

SENATE JUDICIARY COMMITTEE
Senator Thomas Umberg, Chair
2025-2026 Regular Session

SB 354 (Limón)
Version: April 3, 2025
Hearing Date: April 29, 2025
Fiscal: Yes
Urgency: No
CK

SUBJECT

Insurance Consumer Privacy Protection Act of 2025

DIGEST

This bill establishes an updated and comprehensive privacy framework for insurance licensees and their third-party service providers.

EXECUTIVE SUMMARY

The Insurance Information and Privacy Protection Act (IIPPA), provide protections for a consumer's personally identifiable information, which is generally provided to an agent, broker, or insurance company in order to apply for insurance or submit a claim. These entities must provide consumers with a privacy notice that describes the entities' practices and policies regarding privacy, the kind of information collected about consumers in connection with the application for insurance, submission of a claim or other insurance transaction; how and with whom consumers' personally identifiable information will be shared, and consumers' rights to restrict that sharing.¹

The California Consumer Privacy Act (CCPA) grants consumers certain rights with regard to their personal information in the hands of businesses, including enhanced notice, access, and disclosure; the right to deletion; the right to restrict the sale of information; and protection from discrimination for exercising these rights. It places attendant obligations on businesses to respect those rights. The California Privacy Rights Act of 2020 (CPRA) amended the CCPA and limited further amendment.

This bill creates a modernized privacy rights framework that establishes data privacy standards for insurance licensees and their third-party service providers. The bill is sponsored by the California Department of Insurance. It is supported by Privacy Rights

¹ *Privacy Information*, California Department of Insurance (CDI), <https://www.insurance.ca.gov/privacy-policy/Privacy.cfm>.

Clearinghouse. It is opposed by a number of industry associations, including the Personal Insurance Federation of California and the California Credit Union League. This bill passed out of the Banking and Financial Institutions Committee on a 5 to 2 vote.

PROPOSED CHANGES TO THE LAW

Existing law:

- 1) Establishes the CCPA, which grants consumers certain rights with regard to their personal information, including enhanced notice, access, and disclosure; the right to deletion; the right to restrict the sale of information; and protection from discrimination for exercising these rights. It places attendant obligations on businesses to respect those rights. (Civ. Code § 1798.100 et seq.)
- 2) Establishes the CPRA, which amends the CCPA. (Civ. Code § 798.100 et seq.; Proposition 24 (2020).)
- 3) Provides consumers the right to request that a business delete any personal information about the consumer which the business has collected from the consumer. (Civ. Code § 1798.105(a).)
- 4) Requires a business that collects a consumer's personal information to, at or before the point of collection, inform consumers of the following:
 - a) the categories of personal information to be collected and the purposes for which the categories of personal information are collected or used and whether that information is sold or shared. A business shall not collect additional categories of personal information or use personal information collected for additional purposes that are incompatible with the disclosed purpose for which the personal information was collected without providing the consumer with notice consistent with this section;
 - b) if the business collects sensitive personal information, the categories of sensitive personal information to be collected and the purposes for which the categories of sensitive personal information are collected or used, and whether that information is sold or shared. A business shall not collect additional categories of sensitive personal information or use sensitive personal information collected for additional purposes that are incompatible with the disclosed purpose for which the sensitive personal information was collected without providing the consumer with notice consistent with this section; and
 - c) the length of time the business intends to retain each category of personal information, including sensitive personal information, or if that is not possible, the criteria used to determine that period, provided that a business shall not retain a consumer's personal information or sensitive

personal information for each disclosed purpose for which the personal information was collected for longer than is reasonably necessary for that disclosed purpose. (Civ. Code § 1798.100(a).)

