

[First Reprint]

SENATE, No. 562

STATE OF NEW JERSEY
216th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2014 SESSION

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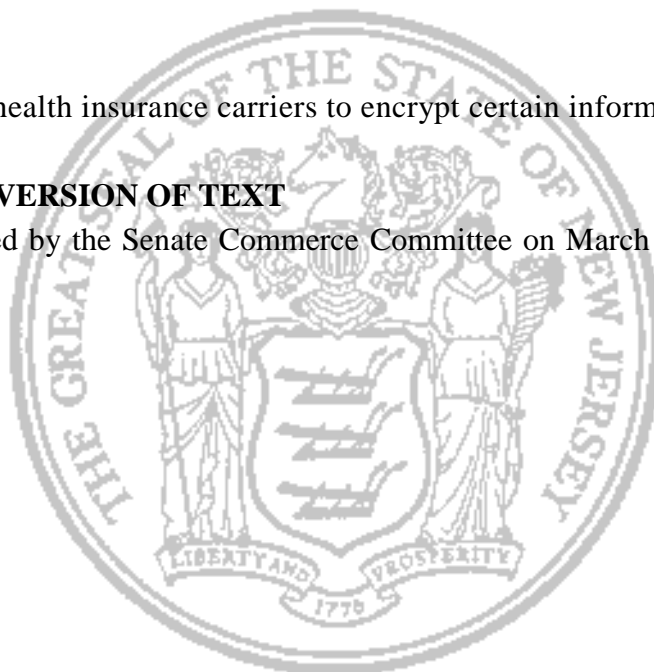
Assemblyman Coughlin

SYNOPSIS

Requires health insurance carriers to encrypt certain information.

CURRENT VERSION OF TEXT

As reported by the Senate Commerce Committee on March 17, 2014, with amendments.



(Sponsorship Updated As Of: 11/14/2014)

1 AN ACT concerning the security of certain personal information and
2 supplementing P.L.1960, c.39 (C.56:8-1 et seq.).

3

4 **BE IT ENACTED** by the Senate and General Assembly of the State
5 of New Jersey:

6

7 1. As used in this act:

8 “Computer” means an electronic, magnetic, optical,
9 electrochemical or other high speed data processing device or
10 another similar device capable of executing a computer program,
11 including arithmetic, logic, memory, data storage or input-output
12 operations and includes any computer equipment connected to such
13 a device, computer system, or computer network.

14 “Computer equipment” means any equipment or device,
15 including all input, output, processing, storage, software, or
16 communications facilities, intended to interface with a computer.

17 “Computer network” means the interconnection of
18 communication lines, including microwave or other means of
19 electronic communication, with a computer through remote
20 terminals, or a complex consisting of two or more interconnected
21 computers.

22 “Computer program” means a series of instructions or statements
23 executable on a computer, which directs the computer system in a
24 manner to produce a desired result.

25 “Computer software” means a set of computer programs, data,
26 procedures, and associated documentation concerning the operation
27 of a computer system.

28 “Computer system” means a set of interconnected computer
29 equipment intended to operate as a cohesive system.

30 “Computerized record” means any record, recorded or preserved
31 on any computer, computer equipment, computer network,
32 computer program, computer software, or computer system.

33 ¹“End user computer system” means any computer system that is
34 designed to allow end users to access computerized information,
35 computer software, computer programs, or computer networks. End
36 user computer system includes, but is not limited to, desktop
37 computers, laptop computers, tablets or other mobile devices, or
38 removable media.

39 “Health benefits plan” means a benefits plan which pays or
40 provides hospital and medical expense benefits for covered
41 services, and is delivered or issued for delivery in this State by or
42 through a carrier. Health benefits plan includes, but is not limited
43 to, Medicare supplement coverage and risk contracts to the extent
44 not otherwise prohibited by federal law. For the purposes of this

EXPLANATION – Matter enclosed in bold-faced brackets **[thus]** in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹Senate SCM committee amendments adopted March 17, 2014.

1 act, health benefits plan shall not include the following plans,
2 policies, or contracts: accident only, credit, disability, long-term
3 care, TRICARE supplement coverage, coverage arising out of a
4 workers' compensation or similar law, automobile medical payment
5 insurance, personal injury protection insurance issued pursuant to
6 P.L.1972, c.70 (C.39:6A-1 et seq.), or hospital confinement
7 indemnity coverage.

8 “Health insurance carrier” means an insurance company, health
9 service corporation, hospital service corporation, medical service
10 corporation, or health maintenance organization authorized to issue
11 health benefits plans in this State.

12 “Identifiable health information” means individually identifiable
13 health information as defined in 45 C.F.R. s.160.103.¹

14 "Personal information" means an individual's first name or first
15 initial and last name linked with any one or more of the following
16 data elements: (1) Social Security number; (2) driver's license
17 number or State identification card number; (3) address; or (4)
18 identifiable health information. Dissociated data that, if linked,
19 would constitute personal information is personal information if the
20 means to link the dissociated data were accessed in connection with
21 access to the dissociated data.

22 ¹“Public network” means a network to which anyone, including
23 the general public, has access and through which a person can
24 connect to other networks or the Internet.¹

25 "Record" means any material, regardless of the physical form, on
26 which information is recorded or preserved by any means, including
27 written or spoken words, graphically depicted, printed, or
28 electromagnetically transmitted. Record does not include publicly
29 available directories containing information an individual has
30 voluntarily consented to have publicly disseminated or listed.

31

32 2. ¹a.¹ A health ¹**【service corporation established pursuant to**
33 **P.L.1985, c.236 (C.17:48E-1 et seq.)】 insurance carrier¹** shall not
34 compile or maintain computerized records that include personal
35 information, unless that information is secured by encryption or by
36 any other method or technology rendering the information
37 unreadable, undecipherable, or otherwise unusable by an
38 unauthorized person. Compliance with this section shall require
39 more than the use of a password protection computer program, if
40 that program only prevents general unauthorized access to the
41 personal information, but does not render the information itself
42 unreadable, undecipherable, or otherwise unusable by an
43 unauthorized person operating, altering, deleting, or bypassing the
44 password protection computer program.

45 ¹b. This section shall only apply to end user computer systems
46 and computerized records transmitted across public networks.¹

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1 3. It shall be an unlawful practice and a violation of P.L.1960,
2 c.39 (C.56:8-1 et seq.) to violate the provisions of this act.

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4 4. This act shall take effect on the first day of the seventh
5 month next following enactment.