

**NOTICE OF INTENT TO ACT UPON REGULATION
AND
HEARING AGENDA**

Notice of Hearing for the Adoption, Amendment or Repeal of Regulations of
The Department of Business and Industry, Division of Insurance

The State of Nevada, Department of Business and Industry, Division of Insurance (“Division”), (775) 687-0700, will hold a public hearing at **9:00 a.m.**, on **September 14, 2018**, in the 1st Floor Hearing Room, 1818 East College Parkway, Suite 103, Carson City, Nevada 89706. Interested persons may also participate through a simultaneous videoconference conducted in the 4th Floor Nevada Room at the Nevada State Business Center / Division of Insurance, 3300 West Sahara Avenue, Suite 275, Las Vegas, Nevada 89102. The purpose of the hearing is to receive comments from all interested persons regarding the adoption, amendment or repeal of regulations pertaining to chapter(s) 679B of the Nevada Administrative Code (“NAC”).

The following information is provided pursuant to the requirements of Nevada Revised Statutes (“NRS”) 233B.0603 and the directives of the Governor:

LCB File No. R125-18. Safeguarding Customer Information.

A regulation relating to insurance; requiring licensees to implement programs of security for customer information; exempting licensees from providing annual notices of privacy policies and practices to customers under certain circumstances; and providing other matters properly relating thereto.

- (1) Why is the regulation necessary and what is its purpose?

The proposed regulation is necessary to protect consumer privacy with respect to security and confidentiality of nonpublic personal information maintained by licensees (as defined by NAC 679B.824), in furtherance of the obligation to respect the privacy of their customers.

- (2) What are the terms or substance of the proposed regulation?

This regulation, for which language was incorporated from NAIC Model Regulation #673 (Standards for Safeguarding Customer Information Model Regulation), 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 requires licensees to implement a comprehensive written information security program that includes administrative, technical and physical safeguards for the protection of customer information. This section also details what the information security program shall be designed to do, and steps the licensee must take to assess, manage and control risk. Section 2 modifies NAC 679B.844 by providing some exceptions to the annual disclosure requirements contained in this proposed regulation.

(3) What is the anticipated impact of the regulation on the problem(s)?

This regulation provides the State with the appropriate tools to comply with the federal regulation. The regulation will help to protect consumer information.

(4) Do other regulations address the same problem(s)?

No.

(5) Are alternate forms of regulation sufficient to address the problem(s)?

No.

(6) What value does the regulation have to the public?

This regulation provides significant value to the public as it requires certain licensees of the Division of Insurance to maintain an information security program to protect the data received by them.

(7) What is the anticipated economic benefit of the regulation?

a. Public

1. Immediate: *Personal information will be protected when transacting insurance.*

2. Long Term: *Personal information will be protected when transacting insurance.*

b. Insurance Business

1. Immediate: *Consumers and businesses will transact insurance with available information, knowing the data is required to be protected.*

2. Long Term: *Consumers and businesses will transact insurance with available information, knowing the data is required to be protected.*

c. Small Businesses

1. Immediate: *Small businesses transacting insurance will be required to maintain appropriate security measures.*

2. Long Term: *Small businesses transacting insurance will be required to maintain appropriate security measures.*

d. Small Communities

1. Immediate: *Consumers and businesses in small communities will transact insurance with available information, knowing the data is required to be protected.*

2. Long Term: *Consumers and businesses in small communities will transact insurance with available information, knowing the data is required to be protected.*

e. Government Entities

1. Immediate: *Appropriate action(s) could be taken against a licensee that*

does not protect consumer information.

2. Long Term: *Appropriate action(s) could be taken against a licensee that does not protect consumer information.*

(8) What is the anticipated adverse impact, if any?

a. Public

1. Immediate: *No adverse impact is noted.*

2. Long Term: *No adverse impact is noted.*

b. Insurance Business

1. Immediate: *Additional time and resources may be needed to protect consumer data.*

2. Long Term: *Additional time and resources may be needed to protect consumer data.*

c. Small Businesses

1. Immediate: *Any small businesses transacting insurance will need to develop a program, which could take some time and resources.*

2. Long Term: *Any small businesses transacting insurance will need to develop a program, which could take some time and resources.*

d. Small Communities

1. Immediate: *No adverse impact is noted.*

2. Long Term: *No adverse impact is noted.*

e. Government Entities

1. Immediate: *No adverse impact is noted.*

2. Long Term: *No adverse impact is noted.*

(9) What is the anticipated cost of the regulation, both direct and indirect?

a. Enactment: *There is no cost to enact this regulation since insurance businesses nationwide have already been aware of the need to develop a security program.*

b. Enforcement: *There is no additional cost to enforce this regulation, as existing staff would receive complaints and respond appropriately.*

c. Compliance: *There is no additional cost to ensure compliance of this regulation, as existing staff would check for the licensee's security program as the risk arises during a risk identification examination.*

(10) Does the regulation establish a new fee or increase an existing fee?