- 5) Grants a consumer the right to request that a business that collects personal information about the consumer disclose to the consumer the following:
 - a) the categories of personal information it has collected about that consumer;
 - b) the categories of sources from which the personal information is collected;
 - c) the business or commercial purpose for collecting, selling, or sharing personal information;
 - d) the categories of third parties with whom the business shares personal information; and
 - e) the specific pieces of personal information it has collected about that consumer. (Civ. Code § 1798.110.)
- 6) Provides consumers the right to request that a business that sells or shares the consumer's personal information, or that discloses it for a business purpose, disclose to the consumer specified information, including the categories of personal information collected, shared, sold, and disclosed and the categories of third parties receiving the information. (Civ. Code § 1798.115.)
- 7) Provides a consumer the right, at any time, to direct a business that sells or shares personal information about the consumer to third parties not to sell or share the consumer's personal information. It requires such a business to provide notice to consumers, as specified, that this information may be sold or shared and that consumers have the right to opt out of the sale or sharing of their personal information. (Civ. Code § 1798.120.)
- 8) Defines "personal information" as information that identifies, relates to, describes, is reasonably capable of being associated with, or could reasonably be linked, directly or indirectly, with a particular consumer or household. The CCPA provides a nonexclusive series of categories of information deemed to be personal information, including biometric information, geolocation data, and "sensitive personal information." It does not include publicly available information or lawfully obtained, truthful information that is a matter of public concern. (Civ. Code § 1798.140(v).)
- 9) Extends additional protections to "sensitive personal information," which is defined as personal information that reveals particularly sensitive information such as "neural data," which means information that is generated by measuring the activity of a consumer's central or peripheral nervous system, and that is not inferred from nonneural information. (Civ. Code § 1798.140(ae).)

- 10) Provides various exemptions from the obligations imposed by the CCPA, including where they would restrict a business' ability to comply with federal, state, or local laws. (Civ. Code § 1798.145.)
- 11) Directs the PPA to review existing Insurance Code provisions and regulations relating to consumer privacy, except those relating to insurance rates or pricing, to determine whether any provisions of the Insurance Code provide greater protection to consumers than the provisions of this title. Upon completing its review, the agency shall adopt a regulation that applies only the more protective provisions of this title to insurance companies. For the purpose of clarity, the Insurance Commissioner shall have jurisdiction over insurance rates and pricing. (Civ. Code § 1798.185(a)(20).)
- 12) Permits amendment of the CPRA by a majority vote of each house of the Legislature and the signature of the Governor, provided such amendments are consistent with and further the purpose and intent of this act as set forth therein. (Proposition 24 § 25 (2020).)
- 13) Establishes the Insurance Information and Privacy Protection Act (IIPPA), to establish standards for the collection, use, and disclosure of information gathered in connection with insurance transactions and to maintain a balance between the need for information by those conducting the business of insurance and the public's need for fairness in insurance information practices. (Ins. Code § 791.)
- 14) Requires an insurance institution or agent to provide a notice of information practices to all applicants or policyholders in connection with insurance transactions at the time of delivery or initial data collection and at the point of renewal, reinstatement, and change in benefits, as provided. (Ins. Code § 791.04.)
- 15) Authorizes an insurer to disclose personal or privileged information about an individual, which is collected or received in connection with an insurance transaction, as provided. This includes the authority to share personal or privileged information about an individual with an unaffiliated third party whose only use of the information will be in connection with the marketing of a product or service, as long as the individual is given an opportunity to opt out of this information-sharing. (Ins. Code § 791.13.)

This bill:

- 1) Establishes the Insurance Consumer Privacy Protection Act of 2025, which imposes obligations on licensees and their third-party service providers that do any of the following:
 - a) Process consumers' personal information in connection with the business of insurance.

- b) Engage in insurance transactions with consumers.
 - c) Engage in activities not related to insurance transactions involving consumers' personal information
- 2) Defines the relevant terms, which largely track with the definitions laid out in the CCPA.
- 3) Requires licensees to exercise due diligence in selecting and overseeing third-party service providers, as provided. A contract between a licensee and a third-party service provider shall govern the processing of personal information performed on behalf of the licensee. It shall include a series of requirements on the third-party service provider, including a requirement to develop and maintain adequate safeguards, establish retention limits, and assist in any relevant investigations by the Insurance Commissioner.
- 4) Authorizes, notwithstanding the previous provision, a licensee to share a consumer's personal information with a third-party service provider with whom the licensee has no ongoing business relationship and with whom the licensee has no written contract with the consent of the consumer and only to the extent necessary to provide the temporary service requested by the licensee on behalf of the consumer.
- 5) Prohibits a licensee from processing a consumer's personal information unless both of the following are true:
 - a) The collection, processing, retention, or sharing of the consumer's personal information is consistent with and complies with the most recent privacy notice provided to the consumer by the licensee.
 - b) The processing and retention of the consumer's personal information is reasonably necessary and proportionate to achieve the purposes related to an insurance transaction or other purpose the consumer requested or authorized, and not further processed in a manner that is incompatible with those purposes.
- 6) Prohibits a licensee from permitting an employee to collect, process, retain, or share a consumer's personal information, except as relevant and necessary as part of that employee's assigned duties.
- 7) Provides that a licensee shall not process a consumer's sensitive personal information, other than in relation to an insurance transaction.
- 8) Places conditions on the ability of a reinsurer, third-party service provider, or surplus line insurer to process a consumer's personal information. Prohibits, except as provided, a reinsurer, third-party service provider, or surplus line

