Date of Hearing: August 5, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS
Buffy Wicks, Chair
SB 354 (Limón) – As Amended June 26, 2026

Policy Committee:	Insurance	Vote:	11 - 3
	Privacy and Consumer Protection		11 - 4

Urgency: No State Mandated Local Program: Yes Reimbursable: No

SUMMARY:

This bill updates the Insurance Information and Privacy Protection Act (IIPPA) to establish new, modern standards for the collection, processing, retention, and sharing of a consumer's personal information by an insurer.

Specifically, this bill:

1) Establishes standards for the collection, processing, retaining, or sharing of a consumer's personal information by a licensee, surplus line insurer, or reinsurer ("insurer") or their third-party service providers (TPSPs), such as requiring the provision of a clear and conspicuous privacy notice in a standalone document to a consumer and allowing the sharing of a consumer's personal information as is reasonably necessary and proportionate for certain purposes related to an insurance transaction or for certain other purposes fully disclosed to the consumer, to which the consumer has provided opt-in consent.

2) Requires an insurer to develop a written records retention policy and schedule, as well as written procedures for the selection and oversight of a TPSP, both of which must be made available to the Insurance Commissioner (IC) upon request.

3) Requires an insurer or TPSP to promptly provide notice to the IC of a data breach that compromises the security, confidentiality, or integrity of personal information.

4) Authorizes the IC, if a hearing results in a finding that an insurer or TPSP knowingly violated the IIPPA, to order a penalty of at least $5,000 for each violation, not to exceed $1 million in the aggregate for multiple violations; increases the amount of monetary fines the IC may order against a person who violates a related cease and desist order; and increases the fine and decreases the jail term for an existing crime under the IIPPA.

5) Prohibits an insurer from retaliating against a consumer who exercises their IIPPA rights.

6) Requires any documents or data in the possession of the IC furnished by an insurer or TPSP pursuant to the IIPPA or obtained during an investigation or examination be confidential and privileged, and outlines permissions and requirements of the IC regarding such information.

7) Provides that the IIPPA preempts and supersedes all inconsistent state laws relating to consumer privacy, except existing federal or state laws about protected health information.

8) Requires the IC to ensure, to the extent reasonably possible, that regulations adopted by the IC to implement these provisions do not conflict with similar California Privacy Protection Agency (CPPA) regulations, and requires the IC to adopt regulations providing model policies, forms, and contracts that licensees may use for IIPPA compliance.

FISCAL EFFECT:

1) The California Department of Insurance (CDI) reports costs of approximately $34,500 in each fiscal year 2026-27 and 2027-28 to implement this bill, including adopting specified regulations (Insurance Fund). However, it is possible for this bill to result in significant costs, in excess of $150,000, partially offset by penalties and fines, depending on the total number of insurers and TPSPs subject to the new privacy requirements, the volume of related consumer complaints received, and the complexity of any subsequent investigations and hearings. Given the breadth of the proposed IIPPA updates, CDI may require more resources, especially in the first few years, for additional specialized staff to support administrative, examination, investigatory, and enforcement activities.

2) The CPPA reports no costs related to this bill. However, the CPPA may incur minor workload costs to the extent the CPPA reviews any proposed IC regulations to identify conflicts and engages with CDI or the public on such matters.

COMMENTS:

1) **Purpose.** 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 with.

2) **Background.** ***IIPPA.*** The IIPPA has regulated the privacy of personal information collected, used, and shared in the business of insurance since 1981. Key provisions of the IIPPA include: (a) requiring an insurance institution or agent ("insurer") to provide specified notices of information practices to applicants and policyholders; (b) providing an individual the right to access, amend or correct, and delete personal information in the possession of the insurer or insurance-support organization; and (c) prohibiting an insurer or insurance-support organization from disclosing an individual's personal information unless certain conditions exist, such as written authorization from the individual, the disclosure is reasonably necessary to perform a business function or prevent fraud, or the disclosure is used to market a product or service and the individual had the opportunity to opt out of such use.