There is no new fee or existing fee proposed with this regulation.

(11) Provide a statement which identifies the methods used by the agency in determining the impact of the proposed regulation on a small business, prepared pursuant to subsection 3 of NRS

233B.0608.

The staff of the Division's Corporate and Financial Affairs Section had discussions about the proposed requirements contained in this regulation with many Division licensees. Further, the staff analyzed and discussed the requirements imposed upon Division licensees. Most licensees are expected to have already complied with federal requirements from the Gramm-Leach-Bliley Act. For licensees that have not already fully complied with the requirements of this regulation, the Division determined that implementing the requirements will not impose a direct and significant economic burden upon a small business in the business of insurance in the state of Nevada.

(12) Provide a description of any regulations of other state or local governmental agencies which the proposed regulation overlaps or duplicates, and a statement explaining why the duplication or overlapping is necessary. If the regulation overlaps or duplicates a federal regulation, state the name of the regulating federal agency.

There is no overlapping or duplication of other state regulations, and federal law does require state agencies to implement these standards.

(13) If the regulation is required pursuant to federal law, provide a citation and description of the federal law.

Section 501(a) of the Gramm-Leach-Bliley Act provides that it is the policy of Congress that each financial institution has an affirmative and continuing obligation to respect the privacy of its customers and to protect the security and confidentiality of those customers' nonpublic personal information. Section 501(b) requires the state insurance regulatory authorities to establish appropriate standards relating to administrative, technical and physical safeguards: (1) to ensure the security and confidentiality of customer records and information; (2) to protect against any anticipated threats or hazards to the security or integrity of such records; and (3) to protect against unauthorized access to or use of records or information that could result in substantial harm or inconvenience to a customer.

Section 505(b)(2) of the Gramm-Leach-Bliley Act calls on state insurance regulatory authorities to implement the standards prescribed under Section 501(b), by regulation, with respect to persons engaged in providing insurance.

Section 507 of the Gramm-Leach-Bliley Act provides, among other things, that a state regulation may afford persons greater privacy protections than those provided by subtitle A of Title V of the Gramm-Leach-Bliley Act. This regulation requires that the safeguards established pursuant to this regulation shall apply to nonpublic personal information, including nonpublic personal financial information and nonpublic personal health information.

(14) If the regulation includes provisions which are more stringent than a federal regulation that regulates the same activity, provide a summary of such provisions.

This regulation meets the standards identified in federal regulation.

Persons wishing to comment upon the proposed actions of the Division may appear at the scheduled public hearing or may address their comments, data, views or arguments, in written form, to the Division, 1818 East College Parkway, Suite 103, Carson City, Nevada 89706. **Written submissions must be received by the Division on or before August 29, 2018.** If no person who is directly affected by the proposed action appears to request time to make an oral presentation, the Division may proceed immediately to act upon any written submissions.

A copy of this notice and the regulation to be adopted, amended or repealed will be on file at the State Library, 100 North Stewart Street, Carson City, Nevada, for inspection by members of the public during business hours. Additional copies of the notice and the regulation will be available at the offices of the Division, 1818 East College Parkway, Suite 103, Carson City, Nevada 89706, and 3300 West Sahara Avenue, Suite 275, Las Vegas, Nevada 89102, and in all counties in which an office of the agency is not maintained, at the main public library, for inspection and copying by members of the public during business hours. This notice and the text of the proposed regulation are also available in the State of Nevada Register of Administrative Regulations, which is prepared and published monthly by the Legislative Counsel Bureau pursuant to NRS 233B.0653, and on the Internet at <http://leg.state.nv.us/register/>. Copies of this notice and the proposed regulation will be mailed to members of the public upon request. A reasonable fee may be charged for copies if it is deemed necessary. This does not apply to a public body subject to the Open Meeting Law.

Upon adoption of any regulation, the agency, if requested to do so by an interested person, either before adoption or within 30 days thereafter, shall issue a concise statement of the principal reasons for and against its adoption, and incorporate therein its reason for overruling the consideration urged against its adoption.