insurer from processing a consumer's personal information obtained in the business of insurance for a purpose unrelated to an insurance transaction.

- 9) Provides that an affiliate that processes information received from, or on behalf of, a licensee shall be subject to the same requirements under this article as are applicable to the licensee.
- 10) Authorizes a licensee to process a consumer's personal information as necessary for specified purposes, including:
 - a) In connection with an insurance transaction.
 - b) For compliance with a request or directive from a law enforcement or insurance regulatory authority or an administrative, criminal, or civil legal process, arbitration, or any other legal requirement or order that is binding upon the licensee, so long as that law does not interfere with state law, including the Reproductive Privacy Act.
 - c) When otherwise specifically required by state law.
 - d) To permit a group policyholder to report claims experience or conduct an audit of the operations or services of a licensee, if the information shared is reasonably necessary for the group policyholder to make the report or conduct the audit and is not otherwise shared.
 - e) To permit a governmental authority to determine the consumer's eligibility for health care benefits for which the governmental authority may be liable, so long as any disclosure does not interfere with state law.
 - f) In connection with the marketing of a product or service, after receiving affirmative consent from the consumer to use the consumer's information in connection with specific marketing activity to which the consumer has consented.
 - g) In connection with research activity, after receiving affirmative consent from the consumer to use the consumer's information in connection with specific research activity to which the consumer has consented.
 - h) Additional purposes specified by the commissioner in regulation.
- 11) Authorizes a licensee to process consumers' deidentified information.
- 12) Provides that the processing of a consumer's personal information by a licensee or third-party service provider shall, at all times, be consistent with the consent obtained from the consumer.
- 13) Prohibits, notwithstanding any other law, a licensee or third-party service provider from selling a consumer's personal information for any type of consideration.

- 14) Clarifies that the above does not prohibit the sharing of a consumer's personal information with a licensee's affiliates to the extent preempted by the Fair Credit Reporting Act.
- 15) Provides specific retention limits and protections for consumers' personal information, applying to licensees and third-party service providers. Authorizes the Insurance Commissioner (Commissioner) to grant individual licensees exceptions to the retention limits for good cause.
- 16) Grants a consumer the right to expect that the consumer's personal information shall be processed primarily for the purposes of the insurance transaction requested by the consumer. A licensee or third-party service provider shall not process a consumer's personal information in a manner inconsistent with the consent provided by the consumer, which may be revoked.
- 17) Provides that, to comply with the consent requirements of this article, a licensee or third-party service provider shall use a method of capturing a consumer's consent that is capable of being recorded or maintained for as long as the licensee has a business relationship with a consumer, or that the licensee or its third-party service provider is required to maintain the information pursuant to this article. The bill identifies specific methods that do not establish consent for these purposes.
- 18) Requires a licensee or third-party service provider to provide easily accessible means for consumers to exercise their rights pursuant hereto.
- 19) Provides that a licensee shall develop, implement, and maintain a program of administrative, technical, and physical safeguards sufficient to ensure the confidentiality, integrity, and availability of nonpublic information in the possession of the licensee and requires data breach notifications.
- 20) Requires the provision of privacy notices to consumers describing relevant privacy practices, as provided, except as specified.
- 21) Grants consumers the right to submit a verifiable request to a licensee for access to the consumer's personal and publicly available information in the possession of the licensee or its third-party service providers.
- 22) Grants consumers the right to submit a verifiable request to a licensee to correct, amend, or delete any personal or publicly available information about the consumer in the possession of the licensee or its third-party service providers.
- 23) Provides, in the event of an adverse underwriting decision, the licensee responsible for the decision shall provide specified information in writing to the

consumer at the consumer's address of record, including the specific reason or reasons for the adverse underwriting decision and the specific items of personal, publicly available, or privileged information that support those reasons.