   CCPA. As an alternative to a ballot measure that would have otherwise moved forward, AB 375 (Chau), Chapter 55, Statutes of 2018, enacted the CCPA, which took effect on January 1, 2020, to provide baseline privacy rights for consumer personal information maintained or transacted by a business. Proposition 24 (2020) expanded provisions of the CCPA and created the CPPA as a regulatory authority to oversee implementation and enforcement of the CCPA. As amended by Proposition 24, the CCPA tasks the Attorney General (and shifts such responsibility to the CCPA upon creation) with reviewing existing Insurance Code provisions and regulations relating to consumer privacy, except those relating to insurance rates or pricing, to determine whether the Insurance Code provisions provide greater protection to consumers than the CCPA provisions. Upon completion of such review, Proposition 24 requires the CPPA to adopt a regulation that applies only the CCPA's more protective provisions to an insurance company.

Effective January 1, 2026, CPPA regulations require an insurance company that meets the definition of a "business" under the CCPA to comply with the CCPA for any personal information not subject to the Insurance Code and related regulations. As noted in the Assembly Insurance Committee's analysis of this bill:

> The result of the directive in Section 1798.185(a)(21), however, is an inevitable patchwork of jurisdiction, whereby the [IC] maintains jurisdiction over data privacy in the insurance industry for circumstances where the Insurance Code provides stronger protections for consumers, while the CPPA maintains jurisdiction over other aspects of data privacy in the insurance industry to the extent provisions of CCPA are adopted as stronger than their counterparts in the Insurance Code. Regulatory and enforcement authority are consequently split between the CPPA and the [IC], and compliance is exceedingly complex.

Scope of This Bill. This bill updates IIPPA provisions to exceed the more general privacy protections provided under the CCPA. This bill also explicitly establishes that the IIPPA provisions preempt and supersede other inconsistent state consumer privacy laws, thus centralizing the IC's regulatory and enforcement authority over insurer privacy matters.

Although this bill and the CCPA share many similar provisions, this bill imposes more robust constraints on personal information processed in the business of insurance. For example, the CCPA defaults to generally allowing the sale or sharing of personal information, with the opportunity for a consumer to opt-out. This bill prohibits the sale of personal information entirely and allows the sharing of personal information only as reasonably necessary and proportionate for specified insurance-related transactions, with options for a consumer to opt-out and opt-in to certain other types of sharing. Additionally, the CCPA provides a limited private right of action that applies only to those whose personal information was subject to a data breach. The existing IIPPA provides a private right of action with respect to a consumer's right to access, amend/correct, and delete personal information, and with respect to requirements pertaining to notice of adverse underwriting decisions, which this bill generally maintains with conforming updates. And, notably, as summarized by the Assembly Privacy and Consumer Protection Committee's analysis of this bill:

> <u>Small business exemption:</u> The CCPA exempts from its provision any business that had annual gross revenues of less than $25 million in the preceding calendar year, annually buys, sells, or shares personal

information of fewer than 100,000 consumers or households, *and* derives less than 50% of its annual revenues from the selling or sharing of consumers' personal information.

This bill does not provide a similar exemption for small businesses, which, in the context of this bill, are primarily independent agents and brokers.

3) **Support and Opposition.** This bill is sponsored by IC Ricardo Lara, who argues this bill "would establish the strongest-in-the-nation privacy protections for consumers" and uphold "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." This bill is also supported by consumer and privacy rights groups.

   This bill is opposed by a coalition of insurer associations, unless amended "to address the serious operational issues in the bill" related to definitions, notices, data minimization and sharing, and the private right of action. The June 26, 2026, amendments to this bill appear to address these issues, but it is unclear whether the changes are sufficient for the coalition to update its position. This bill is also opposed by a coalition of associations representing independent insurance agents, brokers, and wholesalers, unless amended to include a "small-business exemption" similar to the approach taken under the CCPA, as this bill "is aimed primarily at the information practices of large multistate and multinational insurance companies" but "imposes the same obligations and costs on a small local agency."

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