



## Memorandum re: Proposed Second Amendment to 23 NYCRR

*PIANY respectively submits the following comments on the Department of Financial Services' proposed Second Amendment to 23 NYCRR.*

The Professional Insurance Agents of New York State Inc., an association of independent insurance agents throughout the state and their employees, would like to thank the New York State Department of Financial Services for the opportunity to submit comments on the department's proposed second amendment to 23 NYCRR 500. Since the enactment of 23 NYCRR 500 in 2017, it has been a mission of PIANY to educate insurance producers about the importance of sound cyber security practices. In the five years since the implementation of 23 NYCRR 500, PIANY has provided insurance producers in New York and neighboring states with resources and education on the topic. PIANY's legal staff has fielded hundreds of questions about the regulation and assisted numerous producers with compliance.

PIANY had the opportunity to engage with the department and submitted comments during the pre-proposed outreach. During this outreach, PIANY suggested several changes that have been incorporated into the published regulation. PIANY would like to thank the department for providing covered entities with longer transitional periods for the maintenance of backups for incident response, business continuity and disaster-recovery plans, and completion of an asset inventory; and for creating a mechanism for an "inactive broker" to be exempt from the requirements of the regulation.

Based on feedback from PIANY's Government Affairs Committee and PIANY members-at-large, as well as the association's experience with 23 NYCRR 500, PIANY respectively submits the following comments on the Department of Financial Services' proposed Second Amendment to 23 NYCRR 500:

### **Remove written acknowledgement of non-compliance**

PIANY has concerns over new requirements added to Section 500.17 addressing notices to the superintendent. The Second Amendment adds a new Subsection 500.17(b)(1)(ii) that requires covered entities who cannot demonstrate compliance with 23 NYCRR 500 to file a written acknowledgement with the department of that fact, and identify all the areas, systems and processes that require improvement. PIANY is concerned that this requirement could present an unnecessary security risk. If cyber criminals were to successfully breach the department's information system, they could get access to information that would highlight all the cyber security weak points of covered entities. PIANY asks that Section 500.17(b)(1)(ii) be removed to avoid this potential threat.

Once again, PIANY would like to thank the department for the opportunity to comment on the proposed Second Amendment to 23 NYCRR 500. PIANY looks forward to working with the department on this critical regulation.

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