- 24) Prohibits a licensee from basing an adverse underwriting decision on specified factors, including:
- a) Solely the loss history of the previous owner of the property to be insured.
 - b) Personal information received from a third-party service provider whose primary source of information is licensees, unless the licensee obtains further information independently supporting the adverse underwriting decision.
 - c) A previous adverse underwriting decision affecting the consumer, unless the licensee bases its underwriting decision on the underlying basis of the previous decision.
 - d) Information that the consumer inquired about the nature or scope of coverage under a policy and the inquiry did not result in the filing of a claim.
 - e) The fact that an accident involving a peace officer, member of the Department of the California Highway Patrol, or firefighter has been reported and the licensee retains no liability, as provided.
- 25) Prohibits retaliation by a licensee or a third-party service provider against a consumer because the consumer exercised or attempted to exercise the consumer's rights pursuant hereto.
- 26) Provides that a licensee or third-party service provider shall not prepare or request an investigative consumer report about a consumer in connection with an insurance transaction unless the licensee or third-party service provider informs the consumer in writing before the report preparation of their rights.
- 27) Authorizes the Commissioner to examine and investigate the affairs of a licensee or third-party service provider transacting business in this state or transacting business outside this state that has an effect on a consumer residing in this state to determine if they have been or are engaged in any conduct in violation hereof.
- 28) Provides that if there is reason to believe a violation has taken place, the Commissioner must issue a statement of charges and carry out a hearing, as provided. At such a hearing, the commissioner may administer oaths, examine and cross-examine witnesses, and receive oral and documentary evidence. The commissioner may subpoena witnesses, compel their attendance, and require the production of books, papers, records, correspondence, and other documents that are relevant to the hearing. Hearings conducted pursuant to this section shall be governed by the same rules of evidence and procedure applicable to administrative proceedings conducted pursuant to the laws of this state.

- 29) Provides that, if after a hearing the Commissioner determines that the licensee or third-party service provider charged has engaged in conduct or practices in violation hereto, the Commissioner shall reduce their findings to writing and shall issue and cause to be served upon the licensee or third-party service provider a copy of the findings and an order requiring the licensee or third-party service provider to cease and desist from the conduct or practices. Review of such decisions is authorized in a court of competent jurisdiction within 30 days.
- 30) Provides that an order or report of the Commissioner or order of a court to enforce the order shall not relieve or absolve a person affected by the order or report from liability pursuant to the laws of this state.
- 31) Authorizes the Commissioner to order payment of a penalty of at least \$5,000 for each knowing violation not to exceed a penalty of up to \$1 million for multiple violations. A person who violates a cease and desist order of the Commissioner may, after notice and hearing and upon order of the Commissioner, be subject to one or more of the following penalties, at the discretion of the Commissioner:
- a) A fine of at least \$25,000, but not more than \$10 million for each violation.
 - b) A fine of at least \$50,000 for each violation, if the Commissioner finds that violations have occurred with such frequency as to constitute a general business practice.
 - c) Suspension or revocation of the licensee's license if the licensee knew or reasonably should have known it was in violation.
- 32) Authorizes a person whose rights are violated to apply to a court of competent jurisdiction for appropriate equitable relief, within two years of the alleged violation. A licensee or third-party service provider that discloses information in violation Section 792.125 shall be liable for damages sustained by the consumer about whom the information relates. A consumer is not entitled to a monetary award that exceeds the actual damages sustained by the consumer as a result of a violation of Sections 792.125 and 792.135. The court may award the cost of the action and reasonable attorney's fees to the prevailing party.
- 33) Provides that a cause of action for defamation, invasion of privacy, or negligence shall not arise against a person for disclosing personal or privileged information in accordance herewith or for furnishing personal or privileged information to a licensee or third-party service provider. This does not provide immunity for disclosing or furnishing false information with malice or willful intent to injure a person.
- 34) Provides that a licensee or third-party service provider shall maintain sufficient evidence in its records of compliance for the calendar year in which the governed activities occurred and the three calendar years thereafter.

