

## RULE AND REGULATION 77

### STANDARDS FOR SAFEGUARDING CUSTOMER INFORMATION

#### Table of Contents

Section 1.	Preamble
Section 2.	Authority
Section 3.	Definitions
Section 4.	Information Security Program
Section 5.	Objectives of Information Security Program
Section 6.	Examples of Methods of Development and Implementation
Section 7.	Assess Risk
Section 8.	Manage and Control Risk
Section 9.	Oversee Service Provider Arrangements
Section 10.	Adjust the Program
Section 11.	Determined Violation
Section 12.	Effective Date
Section 13.	Compliance Date

#### Section 1. Preamble

- A. This regulation establishes standards for developing and implementing administrative, technical and physical safeguards to protect the security, confidentiality and integrity of customer information, pursuant to Sections 501, 505(b), and 507 of the Gramm-Leach-Bliley Act, codified at 15 U.S.C. 6801, 6805(b) and 6807.
- B. Section 501(a) provides that it is the policy of the Congress that each financial institution has an affirmative and continuing obligation to respect the privacy of its customers and to protect the security and confidentiality of those customers' nonpublic personal information. Section 501(b) requires the state insurance regulatory authorities to establish appropriate standards relating to administrative, technical and physical safeguards: (1) to ensure the security and confidentiality of customer records and information; (2) to protect against any anticipated threats or hazards to the security or integrity of such records; and (3) to protect against unauthorized access to or use of records or information that could result in substantial harm or inconvenience to a customer.
- C. Section 505(b)(2) calls on state insurance regulatory authorities to implement the standards prescribed under Section 501(b) by regulation with respect to persons engaged in providing insurance.
- D. Section 507 provides, among other things, that a state regulation may afford persons greater privacy protections than those provided by subtitle A of Title V of the Gramm-Leach-Bliley Act. This regulation requires that the safeguards established pursuant to this regulation shall apply to nonpublic personal information, including nonpublic personal financial information and nonpublic

personal health information, about customers and nonpublic personal information contained on applications for an insurance product submitted to a licensee by a consumer, regardless of whether the insurance product is ultimately purchased by the consumer.

## **Section 2. Authority**

This regulation is promulgated pursuant to the authority granted by Sections 23-61-108, 23-61-113, 23-66-207, 25-15-203—204 of the Arkansas Code Annotated, and other applicable laws or rules.

## **Section 3. Definitions**

For purposes of this regulation, the following definitions apply:

- A. “Customer” means a customer as defined in Section 4I of Rule and Regulation 74.
- B. “Customer information” means nonpublic personal information, as defined in Section 4S of Rule and Regulation 74, about a customer, whether in paper, electronic or other form, that is maintained by or on behalf of the licensee. For purposes of this regulation, customer information shall also include nonpublic personal information contained in applications for an insurance product submitted to a licensee by a consumer, as defined in Section 4F of Rule and Regulation 74, regardless of whether the insurance product is ultimately purchased by the consumer.
- C. “Customer information systems” means the electronic or physical methods used to access, collect, store, use, transmit, protect or dispose of customer information.
- D. “Licensee” means a licensee as that term is defined in Section 4Q of Rule and Regulation 74, except that “licensee” shall not include: a purchasing group; or an unauthorized insurer in regard to the excess line business conducted pursuant to Ark. Code Ann. §§ 23-65-301, *et seq.*
- E.. “Service provider” means a person that maintains, processes or otherwise is permitted access to customer information through its provision of services directly to the licensee.

## **Section 4. Information Security Program**

Each licensee shall implement a comprehensive written information security program that includes administrative, technical and physical safeguards for the protection of customer information. The administrative, technical and physical safeguards included in the information security program shall be appropriate to the size and complexity of the licensee and the nature and scope of its activities.

## **Section 5. Objectives of Information Security Program**

A licensee's information security program shall be designed to:

- A. Ensure the security and confidentiality of customer information;
- B. Protect against any anticipated threats or hazards to the security or integrity of the information; and
- C. Protect against unauthorized access to or use of the information that could result in substantial harm or inconvenience to any customer.

#### **Section 6. Examples of Methods of Development and Implementation**

The actions and procedures described in Sections 7 through 10 of this regulation are examples of methods of implementation of the requirements of Sections 4 and 5 of this regulation. These examples are non-exclusive illustrations of actions and procedures that licensees may follow to implement Sections 4 and 5 of this regulation.

#### **Section 7. Assess Risk**

The licensee:

- A. Identifies reasonably foreseeable internal or external threats that could result in unauthorized disclosure, misuse, alteration or destruction of customer information or customer information systems;
- B. Assesses the likelihood and potential damage of these threats, taking into consideration the sensitivity of customer information; and
- C. Assesses the sufficiency of policies, procedures, customer information systems and other safeguards in place to control risks.

#### **Section 8. Manage and Control Risk**

The licensee:

- A. Designs its information security program to control the identified risks, commensurate with the sensitivity of the information, as well as the complexity and scope of the licensee's activities;
- B. Trains staff, as appropriate, to implement the licensee's information security program; and
- C. Regularly tests or otherwise regularly monitors the key controls, systems and procedures of the information security program. The frequency and nature of these tests or other monitoring practices are determined by the licensee's risk assessment.

**Section 9.     Oversee Service Provider Arrangements**

The licensee:

- A.     Exercises appropriate due diligence in selecting its service providers; and
- B.     Requires its service providers to implement appropriate measures designed to meet the objectives of this regulation.

**Section 10.   Adjust the Program**

The licensee monitors, evaluates and adjusts, as appropriate, the information security program in light of any relevant changes in technology, the sensitivity of its customer information, internal or external threats to information, and the licensee’s own changing business arrangements, such as mergers and acquisitions, alliances and joint ventures, outsourcing arrangements and changes to customer information systems.

**Section 11.   Determined Violation**

A violation of this regulation shall be deemed to be an unfair method of competition or an unfair or deceptive act and practice in this state, in violation of Ark. Code Ann. § 23-66-201, *et seq.*

**Section 12.   Effective Date**

This regulation shall be effective on September 20, 2002.

**Section 13.   Compliance Date**

Each licensee shall establish and implement an information security program, including appropriate policies and systems pursuant to this regulation by January 1, 2003.

\_\_\_\_\_(Signed by mike Pickens)\_\_\_\_\_

MIKE PICKENS

COMMISSIONER

\_\_\_\_\_(Signed 9/6/2002)\_\_\_\_\_

DATE