



American Property Casualty Insurance Association

House Economic Matters Committee

SB0984 Private Passenger Motor Vehicle Insurance - Use of Programs That Measure the Operation of an Insured Vehicle

March 26, 2025

Unfavorable

The American Property Casualty Insurance Association (APCIA) is a national trade organization whose members write approximately 64% of the personal auto insurance market in Maryland. APCIA is concerned about this legislation which would at best discourage and at worst prohibit some insurers from offering programs based on a person's actual driving behaviors as well as providing real time feedback for the driver that they can use to become a safer driver. The bill as amended would be the most extensive set of restrictions on telematics based auto insurance programs in the country. Companies will be forced to look long and hard at their existing programs in terms of cost benefit and, as currently written, could likely discourage others (especially smaller companies) from offering such programs.

In addition, as drafted, companies that only offer telematics based auto insurance programs would no longer be able to operate as they currently do in Maryland, forcing them to either do business in a completely different way (incurring significant expense to do so) or to forgo doing business in the state. To have vibrant personal auto marketplace with many options for consumers, companies should not be discouraged from offering different options in the marketplace. Especially a product that has the added benefit of helping Marylanders be safer drivers

As Senate Bill 984 is currently drafted, it requires an insurer that issues, sells, or delivers private passenger motor vehicle insurance policies in the State to disclose the use of certain telematics systems ; requires an insurer to establish an appeals process by which a policyholder may challenge data the policy holder believes to be erroneous; permits the Maryland Insurance Administration to set regulations limiting the types and amount of data collected; sets up a separate governance program targeting telematics; bans companies that use telematics to operate in the state if they only offer telematics; and prohibits all insurers from using telematics information to cancel or refuse to renew or underwrite a risk for private passenger insurance. In addition, it is not clear whether the bill applies to commercial auto insurance. APCIA has met with the Maryland Insurance Administration (MIA) to discuss these concerns.

APPEALS PROCESS 19-512 (B)

APCIA members are concerned with understanding the appeals process envisioned by the MIA. There is already an active consumer complaint process in place for consumers. This adds another cost to offering telematics in the state that measures actual driving. Most telematics auto insurance programs provide ride by ride feedback to the driver, with the opportunity to make corrections for if an individual was a passenger, rather than a driver for that ride. Does that qualify as an appeals process? Companies are concerned that this could result in volumes of MIA complaints and challenges which would be time consuming and costly to both the MIA and the insurer. There are no details of what this would encompass, and the MIA needs to provide better guidance or language. This has been discussed with the MIA.

GOVERNANCE STANDARD CONCERNS PAGE #3 19 -521 (D)

The standard being advanced in this amendment is technically more stringent than what is required under the Maryland Underwriting Discrimination Statute. Insurers are already required to meet these standards when submitting their rating plan and which are reviewed and approved by the MIA. What isn't clear is if companies have an existing governance plan in place, would that qualify? There is no audit procedure in place for any other rating feature; this process should be established so as not to be arbitrarily initiated and overly burdensome to insurers. The language needs to be amended to the current underwriting standards. This has been discussed with the MIA.

THE LEGISLATION WOULD PUT COMPANIES THAT ONLY OFFER TELEMATICS OUT OF BUSINESS IN MARYLAND

Page 4 - 27-501. **See the brackets removing the language. APCIA requests the brackets be removed to permit companies to continue to operate.**

Those companies that only offer telematics programs and inform the applicant as such would no longer be able to operate as they don't offer alternate pricing plans. Participating in a telematic program is voluntary for any applicant. This is covered by the marketplace - if the consumer does not wish to have a telematics-based insurance plan, they can go to a traditional carrier. It should not require that insurance providers must offer both a telematics and non-telematics product. This has been discussed with the MIA.

INABILITY TO UNDERWRITE A RISK DUE TO BAD DRIVING BEHAVIOR

Page 4 of the reprint Section 27-501 Lines 21-22

These amendments would not permit a company based on an insured's data of driving history to cancel or non-renew due to their risky behavior. Risker drivers would not face any consequences. This defeats the purpose of rewarding safer drivers and not rewarding bad drivers. If insurers only offer telematics, how do they stop writing a risk? The blanket prohibition on using the data to refuse to renew/cancel can be troublesome. The data collected can speak to substantial increase in hazard, misrepresentation, fraud, etc. Those are generally proper bases for cancellation/non-renewal. This has been discussed with the

MIA>

IT IS NOT CLEAR THIS IS ONLY APPLIES TO PRIVATE PASSENGER VEHICLES NOT COMMERCIAL AUTO

Page 4 19-521 Line 13 (B) and Line 22 (D)

The intent of the legislation is to regulate private passenger auto telematics program, but the language does not specify in section 19-521. Here is suggested language to make sure it only applies to private passenger auto:

ADD

Line 13 (B) AN INSURER THAT **THAT ISSUES, SELLS, OR DELIVERS PRIVATE MOTOR VEHICLE INSURANCE POLICIES IN THE STATE** IMPLEMENTS THE USE OF A PROGRAM THAT
14 MEASURES THE OPERATION OF AN INSURED VEHICLE SHALL ESTABLISH A PROCESS

ADD

Line 22 (D) THE ADMINISTRATION MAY REQUIRE AN INSURER **THAT ISSUES, SELLS, OR DELIVERS PRIVATE MOTOR VEHICLE INSURANCE POLICIES IN THE STATE** THAT USES A

23 TELEMATICS SYSTEM PROGRAM THAT MEASURES THE OPERATION OF AN INSURED

In its current posture, APCIA is opposed to the legislation. APCIA will continue to work with the Maryland Insurance Administration to address concerns with the legislation.

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