- 35) Provides that a person who knowingly and willfully obtains information about a consumer from a licensee or third-party service provider under false pretenses is guilty of a misdemeanor and shall be assessed a fine of up to \$50,000, imprisoned for not more than one year in a county jail, or both.²
- 36) Includes a severability clause.
- 37) Preempts and supersedes all state laws and portions of state laws that are inconsistent herewith except laws related to protected health information and the CPRA.
- 38) Authorizes the Commissioner to issue rules, regulations, and orders as the Commissioner deems convenient to carry out this article. The rules or regulations promulgated pursuant to this article shall not be subject to the Administrative Procedure Act

COMMENTS

1. Privacy regimes in California

The IIPPA establishes standards for the collection, use, and disclosure of information gathered in connection with insurance transactions and seeks to maintain a balance between the need for information by those conducting the business of insurance and the public's need for fairness in insurance information practices. To this end, the IIPPA requires certain consumer protections be afforded in connection with information exchanged between insurance companies and their policyholders. The IIPPA and its attendant regulations outline requirements for insurance companies and agents to provide consumers privacy notices at various points during the customer relationship.

As stated, the CCPA grants consumers certain rights with regard to their personal information, as defined, and imposes obligations on businesses to facilitate those rights. With passage of the CPRA in 2020, the CCPA got an overhaul. Consumers are afforded the right to receive notice from businesses at the point of collection of personal information and the right to access that information at any time. The CCPA also grants a consumer the right to request that a business delete any personal information about the consumer the business has collected from the consumer.

The CCPA provides adult consumers the right, at any time, to direct a business not to sell or share personal information about the consumer to third parties. A business that sells personal information to third parties is required to notify consumers that this information may be sold and that they have the right to opt out of such sales.

² The author has agreed to an amendment to this provision that reduces the potential jail term to "up to six months."

The CPRA added a new category of information, sensitive information, which includes data such as precise geolocation and genetic information. Consumers are additionally empowered to limit businesses' use of such information.

The CCPA directs the California Privacy Protection Agency (PPA) to adopt a series of regulations. Relevant here, it directs the PPA to:

Review existing Insurance Code provisions and regulations relating to consumer privacy, except those relating to insurance rates or pricing, to determine whether any provisions of the Insurance Code provide greater protection to consumers than the provisions of this title. Upon completing its review, the agency shall adopt a regulation that applies only the more protective provisions of this title to insurance companies. For the purpose of clarity, the Insurance Commissioner shall have jurisdiction over insurance rates and pricing.

A relevant regulation is currently being promulgated.

2. Revamping the privacy framework around consumer information in the insurance context

The IIPPA was enacted in 1980, well before the digital revolution transformed how data is collected, stored, and shared. The law does not adequately address modern challenges like algorithmic decision-making, big data analytics, cloud storage, or online data collection methods used by relevant parties. Furthermore, the act's consent mechanisms and disclosure requirements were not designed for digital interfaces in today's data-driven insurance industry.

This bill seeks to establish a much more robust privacy framework for insurance licensees and their third-party service providers that suits the modern era.

According to the author:

Californians are required by law to purchase many types of insurance, such as automobile, health, and workers' compensation insurance. As such, insurance companies collect significant amounts of consumer personal information. Modern-day innovations and the evolving business landscape of the insurance industry has outpaced existing insurance privacy laws. SB 354 strengthens privacy protections and ensures insurers operate under standards that protect consumer privacy from situations such as institutionalized hacking or bad actors. This bill will also give consumers information on the categories of personal information being processed, how it is collected, and with whom it is shared.

The bill imposes obligations on licensees and their third-party service providers.

“Licensee” means a person licensed, authorized to operate, or registered, or required to be licensed, authorized, or registered pursuant to the Insurance code. “Third-party service provider” means a person, including directors, officers, employees, and agents thereof, that contracts with a licensee that provides services to the licensee, and processes, shares, or otherwise is permitted access to personal information through its provision of services to the licensee.

The bill imposes protections to insure licensees are properly vetting and overseeing service providers they engage, including contractual obligations governing the processing of personal information. This includes requiring the third-party provider to ensure that those accessing the personal information are subject to a duty of confidentiality, to maintain appropriate safeguards to ensure protection of any personal information, and to not further process or disclose the personal information obtained from, or on behalf of, the licensee other than as specifically stated in the contract.

