HB 267

Department of Legislative Services

Maryland General Assembly
2020 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 267 (Delegates C. Watson and Dumais)
Economic Matters Finance

Private Passenger Automobile Insurance – Use of Telematics

This bill establishes a regulatory framework regarding the collection and sharing of telematics data by a private passenger automobile insurer.

Fiscal Summary

State Effect: The bill does not materially affect State operations or finances.

Maryland Automobile Insurance Fund (MAIF) Effect: None. MAIF does not use telematics.

Local Effect: The bill does not directly affect local governmental operations or finances.

Small Business Effect: Minimal.

Analysis

Bill Summary: "Telematics" means a method of collecting specified data regarding a vehicle or driver (such as vehicle speed, cornering habits, *etc.*) using recording sensors or a telecommunications device for transmittal of the data and a secured server to store the data.

A private passenger automobile insurer may only use data obtained through telematics for (1) establishing an insurance premium for the policy that insures the vehicle if the named insured consents to the data collection; (2) claims investigation purposes, including fraud; or (3) rate filing purposes using aggregated telematics data.

Generally, an insurer may not use telematics data to cancel, not renew, or refuse to underwrite a private passenger automobile insurance policy. However, an insurer may refuse to underwrite an insurance policy if the named insured does not consent to the use of telematics, but only if the insurer rates all of its policies using telematics data.

An insurer may share data obtained through telematics with the named insured (or another person if the named insured consents) and in accordance with a court order. An insurer may sell or exchange aggregated telematics data that does not contain any personal information if the data will be used for automobile insurance rating or vehicle safety purposes.

Current Law: There are no State laws or regulations that specifically govern usage-based insurance (UBI) programs or telematics.

When calculating the premium rates charged for an insurance policy, an insurer must consider certain factors, such as its loss experience within and outside the State, its underwriting profits, and any conflagration and catastrophe hazards it covers. Rates may not be excessive, inadequate, or unfairly discriminatory. Certain types of insurers, including those that sell automobile insurance policies, must adhere to additional principles when setting rates for those policies. For example, an automobile liability insurance policy may not charge an insured a higher premium due to a claim that occurred more than three years ago.

Generally, each insurer must file its rates (and any supporting information) with the Maryland Insurance Administration (MIA) for approval. In some cases, an insurer may immediately begin charging those rates after they are submitted; while in others, the insurer must wait until the rates are approved. MIA must follow specified procedures and requirements when reviewing the rates and must either approve or disapprove the rates within a certain timeframe (generally 30 to 60 days).

Background: UBI programs use telematics devices installed on or in an insured vehicle to directly monitor driving behavior (such as distances driven, speeding, or hard braking). Once the data is collected and analyzed, an insurer adjusts the premiums accordingly. Traditional automobile insurance relies on actuarial analysis of data, including driving record, credit-based insurance score, personal characteristics, vehicle type, and garage location. UBI programs add individual driving behaviors as an additional rating factor.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): National Association of Insurance Commissioners; Maryland Insurance Administration; Maryland Automobile Insurance Fund; Department of Legislative Services

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