Notice of the hearing was provided via electronic means to all persons on the agency's e-mail list for administrative regulations, and this Notice of Intent to Act Upon Regulation was posted to the agency's Internet Web site at <http://doi.nv.gov/> and was provided to or posted at the following locations:

Nevada Division of Insurance
1818 East College Parkway, Suite 103
Carson City, Nevada 89706

Nevada Division of Insurance
3300 West Sahara Avenue, Suite 275
Las Vegas, Nevada 89102

Legislative Building
401 South Carson Street
Carson City, Nevada 89701

Nevada State Business Center
3300 West Sahara Avenue
Las Vegas, Nevada 89102

Blasdel Building
209 East Musser Street
Carson City, Nevada 89701

Grant Sawyer Building
555 East Washington Avenue
Las Vegas, Nevada 89101

Capitol Building Main Floor
101 North Carson Street
Carson City, Nevada 89701

Nevada Department of Employment,
Training and Rehabilitation
2800 E. Saint Louis Avenue
Las Vegas, NV 89104

Nevada State Library & Archives
100 North Stewart Street
Carson City, Nevada 89701

Carson City Library
900 North Roop Street
Carson City, Nevada 89701

Churchill County Library
553 South Main Street
Fallon, Nevada 89406

Douglas County Library
P.O. Box 337
Minden, Nevada 89423

Elko County Library
720 Court Street
Elko, Nevada 89801

Esmeralda County Library
P.O. Box 430
Goldfield, Nevada 89013

Eureka Branch Library
P.O. Box 293
Eureka, Nevada 89316

Humboldt County Library
85 East 5th Street
Winnemucca, Nevada 89445

Lander County Library
P.O. Box 141
Battle Mountain, Nevada 89820

Las Vegas-Clark County Library District
7060 W. Windmill Lane
Las Vegas, NV 89113

Lincoln County Library
P.O. Box 330
Pioche, Nevada 89043-0330

Lyon County Library
20 Nevin Way
Yerington, Nevada 89447

Mineral County Public Library
P.O. Box 1390
Hawthorne, Nevada 89415

Pershing County Library
P.O. Box 781
Lovelock, Nevada 89419

Storey County Clerk
P.O. Drawer D
Virginia City, Nevada 89440

Tonopah Public Library
P.O. Box 449
Tonopah, Nevada 89049

Washoe County/Downtown Reno Library
P.O. Box 2151
Reno, Nevada 89505-2151

White Pine County Library
950 Campton Street
Ely, Nevada 89301

Members of the public who would like additional information about the proposed regulation may contact Susan Bell, Legal Secretary, at (775) 687-0704, or via e-mail to suebell@doi.nv.gov.

Members of the public who are disabled and require special accommodations or assistance at the hearing are requested to notify the Commissioner's secretary, in writing, no later than five (5) working days before the hearing: 1818 E. College Parkway, Suite 103, Carson City, Nevada 89706, or suebell@doi.nv.gov.

DATED this 7th day of August, 2018.

Members of the public are encouraged to submit written comments for the record.

We are pleased to make reasonable accommodations for attendees with disabilities. Please notify the Commissioner's secretary, in writing, no later than five (5) working days before the hearing: 1818 E. College Parkway, Suite 103, Carson City, Nevada 89706, or suebell@doi.nv.gov.

NOTICES FOR THIS HEARING HAVE BEEN POSTED IN ACCORDANCE WITH NRS 241 AT THE FOLLOWING LOCATIONS:

Nevada Division of Insurance, 1818 E. College Parkway, Suite 103, Carson City, Nevada 89706

Nevada Division of Insurance, 3300 W. Sahara Avenue, Suite 275, Las Vegas, Nevada 89102

Nevada State Business Center, 3300 W. Sahara Avenue, Las Vegas, Nevada 89102

Nevada State Legislative Building, 401 S. Carson Street, Carson City, Nevada 89701

Grant Sawyer State Office Building, 555 E. Washington Avenue, Las Vegas, Nevada 89101

Blasdel State Office Building, 209 E. Musser Street, Carson City, Nevada 89701

Nevada State Capitol, 101 N. Carson Street, Carson City, Nevada 89701

Nevada Dept. of Employment, Training and Rehabilitation, 2800 E. Saint Louis Avenue, Las Vegas, Nevada 89104

The State of Nevada Website (www.nv.gov)

The Nevada State Legislature Website (www.leg.state.nv.us)

The Nevada Division of Insurance Website (www.doi.nv.gov)