The bill places clear limitations on when and how a licensee can process a consumer’s personal information. The collection, processing, retention, or sharing of the consumer’s personal information must comply with the most recent privacy notice provided and the processing and retention of the information must be reasonably necessary and proportionate to achieve the purposes related to an insurance transaction or other purpose the consumer requested or authorized, and not further processed in a manner that is incompatible with those purposes. Licensees are prohibited from processing sensitive personal information other than in relation to an insurance transaction.

The bill places conditions on the ability of a reinsurer, third-party service provider, or surplus line insurer to process a consumer’s personal information, including limitations on processing such information obtained in the business of insurance for a purpose unrelated to an insurance transaction.

The bill identifies a series of purposes for which licensees may process consumers’ information. This includes where required by law, and to permit a governmental entity to determine a consumer’s eligibility for health care benefits. Processing is further authorized in connection with marketing or research activity to which the consumer has affirmatively consented. The Commissioner is granted regulatory authority to identify additional purposes. Processing should at all times be consistent with the consent obtained from the consumer.

One major consumer privacy protection is a prohibition on a licensee or third-party service provider selling the consumer’s personal information for any type of consideration. However, the bill is clear that sharing is not prohibited where preempted by the Fair Credit Reporting Act, including for solicitations for marketing, as provided.

Licensees are subject to clear retention guidelines and limitations. The bill requires a written records retention policy and schedule.

To ensure some level of consumer control, the bill makes clear that a licensee or third-party service provider cannot process a consumer's personal information in a manner inconsistent with the consent provided by the consumer. To comply with the consent requirements, a licensee or third-party service provider is required to use a method of capturing a consumer's consent that is capable of being recorded or maintained for as long as the licensee has a business relationship with a consumer, or that the licensee or its third-party service provider is required to maintain the information, as specified. In order to ensure meaningful consent, the bill makes clear consent is not established through acceptance of a general or broad terms of use, or similar document, that contains descriptions of personal information processing along with other, unrelated information; hovering over, muting, pausing, or closing a given piece of content; or agreement obtained through use of dark patterns. Ultimately, a licensee or third-party service provider shall not process a consumer's personal information for a purpose unrelated to the insurance transaction, without the prior consent of the consumer.

The bill also grants consumers the right to submit verifiable requests to a licensee for access to the consumer's personal and publicly available information in the possession of the licensee or its third-party service providers, and to correct, amend, or delete that information. This is modeled after such rights in the CCPA. Such requests must be acknowledged and responded to, as provided.

In the event of an adverse underwriting decision, to provide some measure of transparency, the licensee responsible for the decision must provide specified information in writing to the consumer at the consumer's address of record, including the specific reason or reasons for the adverse underwriting decision; the specific items of personal, publicly available, or privileged information that support those reasons; and a list identifying with reasonable specificity any systems, processes, policies, or procedures involved in generating information resulting in the adverse underwriting decision. A licensee is prohibited from basing an adverse underwriting decision on specified factors, including personal information received from a third-party service provider whose primary source of information is licensees, unless the licensee obtains further information independently supporting the adverse underwriting decision. To effectuate these rights, the bill prohibits retaliation against consumers for exercising the rights provided by this bill.

The bill provides for investigations and scaled enforcement measures. The Commissioner is granted investigatory power and the ability to call an administrative hearing at which the alleged licensee in violation shall be afforded the chance to answer to the charges against it. The hearing is to be governed by the same rules of evidence and procedure applicable to administrative proceeding under current law.

If, after a hearing, the Commissioner determines that the licensee or third-party service provider charged has engaged in conduct or practices in violation, the Commissioner shall reduce their findings to writing and shall issue and cause to be served upon the licensee or third-party service provider a copy of the findings and an order requiring the licensee or third-party service provider to cease and desist from the conduct or practices constituting a violation. The bill authorizes the Commissioner to impose monetary penalties for knowing violations and escalating penalties for violating the Commissioner's cease and desist order.

A person subject to an order of the commissioner or a person whose rights were allegedly violated may obtain a review of an order or report of the commissioner by submitting a filing in a court of competent jurisdiction within 30 days from the date of the service of the order or report. The court shall have jurisdiction to make and enter a decree modifying, affirming, or reversing an order or report of the commissioner, in whole or in part.

