SENATE THIRD READING
SB 354 (Limón)
As Amended August 21, 2026
Majority vote

SUMMARY

Effective July 1, 2028, modernizes and expands laws pertaining to the processing and sharing of personal information (PI) in the business of insurance.

Major Provisions

1) Amends and expands the privacy notice required under the Insurance Information and Privacy Protection Act (IIPPA) to include specified information and specifies the procedures for the provision of the notice.

2) Prohibits a licensee, surplus line insurer, reinsurer or third-party service provider (TPSP) from selling a consumer's PI for any type of monetary or other valuable consideration.

3) Prohibits a licensee, surplus line insurer, reinsurer, or TPSP from sharing a consumer's PI in a manner inconsistent with the consent provided by the consumer; requires them to provide a reasonable means for the consumer to provide prior, opt-in consent or to opt out; and specifies purposes for which a consumer must opt-in or be provided the opportunity to opt-out of PI sharing, respectively.

4) Prohibits a licensee, surplus line insurer, reinsurer, or TPSP from processing *and sharing* a consumer's sensitive PI, other than in connection with an insurance transaction or legal obligation, or for a disclosed purpose if the consumer has been provided the opportunity to opt out.

5) Specifies that a licensee's processing *and sharing* of a consumer's PI shall be reasonably necessary and proportionate to achieve the purposes for which the PI was collected or processed, for another disclosed purpose for which the PI was collected and not further processed in a manner that is incompatible with those purposes, or for one of various specified purposes.

6) Requires a licensee, surplus line insurer, or reinsurer to develop a written records retention policy and records retention schedule; and to review records containing PI at least once every three years to determine whether retention of the PI remains permissible.

7) Makes clarifications to a consumer's right to request access to, amendment of, or deletion of the consumer's PI in possession of a licensee, surplus line insurer, reinsurer, or its TPSP; and requires the licensee, surplus line insurer, reinsurer, or TPSP to provide easily accessible means for consumers to exercise their rights, as specified.

8) Provides that the provisions of the IIPPA as amended preempt and supersede all state laws and portions of state laws relating to consumer privacy that are inconsistent with the bill.

COMMENTS

1) *IIPPA, California Consumer Privacy Act (CCPA), and Proposition 24.* Since 1981, the privacy of PI collected, used, and shared in the business of insurance has been regulated by the Insurance Information and Privacy Protection Act (IIPPA). The IIPPA, among other things: requires insurance institutions and agents in the business of insurance to provide specified notices of information practices to all applicants and policyholders in connection with an insurance transaction; requires a disclosure authorization form meeting certain specifications to authorize the disclosure of personal or privileged information about an individual to an insurance institution, agent, or insurance-support organization; provides the rights to access, amend/correct, and delete PI about the individual in the possession of an insurance institution, agent, or insurance support organization, pursuant to a written request, as specified; and requires insurers to provide notice of an adverse underwriting decision to an individual that includes the reason for the decision, including the specific items of personal or privileged information that support those reasons, and limits the reasons for which and adverse underwriting decision can be issued.

The IIPPA also prohibits an insurance institution, agent, or insurance-support organization from disclosing personal or privileged information about an individual collected or received in connection with an insurance transaction, unless the disclosure is: subject to the written authorization of the individual; reasonably necessary to perform a business, professional, or insurance function and is not further disclosed; reasonably necessary to prevent fraud or criminal activity; permitted or required by law; made for the purpose of conducting actuarial or research studies, as specified; only used in connection with the marketing of a product or service provided the opportunity to opt out of that use and has given no such indication; or used for another of a small number of specified purposes. The IIPPA also gives the Insurance Commissioner (IC) the authority to prosecute violations of these provisions, and specifies the process for bringing such an action, including associated penalties.

In 2018, the Legislature passed, and Governor Newsom signed into law, the CCPA, which provides baseline privacy rights for consumer PI maintained or transacted by businesses. The CCPA was the result of extensive negotiation among stakeholders, and was developed in part to provide a legislative path as an alternative to a ballot measure that would have otherwise moved forward. The CCPA was the first general data privacy law of its kind in the nation. In 2020, voters passed Proposition 24, the California Privacy Rights Act, which expanded and amended CCPA, and created the California Privacy Protection Agency (CPPA) as a regulatory authority to oversee its implementation and enforcement. Proposition 24 was purportedly proposed in part in response to various legislative attempts to weaken the privacy protections pursuant to CCPA.

