

November 4, 2024

Attn: Kathryn Callahan
Director of Policy Initiatives
Maryland Insurance Administration
200 St, Paul Place
Suite 2700
Baltimore, Maryland 21202
Via email: kathryn.callahan1@maryland.gov.

RE: Draft Bulletin: Notice Requirements for Premium Increases Based on Factors Measured through a Telematics Program

Dear Ms. Callahan,

The American Property Casualty Insurance Association (APCIA) 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 welcomes the opportunity to comment on the Maryland Insurance Administrations (MIA) draft bulletin regarding premium increase notices related to participation in a telematics program. Telematics based auto insurance programs have been growing significantly in recent years, driven by changes in commuting patterns and inflation driven by auto insurance cost increases. In addition to the opportunity to obtain discounts for participating, policyholders get real time feedback on their driving, enabling them to make changes in how they drive. By changing driving behaviors, policyholders can obtain additional savings, but most importantly, be safer drivers.

The proposed draft bulletin would be a significant departure from current industry practice. There are typically two types of discounts associated with participation in a telematics program. The first is a discount for enrolling in a telematics program which typically applies to the first policy period after enrollment before being replaced with a second discount that is based on the driving data that has been collected. Policyholders that enroll in these programs receive disclosures upon enrollment on the driving factors that the insurer tracks in their telematics program, and the potential impact on their premiums, which may include being removed from the program if insufficient data is collected. At best, the requirements in the draft bulletin would duplicate those disclosures.

One APCIA member estimates that requiring a "Notice of Premium Increase (NOPI)" for the expiration of such an enrollment discount would increase the number of NOPI notices by 33 percent. In addition to the costs incurred for programming and sending those notices, it also estimated that the change will result in an increase of 33 percent of protests investigated by MIA, which would be burdensome for both the companies and MIA.

There are several options that could reduce that burden on MIA and the companies. For example, there could be exceptions in certain circumstance such as:

- Moving from an enrollment discount to one based on telematics data, but only if that discount is less than the enrollment discount;
- A change in the discount of less than 5%; or
- A change in telematics participation discount that comes from the consumer's choice to stop participating

Another option would be an exception for telematics discounts disclosed via the "Summary of Rate Class" notice provided to each policyholder. We would welcome further discussion of alternatives in this regard.

Another and even greater concern regard data that an insurer would be required to produce at the request of MIA, or for a protest hearing. The bulletin states that the insurer must be *“able to provide all relevant data about the insured that was measured through the telematics program.”* While the driving data points collected for these programs can be similar from company to company, the formulas and weighting used in pricing are closely guarded trade secrets for both the companies and the vendors that provide tools for or administer telematics program. While we do not believe it is MIA’s intent to require that level of information to be disclosed, if that is the Administration intent, such disclosure must be subject to trade secret protection.

Telematics monitoring and the participation discount have helped lower the cost of insurance rates dramatically for Maryland drivers. One APCIA member reports that over 50 percent of direct new applicants receive a discount for enrolling, with the majority moving on to even deeper discounts at renewal. If the department is not able to provide trade secret protection regarding telematics and minimize the burden on MIA and the companies in the investigation of complaints regarding telematics rating, it could lead to reduced availability of such programs.

Once again, on behalf of APCIA members, we thank you for the opportunity to comment on the draft bulletin. If it would be helpful, we could try to arrange a demonstration of a typical “onboarding” process and the feedback that telematics users receive. As always, we look forward to continuing to collaborate with you on this issue.

Sincerely,

A handwritten signature in cursive script that reads "Nancy J. Egan".

Nancy J. Egan,
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