



Testimony of American Property Casualty Insurance Association (APCIA)

Senate Finance Committee

House Bill 267- Private Passenger Automobile Insurance- Use of Telematics

March 17, 2020

Letter of Opposition

The American Property Casualty Insurance Association (APCIA) represents more than 1200 insurers and reinsurers that provide critically important insurance protection throughout the U.S. and world. In combination, our members write 60% of the U.S. property casualty market. APCIA represents companies of all sizes, structures, and regions- protecting families, communities, and businesses in the U.S. and across the globe. APCIA members write over 43.4% of the personal auto insurance written in Maryland. APCIA appreciates the opportunity to provide written comments in opposition to House Bill 267.

On March 5th, the Insurance Commissioner held a meeting of industry stakeholders to hear concerns, and in a subsequent to the industry stated his intention to reconvene a meeting of stakeholders including the sponsor once the bill crossed over to the Senate to continue to work on the bill in an effort to improve it. That meeting has yet to occur, we believe that moving forward on the bill is premature. Very few states have enacted anything similar to what is being proposed in House Bill 267. One neighboring state, Delaware has passed legislation that permits insurers to use telematics but sets requirements for disclosure to the policyholder requiring consent for access to the data, and disclosures to the policyholder about the data gathered and how it is used.

House Bill 267 establishes a regulatory framework on the use of telematics for personal auto policies but raises several issues of concern for insurers. First, §27-908(a) defines telematics and requires insurers that use telematics must have the data points approved by the Commissioner before the telematics are used, which is in conflict with the current rating laws that permit insurers to file and use their private passenger rates with the Commissioner. (See Insurance Article 11-101 et seq.). Additionally, it is not clear if the bill applies telematic data points already in use by carriers or if insurers would be required to refile their current data points with the Commissioner.

The bill also raises several concerns about the use of the data for underwriting. The bill does not address if a carrier may use the telematics data during the initial 45-day underwriting period as a material risk factor (Insurance Article §12-106). Current law provides that an insurer may cancel a binder or policy during the initial 45-day underwriting period if the risk does not meet the underwriting standards of the insurer. It also provides that an insured may recalculate a premium during that time period either as an increase or decrease in premium and provide notice the insured with the reason for the increase or reduction in the premium. For example, if the policyholder indicated that they drove very little, but telematics data revealed otherwise, the bill does not address whether an insurer

may use telematics to increase a premium during this time period. Language would need to be added to clarify this initial underwriting period.

Additionally, the bill states (line 7, pg. 3.) that an insurer may not use telematics wholly or in part to cancel, not renew or refuse to underwrite a private passenger risk. This does not seem reasonable. If the telematics data indicates risky driving behavior such as quick lane changes, using of cell phone while driving, or excessive speeding, or disconnected the device or deleted the application used for the program shouldn't a company be able to use this information to underwrite the policy at time of renewal?

For all these reasons, APCIA urges the Committee to provide an unfavorable vote on House 267.

Sincerely,

Nancy J. Egan

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