CCPA, as amended by Proposition 24, requires businesses to provide information in their privacy policies pertaining to categories of PI they collect, use and disclose. It also provides consumers with the right to opt out of the sale of their PI, and to direct a business to limit the collection and use of their sensitive PI to that which is reasonably necessary and proportionate to what an average consumer would expect in the course of the business transaction. CCPA similarly provides rights to request access, amendment, or deletion of consumer information maintained by businesses.

Section 1798.185 of the Civil Code, enacted by Proposition 24, tasks the Attorney General, and later the newly-created CPPA, with promulgating regulations for a number of specified reasons critical to the implementation of the CCPA. Section 1798.185(a)(21) reads:

> [On or before July 1, 2020, the Attorney General shall solicit broad public participation and adopt regulations to further the purposes of this title, including, but not limited 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 [the CCPA]. Upon completing its review, the [CPPA] shall adopt a regulation that applies only the more protective provisions of this title to insurance companies. For the purpose of clarity, the [IC] shall have jurisdiction over insurance rates and pricing.

Proposition 24 also provided that regulatory authority be transferred to CPPA once the agency was prepared to take on regulatory responsibilities. 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.

This bill seeks to more clearly establish the jurisdiction of the IC over data privacy rights of insurance consumers. Toward this end, the bill explicitly establishes that its provisions preempt and supersede all state laws and portions of state laws relating to consumer privacy that are inconsistent with the bill's provisions, except with respect to protected health information. Consistent with the intent of Proposition 24 and Section 1798.185(a)(21), the bill also establishes privacy protections for PI processed in the business of insurance that uniformly exceed the more general privacy protections provided by CCPA.

2) *Sensitivity and complexity of the insurance industry.* This bill raises two fundamental questions with respect to the insurance industry: 1) is PI exchanged in the business of insurance inherently more sensitive than information exchanged in more general contexts? And 2) can the mechanics of the insurance industry tolerate robust constraints on the collection, use, and sharing of PI?

With several enumerated exceptions, CCPA provides data privacy protections intended to span consumer-facing industries. This includes everything ranging from online shopping to social media. Still, California law recognizes various circumstances in which the exchange of PI is considered more sensitive, either by virtue of the specific information exchanged, or by virtue of the context in which that information exchange occurs. For instance, California provides more stringent protections for PI in medical contexts pursuant to the Confidentiality of Medical Information Act (CMIA), in financial contexts pursuant to the California Financial Information Privacy Act (CalFIPA), and in online educational contexts pursuant to the Student Online Personal Information Protection Act (SOPIPA). While these laws generally preceded CCPA, CCPA did not seek to supersede them, instead maintaining baseline privacy protections for consumer PI through CCPA and guaranteeing more robust protections in these more sensitive contexts.

California also provides privacy protections beyond those offered by CCPA for certain consumer industries, including laws regulating data collected by in-vehicle cameras in motor vehicles and laws limiting the processing of genetic information by direct-to-consumer genetic testing companies. These laws came into effect after the passage of CCPA, indicating the continued intent of the Legislature to impose more restrictive privacy protections on consumer-facing industries considered particularly sensitive.

In many cases, such as home, auto, and health insurance, insurance is either legally required or effectively essential for consumers, meaning the exchange of PI is not elective. Insurance also tends to cover the things most dear, and therefore worthy of additional security, to the consumer, such as their life, livelihood, health, home, and valuable property. Accordingly, the process of transacting insurance can reveal intimate details of the daily lives of consumers, and the context of insurance inherently relies on a level of trust between the consumer and the licensee that instills greater sensitivity than a typical consumer transaction.

On the other hand, the insurance industry relies heavily on the collection and evaluation of PI to accurately price risk. This means constraints on the collection, use, and sharing of PI have the potential to materially impact the functioning of the insurance market. The practical realities of an insurance transaction, from the consumer seeking coverage to the insurer writing a policy to the filing of claims, require PI to be shared between various parties with relative efficiency. A typical insurance transaction from the solicitation of coverage to the processing of a claim can include the consumer, the insurance company, the agent or broker, a wholesaler, one or many claims adjusters, third-party service providers who process information on behalf of any of these parties, and regulatory agencies that broadly oversee the entire process. Disruptions to the transfer of information in this process can delay the placement of coverage, increase frictional costs (thereby increasing premiums), and impede timely handling of claims, which, if unduly delayed, can significantly burden the consumer.

