



March 31, 2025

Honorable Susan Rubio
Senate Insurance Committee
1020 N Street, Room 258
Sacramento, CA 95814

RE: Senate Bill 354 (Limón)
Oppose Unless Amended – As Introduced March 18, 2025

Dear Senator Rubio,

The broad coalition of organizations listed below must oppose SB 354 unless the bill is substantially amended. Industry is committed to strong consumer protections and the safeguarding of sensitive personal information. We appreciate the proactive steps taken by the California Department of Insurance (CDI) in addressing privacy regulation and believe that state insurance departments, such as CDI, are best suited to serve as the primary regulators for the industry.

However, as currently drafted, SB 354 requires significant revisions to become a workable framework for industry. The bill introduces several provisions that pose significant challenges for insurers and, in some instances, could have unintended negative consequences for consumers. These provisions would impose excessive regulatory burdens on insurers and businesses, creating operational inefficiencies, potential privacy risks, and confusion among consumers.

Our industry has always supported robust, insurance specific regulations to protect our customers, and we

remain actively engaged with regulators, including CDI, through the National Association of Insurance Commissioners (NAIC) effort to craft an updated privacy model. The NAIC Privacy Protections (H) Working Group's work to update Model 672 is expected to be completed by the end of 2025 and would not only modernize the provisions that SB 354 aims to address, but would allow for an adoptable, more uniform Model. This uniformity helps consumers as well as regulators and allows for more cost-efficient compliance.

Given the potential impact, the complexity of the bill, and the limited time industry stakeholders have been given to review and respond, we can only highlight some of our key concerns at this time. We would welcome the opportunity to engage further and provide more detailed comments after we have had sufficient time to fully review the language and assess the broader implications.

Key concerns include, but are not limited to:

1. **Third-Party Service Provider Requirements:** The bill's provisions could disrupt established business practices, reduce access to essential services, and impose significant compliance costs on insurers and their service providers.
2. **Data Minimization:** While data minimization is a worthwhile goal, the current provision is overly restrictive. It could limit insurers' ability to enhance fraud detection, improve underwriting, and offer tailored products, ultimately harming consumers by reducing innovation and the availability of competitive solutions.
3. **Opt-In Consent:** The requirement for opt-in consent introduces operational challenges, frustrates consumers, and could lead to higher costs and reduced services. A clear opt-out approach, aligned with existing privacy laws, would strike a better balance between privacy protection and consumer experience.
4. **Marketing Provisions:** The opt-in consent requirement for marketing is excessive and could limit consumers' access to critical insurance products, especially in underserved markets. Marketing plays an essential role in educating consumers about available financial protections.
5. **Cross-Border Sharing:** The opt-in consent requirements for cross-border data sharing would impose unnecessary operational burdens on insurers and hinder their ability to serve consumers effectively, particularly in a globalized economy.
6. **Consumer Privacy Notices:** The bill's detailed notice requirements could burden insurers and create confusion for consumers. Simplifying the requirements to align with existing federal standards would enhance transparency and make notices more accessible.
7. **Timeframes:** The rigid timeframes for acknowledging and responding to consumer requests are unworkable. Aligning these timeframes with the CCPA's requirements would make compliance more manageable for insurers and more consistent for consumers.
8. **Third-Party Disclosure Requirements:** The obligation to disclose lists of all third-party vendors rather than categories is burdensome and offers little practical benefit to consumers. A category-based disclosure approach enhances transparency while avoiding excessive costs, security risks, and operational burdens.

9. **Adverse Underwriting Decisions:** Requiring insurers to disclose proprietary systems and processes involved in underwriting decisions could compromise trade secrets and disrupt business operations, without providing meaningful benefits to consumers. This section also overlaps multiple other proposed decision disclosure bills and regulations, so any proposal in this space must clearly define a singular compliance path for insurers.
10. **Private Right of Action:** Introducing a private cause of action would significantly increase litigation costs, driving up insurance premiums and ultimately offering no additional benefit to consumers in terms of privacy protection.
11. **Effect on Small Business:** The negative impacts associated with the bill's requirements are likely to fall disproportionately on the backs of smaller businesses – many of which operate in rural or underserved communities - that are least able to absorb the costs due to economies of scale or otherwise adjust their operations.
12. **Overlap with Existing Privacy Laws:** Multiple provisions within SB 354 overlap or conflict with requirements already well established under the CCPA/CPRA. This overlap will create an inconsistent regulatory landscape, adding significant additional complexity and cost to conducting the business of insurance in a state that is already struggling to maintain a stable market, and with an unclear benefit to consumers.

While we believe these challenges are not insurmountable, addressing them will require careful consideration and adequate time to ensure the legislation is both effective and practical. As you are well aware, many lines of insurance are struggling within the current economic climate, and the property casualty insurance industry in particular is currently in crisis and needs to focus its efforts on effectively serving Californians and maintaining a stable and diverse insurance marketplace within the state. For these reasons we must oppose SB 354 unless the bill is significantly amended.

Sincerely,

John Mangan, American Council of Life Insurers
Laura Curtis, American Property and Casualty Insurance Association
Matthew Powers, Association of California Life and Health Insurance Companies
Anthony Helton, California Land Title Association
Jill Epstein, Independent Insurance Agents & Brokers of California
Shari McHugh, National Association of Insurance and Financial Advisors – California
Christian Rataj, Esq., National Association of Mutual Insurance Companies
Stacey Jackson, Pacific Association of Domestic Insurance Companies
Allison Adey, Personal Insurance Federation of California

Cc: Senator Monique Limón, Author
Members of the Senate Insurance Committee
Brandon Seto, Principal Consultant, Senate Judiciary Committee
Tim Conaghan, Consultant, Senate Republican Caucus
Brady Borcharding, Deputy Legislative Secretary, Office of the Governor
Josephine Figueroa, Senior Deputy Commissioner and Legislative Director, California Department of Insurance