

1 XAVIER BECERRA
Attorney General of California
2 NICKLAS A. AKERS
Senior Assistant Attorney General
3 STACEY D. SCHESSER
Supervising Deputy Attorney General
4 YEN P. NGUYEN (SBN 239095)
Deputy Attorney General
5 455 Golden Gate Avenue, Suite 11000
San Francisco, CA 94102-7004
6 Telephone: (415) 510-3497
Fax: (415) 703-5480
7 E-mail: TiTi.Nguyen@doj.ca.gov

[EXEMPT FROM FILING FEES
PURSUANT TO GOVERNMENT
CODE SECTION 6103]

8 *Attorneys for The People of the State of California*

9 SUPERIOR COURT OF THE STATE OF CALIFORNIA

10 FOR THE COUNTY OF ALAMEDA

11 UNLIMITED JURISDICTION

13 **THE PEOPLE OF THE STATE OF**
14 **CALIFORNIA,**

15 Plaintiff,

16 v.

17 **ANTHEM, INC.,** a corporation,

18 Defendant.

Case No.

**COMPLAINT FOR INJUNCTION, CIVIL
PENALTIES, AND OTHER EQUITABLE
RELIEF**

(BUS & PROF. CODE, § 17200 et seq.)

21 1. THE PEOPLE OF THE STATE OF CALIFORNIA (hereinafter “Plaintiff”), by
22 and through Xavier Becerra, Attorney General of the State of California, brings this action against
23 Anthem, Inc. (“Anthem”) for violating Business and Professions Code section 17200 et seq.
24 (“UCL”) and the Health Insurance Portability and Accountability Act of 1996 (“HIPAA”), Pub.
25 L. No. 104-191, 110 Stat. 1938, as amended by the Health Information Technology for Economic
26 and Clinical Health Act, Pub. L. No. 111-5, 123 Stat. 226, as well as the Department of Health
27 and Human Services Regulations, 45 C.F.R. § 160 et seq., and alleges the following upon
28 information and belief:

1 **PARTIES**

2 2. Plaintiff is the People of the State of California. Plaintiff brings this action by and
3 through Xavier Becerra, Attorney General. The Attorney General is authorized by Business and
4 Professions Code sections 17204, 17206, and 17207 to bring actions to enforce the Unfair
5 Competition Law, and by 42 U.S.C. § 1320d-5(d)(1) to bring actions to enforce the Health
6 Insurance Portability and Accountability Act of 1996, Pub. L. No. 104-191, 110 Stat. 1938, as
7 amended by the Health Information Technology for Economic and Clinical Health Act, Pub. L.
8 No. 111-5, 123 Stat. 226, as well as the Department of Health and Human Services Regulations,
9 45 C.F.R. § 160 et seq.

10 3. Defendant Anthem, Inc. is a domestic corporation with its principal place of
11 business at 120 Monument Circle, Indianapolis, Indiana 46204.

12 4. Anthem is a “covered entity” and a “business associate” within the meaning of 45
13 C.F.R. § 160.103, and is required to comply with HIPAA federal standards governing the privacy
14 and security of electronic personal health information (ePHI), including the Privacy and Security
15 Rules. (See 45 C.F.R. § 164.032.)

16 5. In the course of its business, Anthem collects, maintains, and/or processes
17 sensitive personal data and health information including personal information, protected health
18 information (PHI), and electronic personal health information (ePHI) (collectively, “Sensitive
19 Data”).

20 **JURISDICTION AND VENUE**

21 6. Jurisdiction is proper because Anthem has transacted business within the State of
22 California, including the County of Alameda, or has engaged in conduct impacting the State of
23 California or its residents at all times relevant to this complaint. The violations of law described
24 herein occurred in the County of Alameda and elsewhere in the State of California.

25 **FACTS**

26 7. On February 4, 2015, Anthem publicly announced that it had discovered
27 unauthorized access to its computer network, which exposed the Sensitive Data of approximately
28 78,800,000 individuals, identifying at least 13.5 million of whom were California residents.

1 8. On or about January 29, 2015, Anthem discovered that an unauthorized party (or
2 unauthorized parties) had gained access to Anthem’s computer network and infiltrated an
3 essential database containing Sensitive Data of Anthem plan members and other individuals. The
4 Sensitive Data accessed in unencrypted form by the unauthorized party (or unauthorized parties)
5 included names, dates of birth, Social Security numbers, healthcare identification numbers, home
6 addresses, email addresses, phone numbers, and employment information, including income data.

7 9. The unauthorized access, which was the result of spearphishing, began on or about
8 February 18, 2014, and continued until shortly after Anthem discovered it, exploiting Anthem
9 accounts and compromising numerous systems within the Anthem network.

10 10. The unauthorized party (or parties) took advantage of multiple weaknesses in
11 Anthem’s data security that could have prevented or mitigated the impact of the breach. For
12 example, Anthem failed to: properly segment its network; sufficiently log and monitor system
13 activity; regularly and accurately assess and mitigate risks to sensitive information; update its
14 security program to protect against known cybersecurity threats; and implement access controls.
15 Anthem did not properly configure some of its security tools to issue any alerts on the
16 unauthorized activity. Where Anthem had enabled its security tools to issue alerts, Anthem failed
17 to follow up on and respond to alerts regarding backdoor installation, unauthorized device
18 scanning that illicitly mapped Anthem’s network, malware execution, and unauthorized queries
19 that should have led to detection of the breach.

