

HB 2581 -1 STAFF MEASURE SUMMARY

House Committee On Business and Labor

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Meeting Dates: 3/27

WHAT THE MEASURE DOES:

Requires person who possess or has access to account information as consequence of consumer transaction to notify consumer, financial institution, merchant service provider, and in certain situations, the Attorney General when security breach occurs. Expands definition of "personal information" to include account information that establishes relationship between consumer and financial institution. Subjects person to liability to financial institution for costs incurred as result of security breach if failure to comply with standards for safeguarding account information amounts to gross negligence. Becomes operative January 1, 2018. Declares emergency, effective on passage.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

-1 Removes proposed liability of person whose failure to safeguard account information amounts to gross negligence. Removes emergency clause.

BACKGROUND:

In 2007, the Oregon Consumer Identify Theft Protection Act was enacted. The Act requires notification to consumers for breach of security of computerized data; the Attorney General must be notified if more than 250 consumer are affected by the breach. Security breaches affecting more than 1,000 consumers triggers a requirement to notify the nationwide consumer reporting agencies. The Act allows consumers to freeze, or block access to their credit, for \$10.00, or for free if they are a victim of identity theft. A consumer can temporarily lift the freeze for \$10.00. People who own or license personal information in the course of their business, vocation, occupation or volunteer activities have the duty to safeguard personal information. The Department of Consumer and Business Services was given authority to enforce and make rules to regulate the Act, including assessing penalties of not more than \$1,000 for every violation and \$500,000 for any occurrence.

House Bill 2581 expands the definition of "personal information" to include account information. After a security breach occurs, the measure requires the person who held the account information to notify the financial institution and the merchant services provider that processed the financial transaction. The measure holds the person liable for costs incurred by the financial institution if the failure to safeguard the account information amounts to gross negligence.