



Testimony to the Senate Finance Committee
SB 984 – Private Passenger Motor Vehicle Insurance – Use of Telematics Systems
Position: Favorable With Amendments

The Honorable Pam Beidle
Senate Finance Committee
3 East, Miller Senate Building
Annapolis, MD 21401
cc: Members, Senate Finance Committee

March 5, 2025

Honorable Chair Beidle and Members of the Committee:

I'm a consumer advocate and Executive Director of Consumer Auto, a non-profit group that works to secure safety, transparency, and fair treatment for Maryland drivers and consumers,

We support **SB 984 with Amendments** because, with some modest changes, the bill could help drivers by disclosing more adequately the collection of “telematics” data by insurance companies and requiring the state to establish limits on the collection of such data that will help protect our privacy.

Car insurance rates have exploded in recent years, up an average of more than 50% over the last three years. Bankrate recently estimated the average cost of full car coverage in Maryland at \$2,793¹ – and many Marylanders, especially those in low-income or urban communities or who've had credit problems or are otherwise deemed higher risk must pay much more for the coverage they're required to carry.

In this environment, the telematics programs offered by leading car insurers have a strong appeal to drivers as a way they may save money and get rates more fairly tailored to their actual driving practices. Under such programs drivers agree to let insurers collect data about how they drive, in the hope that they'll be rewarded with significant discounts if they're viewed as safe drivers. Leading insurers claim that participants in these programs can save 15% to 40% on their insurance rate.²

While few drivers achieve discounts that large, many drivers do save some money. Consumer Reports estimates that participants in telematics programs save an average of about \$120, with younger drivers, African-American and Hispanic drivers on average saving even more.³ A 2024 study by Cambridge Mobile Telematics found that 72% of customers saved at least \$100 and 21% reported saving more than \$300.⁴ And while some participants do report seeing their costs go up, there is also some evidence that drivers who participate in such programs drive more safely, modifying unsafe driving practices like abrupt acceleration and stopping and looking at their phones while driving in an effort to earn lower rates.

¹ <https://www.bankrate.com/insurance/car/the-true-cost-of-auto-insurance/>

² https://consumerfed.org/press_release/consumer-reports-investigates-auto-insurance-telematics-programs-highlighting-whats-known-and-unknown-about-consumer-data-collected-and-used-by-insurers/

³ <https://www.consumerreports.org/money/car-insurance/car-insurance-telematics-pros-and-cons-a5869096072/>

⁴ <https://www.bankrate.com/insurance/car/are-telematics-programs-worth-the-discount/>



Unfortunately, there are serious problems with the collection and disposition of the data these programs collect. Many of the drivers who agree to participate have little idea just how much data is being collected and what may happen to their data once it is harvested. Part of the problem is that the programs themselves tend to describe the data they collect and the factors they weigh in vague terms that offer little transparency about what data they collect, how it is assessed or what may happen to it once it is collected.

Even more troublingly, many drivers have had their data collected and sold unwittingly or without any genuine consent. Last March, the New York Times reported on thousands of GM drivers who saw their insurance rates spike after GM sold detailed data about their driving habits, collected without their consent through OnStar and other apps GM offers.⁵ In January, the FTC reached an agreement with GM that bars the car maker from collecting such driving data for five years; but other car manufacturers including Honda, Kia and Hyundai collect the same kind of data through apps they offer to drivers. Last June, the NY Times also reported that a company called Arity is reporting “driving scores” on tens of millions of drivers to insurance firms based on data scraped from such apps.⁶

And many newer cars now come with GPS and other connected features that drivers often do not realize are collecting all kinds of information about them; if that data is sold to insurers, it may strongly influence a driver’s future rates and access to coverage.

Privacy concerns are particularly vexing here because telematics programs sweep up not just data on how people drive but highly sensitive information about just where and when they drive. No federal law protects the privacy of that data or limits what insurers or data brokers can do with it. And most states, including Maryland provide little protection for that data.

By mandating that insurers “disclose to the insured any use of telematics” [Article 19-521(B)] and that the state develop rules “to limit the types and amount of data that may be collected by telematics systems” [Article 19-521(C)], **SB 984** would give Maryland drivers important new disclosure and privacy protection.

I do fear, however, that the blanket prohibition in the bill, as drafted, against using telematics “for establishing an insurance premium...” would prevent Marylanders from accessing badly-needed possible savings on their car insurance bill. For that reason, I’d favor amending the bill to strike that provision [Article 27-908(B)(1)] or perhaps to replace it with language that would allow telematics to be used to offer discounts but not to raise insurance rates (New York has a similar law).

Amended in that way, the bill would provide Maryland drivers important disclosure and privacy protections that would prevent some of the abusive ways telematics data is currently used.

We support SB 984 with Amendments, and ask for an FWA Report.

Sincerely,

Franz Schneiderman

Consumer Auto

⁵ <https://www.nytimes.com/2024/03/11/technology/carmakers-driver-tracking-insurance.html>

⁶ <https://www.nytimes.com/2024/06/09/technology/driver-scores-insurance-data-apps.html>