20 11. Furthermore, Anthem failed to implement security policies in certain areas,
21 including policies requiring: up-to-date anti-virus protection; strong password practices and
22 secure password storage; encryption; and two-factor authentication for remote access to
23 privileged accounts. And even where Anthem had security policies in place, Anthem failed to
24 follow them.

25 12. Anthem’s security failures occurred in spite of state and federal privacy laws that
26 mandate reasonable data security and other safeguards to protect Sensitive Data. For example,
27 California has long recognized a duty to safeguard consumer’s personal and medical information
28 in its privacy laws. Similarly, HIPAA sets forth strict rules and standards that require healthcare

1 companies to adequately safeguard and protect patient data from unauthorized access. These
2 include mitigating risks to ePHI, updating security program, establishing appropriate access
3 controls to ePHI, monitoring login attempts, detecting malicious software, and complying with
4 security procedures and practices.

5 **FIRST CAUSE OF ACTION**

6 **VIOLATIONS OF HIPAA AND ITS ATTENDANT**

7 **PRIVACY AND SECURITY RULES**

8 **45 C.F.R. SECTION 160 ET SEQ.**

9 13. The People reallege and incorporate by reference each of the paragraphs above as
10 though fully set forth herein.

11 14. At all times relevant, Anthem has been a “covered entity” and a “business
12 associate” pursuant to HIPAA, specifically 45 C.F.R. section 160.103.

13 15. At all relevant times, Anthem has maintained the PHI and ePHI of millions of
14 individuals pursuant to HIPAA, specifically 45 C.F.R. section 160.103.

15 16. As a “covered entity” and a “business associate,” Anthem is required to comply
16 with HIPAA standards, safeguards, and implementation that govern the privacy of PHI and ePHI,
17 including the Privacy Rule and the Security Rule. (45 C.F.R. Part 164, Subparts A, C, & E.)

18 17. Anthem failed to comply with specific standards mandating administrative,
19 physical, and technical safeguards and implementation specifications as required by HIPAA, the
20 Privacy Rule and the Security Rule. (45 C.F.R. §§ 164.306(a)(1), 164.306(a)(2), 164.306(a)(3),
21 164.306(d), 164.308(a)(4)(i), 164.308(a)(4)(ii)(B), 164.308(a)(4)(ii)(C), 164.308(a)(1),
22 164.308(a)(6), 164.308(a)(5)(i), 164.312(a)(1), 164.312(e)(2)(ii), 164.316(a), 164.502 et seq.)

23 18. Each violation of the above standard, administrative safeguard, physical safeguard,
24 technical safeguard, and/or implementation specification by Anthem constitutes a separate
25 violation of HIPAA on each day the violation occurred. (42 U.S.C. § 1320d-5(d)(2); 45 C.F.R.
26 § 160.406.) Plaintiff separately alleges each and every HIPAA violation identified in Paragraph
27 17 herein.

28

1 19. Plaintiff is entitled to statutory damages pursuant to 42 U.S.C. section 1320d-
2 5(d)(2) and attorneys' fees pursuant to 42 U.S.C. section 1320d-5(d)(3).

3 **SECOND CAUSE OF ACTION**

4 **VIOLATIONS OF THE UNFAIR COMPETITION LAW**

5 **BUSINESS AND PROFESSIONS CODE SECTION 17200**

6 20. The People reallege and incorporate by reference each of the paragraphs above as
7 though fully set forth herein.

8 21. Anthem has engaged in unlawful, unfair, or fraudulent acts or practices, which
9 constitutes unfair competition within the meaning of Section 17200 of the Business and
10 Professions Code. Anthem's acts or practices include, but are not limited to, the following:

- 11 (a) Violating HIPAA and its Privacy and Security Rules, as alleged in the First
12 Cause of Action; and
13 (b) Failing to implement, maintain, and/or follow reasonable security
14 procedures and practices to protect the personal information from
15 unauthorized access, destruction, use, modification, or disclosure.

16 **PRAYER FOR RELIEF**

17 WHEREFORE, Plaintiff prays for judgment as follows:

18 1. Pursuant to Business and Professions Code section 17203, that the Court enter all
19 orders necessary to prevent Anthem, its successors, agents, representatives, employees, and all
20 persons who act in concert with Anthem from engaging in any act or practice that constitutes
21 unfair competition in violation of Business and Professions Code section 17200, including as
22 alleged in this Complaint;

23 2. Pursuant to Business and Professions Code section 17206, that the Court assess a
24 civil penalty of Two Thousand Five Hundred Dollars (\$2,500) for each violation of Business and
25 Professions Code section 17200, as proved at trial;

26 3. Pursuant to 42 U.S.C. § 1320d-5(d)(1), that the Court assess a civil penalty of
27 \$100, not to exceed \$25,000 per calendar year, for each violation of the Health Insurance
28 Portability and Accountability Act of 1996, Pub. L. No. 104-191, 110 Stat. 1938, as amended by

1 the Health Information Technology for Economic and Clinical Health Act, Pub. L. No. 111-5,
2 123 Stat. 226, as well as the Department of Health and Human Services Regulations, 45 C.F.R.
3 § 160 et seq.

- 4 4. That Plaintiff recovers its cost of suit herein, including costs of investigation; and
- 5 5. For such other and further relief as the Court deems just and proper.

6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

Dated: September 30, 2020

Respectfully Submitted,

XAVIER BECERRA
Attorney General of California
NICKLAS A. AKERS
Senior Assistant Attorney General
STACEY D. SCHESSER
Supervising Deputy Attorney General



YEN P. NGUYEN
Deputy Attorney General
*Attorneys for The People of the State of
California*