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Acting Commissioner

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Deputy Commissioner

Maryland

INSURANCE ADMINISTRATION

Date: **March 5, 2025**

Bill # / Title: **Senate Bill 984 - Private Passenger Motor Vehicle Insurance - Use of Telematics Systems**

Committee: **Senate Finance Committee**

Position: **Support with Amendments**

The Maryland Insurance Administration ("MIA") appreciates the opportunity to share its support for Senate Bill 984 with amendments.

Senate Bill 984 would require a private passenger automobile ("PPA") insurer that uses a telematics system to: (i) disclose to insureds which data about insureds' driving habits and/or vehicles is collected through the system; and (ii) establish a process by which insureds can contest the accuracy of data collected through the system. The bill would also prohibit an insurer from using data obtained through a telematics system to establish the premium for, cancel, nonrenew, or refuse to underwrite a PPA policy. Finally, the bill would direct the MIA to adopt regulations limiting the types and amount of data that PPA insurers can collect through telematics systems, and permit the MIA to require a PPA insurer to audit certain aspects of its telematics system.

The MIA has been working to better understand how insurers employ telematics systems. In December of 2024, the MIA issued a survey to the top 18 PPA insurers, accounting for approximately 81% of the Maryland market based on their total written premium in 2023. The purpose of the survey was to obtain preliminary insights into how many policyholders are currently enrolled in a telematics program, how these programs function, and what safeguards are in place to protect enrollees. Responses to the preliminary survey gave rise to new questions concerning telematics practices by PPA insurers. The MIA intends to gather additional data, likely through a follow-up survey, and publish a comprehensive report on its findings in the coming months. In the meantime, the MIA sees the provisions of the bill as an important start in consumer protection in transparency in relation to telematics programs. The MIA does recommend several amendments to the legislation, discussed below.

The phrase "a program that measures the operation of an insured vehicle," as it is used in §§ 11-318(b)(3), 27-501(t), and 27-614(c) of the Insurance Article, has been interpreted to include a telematics system. These provisions, which address discrimination in underwriting, rate making

principles, and notices of premium increase, are not entirely consistent with the bill. The MIA recommends amendments that resolve inconsistencies between the bill and these provisions.

In regards to the disclosure requirement under the bill, it is not clear where and how the disclosure must be made, and whether it is required for both new policies and renewals. In regards to the regulatory action that the bill directs the MIA to take, it is not clear which types and amounts of telematics data that the MIA should permit PPA insurers to collect. The MIA recommends amendments that clarify these ambiguities.

The bill authorizes the MIA to require PPA insurers that use telematics systems to periodically audit their systems to ensure they collect and process data in a manner that is not unfairly discriminatory and does not produce premium rates that lack actuarial justification. The MIA recommends amendments that require a PPA insurer that utilizes a telematics system to: (i) integrate periodic audits of the system into its governance plan; and (ii) take action to mitigate and correct a finding that the system is collecting or processing data in a manner that is unfairly discriminatory, or is no longer producing actuarially sound premium rates.

For the reasons set forth above, the MIA recommends a favorable committee report on Senate Bill 984 with amendments, and thanks the Committee for the opportunity to share its support.