



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 739

PRINTER'S NO. 688

PRIME SPONSOR: Boyle

COST / (SAVINGS)

FUND	FY 2022/23	FY 2023/24
General Fund	\$0	\$0
State Workers' Insurance Fund	\$0	\$0
Insurance Regulation and Oversight Fund	Minimal, see fiscal impact	Minimal, see fiscal impact

SUMMARY:

House Bill 739, Printer's Number 688 creates new cybersecurity-related requirements for insurers and allows the commissioner to adopt national guidance exempting certain insurers from certain valuation procedures.

ANALYSIS:

The bill creates a new Chapter 45 within Title 40 dealing with insurance data security. The chapter requires insurers to conduct a risk assessment of threats, information security systems, data that could be compromised, potential damage and the control environment protecting the data. Insurers are required to develop and implement a comprehensive written information security program using the results of the risk assessment. The bill lists standards and requirements that information security programs must meet.

Annually on April 15, insurers will certify their compliance with the requirements of the chapter to the Insurance Commissioner and maintain appropriate documentation.

If an insurer discovers that a cybersecurity event has, or may have, occurred, it shall conduct a prompt investigation into the scope of the event and its impacts. The insurer shall be required to notify the commissioner within five business days with certain details about the impacts of the event. The insurer will also be required to notify certain reinsurers, third party service providers and producers of record affected by the event.

The commissioner has the power to investigate insurers to ensure their conduct has been in violation of the requirements of the act. Violations can be punished by fines, suspensions, revocation, or refusal to issue or renew an insurer's license, registration or ability to operate in Pennsylvania.

Lastly, the bill repeals Section 7142 of the Title 40 and replaces it with new language allowing the commissioner to adopt NAIC Valuation Manual exemptions by notice in the Pennsylvania Bulletin. The change will allow up-to-date versions of the manual to be adopted timely, which is important to maintain accreditation with the NAIC.

FISCAL IMPACT:

The legislation will have no cost to the General Fund.

Operations of the Pennsylvania Insurance Department are funded through the Insurance Regulation and Oversight Fund, which is a special fund that receives licenses and fees from regulated entities. The department will have compliance activities like receiving certifications and launching an investigation if necessary in the event of a cybersecurity event. Under current law, the department has the authority and ability to open a market conduct exam of an insurer. Investigatory activities that support the requirements of this bill would be an extension of these existing powers and could be accommodated by existing staff.

Because of this overlap, the Pennsylvania Insurance Department believes that its costs to implement the bill would be minimal and could be absorbed within existing resources.

The scope of the bill is not expected to impact the State Workers Insurance Fund.

PREPARED BY: Eric Dice
House Appropriations Committee (D)

DATE: May 1, 2023

Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.