



MAY 27, 2003

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**BULLETIN # 1002**

**RE: CALIFORNIA PRIVACY AND SAFEGUARDING REGULATION  
DEADLINE (10 CCR 2689.1 - 2689.24)**

Under the California Privacy and Safeguarding regulations that became effective on March 24 of this year, “all contracts that a licensee enters into or has entered into with a nonaffiliated third party to perform services for the licensee or functions on the licensee’s behalf shall include or be amended to include a written requirement that the third party maintain the confidentiality of nonpublic personal information where the nonaffiliated third party obtains confidential nonpublic personal information in connection with the contract.” 10 Cal. Code Regs. § 2689.24. The deadline to have all such contracts amended is Monday, June 23, 2003.

This deadline to amend third-party contracts applies to all surplus line and special lines’ surplus line brokers, regardless of the type of coverage placed by each broker. This is because the regulations apply to all “licensees,” and that term is defined to include anyone licensed pursuant to sections 1760 through 1780 of the Insurance Code. 10 Cal. Code Regs. 2689.2, Cal. Ins. Code § 791.02(c).

Attached is a sample letter of agreement that can be adapted to amend existing contracts with nonaffiliated third party service providers.

Ted Pierce  
Executive Director

## **Sample Amendment to Nonaffiliated Service Provider Contract**

[SLA member letterhead]

Recent California privacy law, California Code of Regulations Title 10, Sub Chapter 5.9, (Sections 2689.1 – 2689.24), mandates numerous changes in the way financial institutions, including surplus line and special lines' surplus line brokers, treat “nonpublic personal information.”

More specifically, [SLA member] is now required by law to ensure that all of its service providers' contracts with nonaffiliates include a written requirement that the service provider agrees to maintain the security, confidentiality, and integrity of any nonpublic personal information obtained in connection with such contract. 10 Cal. Code Regs. § 2689.18.

This letter shall amend [SLA member's full name as appears in the relevant contract] (“[SLA member]” or “our”) contract with you (as our nonaffiliated service provider), effective upon execution hereof, to include this written commitment that you will maintain the security, confidentiality, and integrity of nonpublic personal information obtained by you in connection with your contract with [SLA member], and that you have implemented appropriate measures to do so, as required by California law.

In addition, this letter shall amend [SLA member]’s contract with you, effective upon execution hereof, to require you to indemnify [SLA member] (including its officers, directors, agents, and employees) and hold it (and them) completely harmless from and against any and all losses, damages, costs, and expenses, including legal expenses and reasonable attorney’s fees, that might result from or arise out of your failure to maintain, in compliance with California law, the security, confidentiality, and integrity of all nonpublic personal information obtained by you in connection with your contract with [SLA member].

[SLA member]'s contract with you shall, in all respects not amended by this letter amendment, remain unaltered.

Based on the regulatory mandate of this obligation, all effective provisions in [SLA member]'s contract with you regarding amendments and notice are hereby waived solely for compliance with this regulatory mandate.

Please execute the enclosed copy of this letter amendment and return it to me no later than June 20, 2003. Please be advised that your execution and return of this letter amendment is mandatory, and your failure to timely return the signed letter amendment may be considered a material breach of your contract.

**AGREED AND ACCEPTED**

By: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

For: \_\_\_\_\_

For: [SLA member]

Date: \_\_\_\_\_

Date: \_\_\_\_\_