In addition, a person whose rights are violated may apply to a court of competent jurisdiction for appropriate equitable relief. A licensee or third-party service provider may be liable for damages sustained by the consumer about whom the information relates. The court may award the cost of the action and reasonable attorney's fees to the prevailing party. A two-year limitations period is applied. Other than remedies pursuant hereto, a remedy or recovery shall not be available to consumers, in law or in equity, for occurrences constituting a violation.

The bill provides that it preempts and supersedes all inconsistent state laws, except laws related to protected health information and the CPRA.

3. Stakeholder positions

California Insurance Commissioner Ricardo Lara, the sponsor of this bill, writes:

SB 354 will enact the Insurance Consumer Privacy Protection Act. This landmark legislation will provide California consumers with the strongest-in-the-nation privacy protections by establishing a modern privacy rights framework for insurance licensees and their third-party service providers that collect, process, retain, and share consumer personal information. SB 354 recognizes that California consumers have the right to reasonable privacy protections that address the demands of an information-intensive insurance business climate.

More than almost any industry, insurance companies require significant amounts of personal information from consumers in order to properly manage risks. As innovative technologies and business practices continue to redefine the insurance market, California's decades-old insurance

legacy laws have been outpaced by the scale, speed, and manner in which consumer personal information is processed. The significant gap in oversight concerning the use of sophisticated technologies and increasingly complex contractual arrangements between insurers and service providers leaves consumers vulnerable. Personal information is over collected, sold, and shared with entities not contemplated by the consumer, and fraud arising from data breaches has proliferated with the unauthorized exposure of consumers' personal information.

Voters passed Proposition 24, the California Privacy Rights Act (CPRA) of 2020, which expanded privacy rights and expressly extended the application of CPRA to insurance licensees, if California's insurance statutes and regulations do not provide stronger privacy protections. SB 354 upholds our state's constitutional values by furthering the purposes and intent of CPRA to ensure California's insurance laws enable my Department – as the state's insurance regulatory entity – with the necessary authority to adequately and fairly regulate the insurance industry.

The California Hospital Association writes in an oppose-unless-amended position: "Given the existing comprehensive regulatory framework of health information privacy laws, the California Hospital Association (CHA) requests that hospitals be removed from the definition of 'insurer,' and that all entities subject to HIPAA and/or CMIA be exempted from the bill."

Writing in opposition, the California Credit Union League asserts that the bill infringes upon its ability to engage in joint marketing:

We understand that SB 354 would subject joint marketing to an opt-in standard, effectively prohibiting joint marketing agreements between credit unions and insurance licensees through prior consent requirements. In joint marketing with credit unions, an insurer such as TruStage lacks the primary member relationship and any opportunity to provide an opt-in to consumers. A required opt-in for joint marketing would run counter to public policy objectives at the forefront in California today as we share the goal of providing opportunities to make insurance protections more accessible and affordable.

The author responds to some of these concerns by asserting: "Consumers have a right to expect that their personal information will be processed for its intended purpose as it relates to processing that insurance business transaction, but outside of this, consumers must consent by opting-in to the unrelated activity (i.e. marketing of licensee's products or services)."

SUPPORT

California Department of Insurance (sponsor)
Privacy Rights Clearinghouse

OPPOSITION

American Council of Life Insurers
American Property Casualty Insurance Association
Association of California Life and Health Insurance Companies
California Chamber of Commerce
California Credit Union League
California Hospital Association
California Insurance Wholesalers Association
California Land Title Association
Civil Justice Association of California (CJAC)
Independent Insurance Agents & Brokers of California, INC.
National Association of Insurance and Financial Advisors - California
National Association of Mutual Insurance Companies
Pacific Association of Domestic Insurance Companies
Personal Insurance Federation of California
Wholesale and Specialty Insurance Association

RELATED LEGISLATION

Pending Legislation: SB 44 (Umberg, 2025) amends the CCPA to require a “covered business” to use neural data collected through a brain-computer interface only for the purpose for which it was collected. It requires the covered business to delete the data when the purpose for which it is collected is accomplished. SB 44 is currently in the Senate Appropriations Committee.

Prior Legislation: SB 793 (Glazer, Ch. 184, Stats. 2023) codified a Gramm-Leach-Bliley Act regulation requiring insurers to provide annual privacy notices to customers. However, it eliminated this requirement for insurers meeting certain conditions.

PRIOR VOTES:

Senate Insurance Committee (Ayes 5, Noes 2)
