

Department of Legislative Services  
Maryland General Assembly  
2025 Session

FISCAL AND POLICY NOTE  
First Reader

Senate Bill 984  
Finance

(Senator A. Washington)

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Private Passenger Motor Vehicle Insurance - Use of Telematics Systems

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This bill prohibits an insurer that issues, sells, or delivers private passenger motor vehicle insurance policies in the State from using data obtained from “telematics” to establish premiums for the policy that insures *that vehicle* or to cancel, refuse to renew, or refuse to underwrite a private passenger automobile insurance policy. The bill requires a private passenger motor vehicle insurer to (1) disclose to the insured any use of telematics to obtain data relating to the insured’s driving habits or vehicle and (2) if the insurer uses a telematics system, create an appeals process for policyholders to correct or appeal telematics data believed to be erroneous. The Maryland Insurance Administration (MIA) must adopt regulations to implement the bill, including specified limitations on the use of telematics by insurers, no later than December 31, 2025, and may require an insurer that uses telematics to periodically audit its telematics system and submit information about the audit to MIA, as specified.

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Fiscal Summary

**State Effect:** It is anticipated that MIA can adopt regulations using existing budgeted resources; while any other impact depends on the regulations adopted by MIA, the bill is not anticipated to materially affect MIA operations or finances, as discussed below. General fund revenues may be affected, as discussed below.

**Maryland Automobile Insurance Fund (MAIF) Effect:** The bill is not anticipated to affect MAIF operations or finances because MAIF does not use telematics systems.

**Local Effect:** The bill does not materially affect local government operations or finances.

**Small Business Effect:** Minimal.

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## Analysis

**Bill Summary:** “Telematics” means a method of collecting data points from a vehicle or driver using recording sensors or a telecommunications device for transmittal of data, and a secured storage of data, related to:

- vehicle speed, location, milage, and operating hours;
- driver acceleration, braking, and cornering habits;
- engine diagnostics; and
- any other data point related to the use and operation of the insured vehicle that has been filed with and approved by the Insurance Commissioner.

MIA must adopt regulations to limit the types and amount of data collected by telematics systems for use by applicable insurers in the State by December 31, 2025. In addition, MIA is authorized to require an insurer that uses a telematics system to periodically (1) audit the telematics system to ensure the system collects, processes, and calculates the impact of data on insurer-wide premium rates in a manner that is actuarially sound and free of unfair bias and (2) submit a report to MIA summarizing the scope, methodologies, and findings of the audit.

**Current Law:** MIA and the Insurance Commissioner’s statutory and regulatory duties include, among other things, certifying insurers to operate in the State, reviewing and approving the rates and forms used by insurers, and licensing and certifying insurance professionals. MIA and the Commissioner have broad authority to enforce the requirements and prohibitions that apply to insurers and insurance professionals. For example, depending on the type of violation and following the administrative processes required by Insurance Law and regulations, the Commissioner is authorized to issue orders directing insurers or insurance professionals to take certain actions, impose administrative penalties, and suspend or revoke certifications and/or licenses.

The Insurance Article expressly prohibits certain insurer practices and activities as unfair trade practices. One such practice is that, with respect to private passenger motor vehicle insurance, an insurer may not *cancel or refuse to renew coverage* based on the claims history of an insured where two or fewer of the claims within the preceding three-year period were for accidents or losses where the insured was not at fault for the loss.

Furthermore, current law specifies certain requirements and procedures that must be followed by a private passenger motor vehicle insurer when it proposes to cancel, refuse to renew, reduce coverage for, or increase the premium of a policy. For example, an insurer may not terminate a policy mid-term, except in limited circumstances (*e.g.*, nonpayment of

a premium), and an insurer must send notice to an insured in a specified manner when it proposes to reduce the coverage provided by the policy. Additionally, when proposing to increase the premium of a policy, an insurer must notify the policyholder of certain information directly related to the premium increase, including the policyholder's rate classification and the factors that may cause or contribute to an increase in the policy's premiums.

### **State Fiscal Effect:**

#### *Maryland Insurance Administration Regulation*

MIA can adopt the regulations required by the bill using existing budgeted resources. Any other fiscal or operational impact experienced by MIA depends on the regulatory framework established; however, any such impact is not anticipated to materially affect MIA.

As noted above, MIA already directly regulates insurers in the State and enforces State laws that require or prohibit certain insurer actions. As such, the regulatory framework established by MIA to implement the bill can likely be structured to work cohesively with its existing processes and enforcement actions without the need for significant additional changes or resources. Additionally, any new source of revenue MIA may implement (for example, if MIA requires a filing fee to submit telematics system audits) is likely to be negligible relative to MIA's other finances.

#### *Premium Taxes*

Title 6 of the Insurance Article imposes a 2% premium tax on each authorized insurance company, surplus lines broker, or unauthorized insurance company that sells, or an individual who independently procures, any type of insurance coverage upon a risk that is located in the State. Revenues accrue to the general fund.

Currently available information indicates that private passenger automobile insurers in the State are uncertain as to what effect the bill has on premiums for private passenger automobile insurance policies. While insurers would be unable to increase premiums based on the data specified under the bill, insurers may choose to adjust their premiums in other ways. Thus, the direction and extent of any impact on general fund revenues from the premium tax cannot be reliably estimated at this time.

## **Additional Information**

**Recent Prior Introductions:** Similar legislation has not been introduced within the last three years.

**Designated Cross File:** None.

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

**Fiscal Note History:** First Reader - March 4, 2025  
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Analysis by: Kayvon Samadani

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510