

Senate Fiscal Agency  
P. O. Box 30036  
Lansing, Michigan 48909-7536

**SFA****BILL ANALYSIS**

Telephone: (517) 373-5383  
Fax: (517) 373-1986  
TDD: (517) 373-0543

Senate Bill 431 (Substitute S-1 as reported)  
Sponsor: Senator Bill Bullard, Jr.  
Committee: Financial Services

## **CONTENT**

The bill would add Chapter 5 (Privacy of Financial Information) to the Insurance Code to provide for the treatment of nonpublic personal financial information about individuals who obtained or were claimants or beneficiaries of insurance products. The bill would do the following:

- Prohibit a licensee from disclosing nonpublic personal financial information about a consumer to a nonaffiliated third party unless the customer were notified of the licensee's privacy policies and had an opportunity to opt out of the disclosure.
- Require a licensed insurer or producer, beginning on July 1, 2001, to notify customers of its privacy policies and practices concerning the disclosure of nonpublic personal financial information.
- Require a licensee to notify customers of its privacy practices and policies at least annually, and to provide a revised policy notice when a customer obtained a new insurance product or service.
- Require a licensee to notify a consumer of his or her right to opt out of the licensee's disclosure of nonpublic personal financial information.
- Provide that a licensee would have to give a required notice so that a customer could be reasonably expected to receive actual notice in writing or, if the customer agreed, electronically.
- Provide for a limited disclosure of nonpublic personal financial information that a licensee received from a nonaffiliated financial institution.
- Prohibit a licensee from disclosing certain insurance policy and account information for use in telemarketing, direct mail marketing, or marketing through electronic mail.
- Make exceptions to the bill's consumer notification provisions if a licensee disclosed nonpublic personal financial information to administer a transaction that a consumer requested or with a consumer's consent.
- Prohibit a licensee from unfairly discriminating against a consumer for opting out of the disclosure of his or her nonpublic personal financial information.
- Establish penalties for violating Chapter 5 and rules promulgated under it.
- Require the Commissioner of the Office of Financial and Insurance Services to adopt guidelines for safeguards that would protect the security, confidentiality, and integrity of customer information, pursuant to the Federal Gramm-Leach-Bliley Act.

MCL 500.115 et al.

Legislative Analyst: L. Arasim

## **FISCAL IMPACT**

According to the Office of Financial and Insurance Services, the bill would increase the regulatory responsibilities of the Office by imposing additional requirements on the 1,500 insurance companies already regulated, which could increase costs. Additionally, the bill would require the promulgation of new rules, which would impose implementation costs. There is no information available as to what these costs would be.

Date Completed: 5-9-01

Floor\sb431

Fiscal Analyst: M. Tyszkiewicz

Bill Analysis @ <http://www.senate.state.mi.us/sfa>

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.