 1. Chapter 679B of NAC is hereby amended by adding thereto a new section before

NAC 679B.876 with a new header titled "Information Security Program" to read as follows:

1. Each licensee shall implement a comprehensive written information security program

that includes administrative, technical and physical safeguards for the protection of customer

information. The administrative, technical and physical safeguards included in the

information security program shall be appropriate to the size and complexity of the license

and the nature and scope of its activities.

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

(a) Ensure the security and confidentiality of customer information;

(b) Protect against any anticipated threats or hazards to the security or integrity of the

information; and

(c) Protect against unauthorized access to or use of the information that could result in

substantial harm or inconvenience to any customer.

3.   When determining whether a licensee's security program is satisfactory, the Commissioner will consider:

(a) In order to assess risk, the licensee:

(1) Identifies reasonably foreseeable internal or external threats that could result in unauthorized disclosure, misuse, alteration or destruction of customer information or customer information systems;

(2) Assesses the likelihood and potential damage of these threats, taking into consideration the sensitivity of customer information; and

(3) Accesses the sufficiency of policies, procedures, customer information systems and other safeguards in place to control risks.

(b) In order to manage and control risk, the licensee:

(1) Designs its information security program to control the identified risks, commensurate with the sensitivity of the information, as well as the complexity and scope of the licensee's activities;

(2) Trains staff, as appropriate, to implement the licensee's information security program; and

(3) Regularly tests or otherwise regularly monitors the key controls, systems and procedures of the information security program. The frequency and nature of these tests or other monitoring practices are determined by the licensee's risk assessment.

(c) In order to oversee service provider arrangements, the licensee:

(1) Exercises appropriate due diligence in selecting its service providers; and

(2) Requires its service providers to implement appropriate measures designed to meet the objectives of this regulation, and, where indicated by the licensee's risk assessment, takes appropriate steps to confirm that its service providers have satisfied these obligations.

(d) The licensee monitors, evaluations and adjusts, as appropriate, the information security program in light of any relevant changes in technology, the sensitivity of its customer information, internal or external threats to information, and the licensee's own changing business arrangements, such as mergers and acquisitions, alliances and joint ventures, outsourcing arrangements and changes to customer information systems.

(e) Any other information the Commissioner deems relevant to the determination.

Sec. 2. NAC 679B.844 is hereby amended to read as follows:

NAC 679B.844   Annual privacy notice to customers required. (NRS 679B.130, 686A.025)

1.   A licensee shall provide a clear and conspicuous notice to customers that accurately reflects privacy policies and practices of the licensee not less than annually during the continuation of the customer relationship. A licensee may define the beginning of the period of 12 consecutive months, but the licensee must apply the period to customers on a consistent basis.

2.   A licensee provides a notice annually if the licensee:

(a) Defines the period of 12 consecutive months as a calendar year; and

(b) Provides the annual notice to the customer once in each calendar year following the calendar year in which the licensee provided the initial notice.

3.   *A licensee that provides nonpublic personal information to nonaffiliated third parties only in accordance with NAC 679B.870, NAC 679B.872, or NAC 679B.874 and has not*

changed its policies and practices with regard to disclosing nonpublic personal information from the policies and practices that were disclosed in the most recent disclosure sent to consumers in accordance with this section or NAC 679B.842 shall not be required to provide an annual disclosure under this section until such time as the licensee changes its policies and practices from any formally disclosed.

4. A licensee is not required to provide an annual notice to a former customer.

[4]*5.* A licensee no longer has a continuing relationship with a natural person if:

(a) The natural person no longer is a current policyholder of an insurance product or no longer obtains insurance services with or through the licensee.

(b) The policy of a natural person has lapsed, expired or is otherwise inactive or dormant pursuant to the business practices of the licensee, and the licensee has not communicated with the customer about the relationship for a period of 12 consecutive months, other than to provide annual privacy notices, material required by law or regulation, or promotional materials.

(c) The last known address of a natural person according to the records of the licensee is invalid.

[5]*6.* A licensee no longer has a "continuing relationship" with a customer in the case of providing real estate settlement services if, at the time the customer completes execution of all documents related to the real estate closing:

(a) Payment for those services has been received; or

(b) The licensee has completed all of his or her responsibilities with respect to the settlement, including, without limitation, filing documents on the public record,

➥ whichever occurs later.

[6]*7*.   A licensee shall deliver the annual privacy notice required pursuant to this section in the manner provided by NAC 679B.862.

[7]*8*.   For purposes of this section:

(a) "A former customer" is a natural person with whom a licensee no longer has a continuing relationship.

(b) "Annually" means at least once in any period of 12 consecutive months during which the customer relationship exists.

(c) An address of record shall be deemed "invalid" if:

(1) Mail sent to that address by the licensee has been returned as undeliverable; and

(2) Subsequent attempts by the licensee to obtain a current valid address for the natural person have been unsuccessful.

Initial Agency Draft