Many consumers also work with a preferred agent or broker over several years when seeking insurance, and the ability of that agent or broker to meet their insurance needs depends on the maintenance of PI about the consumer for the duration of their ongoing business relationship. Insurance frequently tends to be associated with ancillary products, such as financial products that may appropriately bundle with life insurance products to better support the needs of the consumer. Agents and brokers may direct consumers toward these products based on the PI they maintain, as appropriate, which can often be provided by affiliates or partnering entities of insurers.

The data-rich nature of the insurance industry creates conditions that are arguably more sensitive than a typical consumer transaction, while the complexity of insurance products and the associated transactions means disruptions to the efficient flow of information can be costly in both time and money. A law broadly governing the processing of PI in the insurance industry must acknowledge and balance both of these realities.

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.

Arguments in Support
Insurance Commissioner Ricardo Lara, who sponsors the bill, argues:

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. The latest string of data breach incidents involving insurers continues to demonstrate how consumers' sensitive personal information is a prime target, especially among data-rich industries such as insurance.

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.

Arguments in Opposition
A coalition of trade organizations representing business and technology industry interests, including the California Chamber of Commerce, TechNet, the California Telecommunications Industry Association, TechCA, the Software Information Industry Association, and the American Council of Life Insurers argues in opposition:

[SB 354] creates obligations that are not aligned with the California Consumer Privacy Act. As a result, entities that are subject to both the CCPA and the Insurance Code will be subject to obligations that in some cases will be duplicative and may actually conflict with each other. As a result, consumers that do business with a particular entity that is subject to both frameworks will not have one set of rights, but rather they will need to navigate between the regimes which will depend on the specific data at issue with regard to a specific transaction. Accordingly, for the same rights afforded in the Insurance Code, such as right to know and deletion, we urge you to align the requirements.

[A]s drafted, we are concerned that SB 354 raises significant concerns regarding overlapping regulatory jurisdiction, constitutional protections for publicly available information, and the creation of a private right of action that departs from California's established privacy enforcement framework. […] SB 354 risks creating uncertainty for businesses already subject to comprehensive privacy regulation under the CCPA and Delete Act without providing corresponding benefits to consumers.

Staff notes that this coalition's opposition was submitted in response to an earlier version of SB 354, and several amendments have since been taken that impact the specific issues raised in the coalition's letter. It is unclear whether these amendments have effectively addressed the coalition's concerns, but the coalition has not yet formally withdrawn their opposition.

FISCAL COMMENTS

According to the Assembly Appropriations Committee:

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.

VOTES

SENATE FLOOR: 28-10-2
YES: Allen, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Cortese, Durazo, Gonzalez, Grayson, Hurtado, Laird, Limón, McGuire, McNerney, Menjivar, Padilla, Pérez, Richardson, Rubio, Smallwood-Cuevas, Stern, Umberg, Wahab, Weber Pierson, Wiener
NO: Alvarado-Gil, Choi, Dahle, Grove, Jones, Niello, Ochoa Bogh, Seyarto, Strickland, Valladares
ABS, ABST OR NV: Archuleta, Reyes

ASM INSURANCE: 11-3-3
YES: Calderon, Addis, Papan, Berman, Gipson, Harabedian, Krell, Nguyen, Ortega, Michelle Rodriguez, Valencia
NO: Wallis, Ellis, Hadwick
ABS, ABST OR NV: Ávila Farías, Chen, Petrie-Norris

ASM PRIVACY AND CONSUMER PROTECTION: 11-4-0
YES: Bauer-Kahan, Bryan, Irwin, Lowenthal, McKinnor, Ortega, Pellerin, Petrie-Norris, Ward, Bennett, Wilson
NO: Macedo, DeMaio, Hoover, Patterson

ASM APPROPRIATIONS: 11-4-0
YES: Wicks, Arambula, Calderon, Caloza, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache
NO: Hoover, Dixon, Ta, Tangipa

UPDATED

VERSION: August 21, 2026

CONSULTANT: Landon Klein / INS. / (916) 319-2086 FN: 0003988