



## **Selling Telematics Motor Insurance Policies**

**A Good Practice Guide**

**November 2020**



# 1 INTRODUCTION

## 1.1 The purpose of the Guide

This Guide sets out high-level actions that insurers should seek to achieve to ensure that consumers understand and trust telematics-based motor insurance (telematics) products. It also sets out actions that will help to ensure that those involved in providing telematics products are complying with the law.

The conduct of those offering telematics products is already subject to regulation by the Financial Conduct Authority (FCA), while consumer rights to data, and the obligations of firms in receipt of telematics data, are set out in the General Data Protection Regulation (GDPR) and the Data Protection Act 2018 (DPA 2018), and regulated by the Information Commissioner's Officer (ICO). Accordingly, this Guide seeks to complement and reinforce the responsibilities set out elsewhere, with a focus on compliance issues particular to telematics products.

## 1.2 The scope of the Guide

The actions in this Guide have been developed specifically for Retail Telematics Products, rather than commercial telematics products. Accordingly, while many of the actions in this Guide will be relevant for commercial telematics products, the actions may not cover all the legal and regulatory issues relevant to commercial telematics products.

While the Guide is intended for insurers, many of the actions are applicable to Data Processors (as defined in the GDPR), Telematics Providers, brokers, comparison websites and other Third Parties involved in providing and distributing telematics products.

An accompanying consumer Guide has also been produced which provides information to consumers about what they should expect when purchasing a telematics product.

## 1.3 The status of the Guide

This is a voluntary good practice Guide. The Guide does not replace the need for insurers and others involved in the provision of telematics products to seek their own advice about whether their products meet legal and regulatory requirements.

The Guide is not confirmed by the FCA or ICO; however, the FCA have been consulted during the development of the Guide.

## 1.4 Authors of the Guide

The Guide has been developed by the Association of British Insurers (ABI) with contributions from the British Insurance Brokers' Association (BIBA).

## 1.5 Background

Telematics has dramatically changed the motor insurance market. Telematics technology allows the management of insurance policies on a more individual basis than was previously possible. The new technology has given insurers the opportunity to provide new products and services to consumers, providing a means of reducing the cost of accessing insurance and is a valuable tool in the fight against insurance fraud. Telematics products can also encourage good and safe Driving Behaviours among those that use them.

When this Guide was initially published in 2013, the number of consumers with Telematics Policies was growing rapidly, as was the number of insurers and brokers offering

Telematics Policies. It was unclear at the time whether Telematics Policies would remain a niche product or become mainstream.

The Industry Data Initiatives Board (IDIB) agreed to issue a good practice guide as a matter of priority. Subsequent discussions with the Financial Services Authority (FSA), the predecessor of the FCA, reinforced the need for a guide.

The ABI's goal has always been to maintain a stable and competitive telematics market that improves outcomes for consumers and maximises the potential that is offered by the technology.

Given the nature of telematics products specifically, and insurance products more generally, maintaining consumer confidence is a key determinant of the viability and success of the telematics market. Consumers need to trust insurers to treat them fairly and protect their personal information. Critically, consumer confidence will be influenced by the actions of all market participants.

With this in mind, the ABI produced and published the previous iteration of this Guide in 2013. Since its publication, Telematics Policies have become a mainstay of the UK motor insurance market. Given their increased usage in the motor market, recent legislative changes, notably the introduction of the GDPR and DPA 2018, regulatory developments, mainly the impact of the Insurance Distribution Directive (IDD), and the need to maintain consumer confidence in insurance products, the ABI has decided to update this Guide.

## **1.6 Implementation**

This Guide will be available to all general insurers, brokers, Distributors, Telematics Providers and Data Processors from November 2020. We encourage stakeholders to implement any changes necessary to comply with the actions as soon as possible.

If you are satisfied that your telematics product is fully compliant with the actions included in the Guide, you may make reference to this fact in any promotional material for the relevant product. If the telematics product in question is not fully compliant with the actions in the Guide, any reference to the Guide in promotional material should also include a full explanation of why the telematics product in question does not fully comply with the Guide.

## **1.7 Review and update**

While the Guide is voluntary, we encourage insurers and others involved in the provision of telematics products seek to achieve the high-level actions set out in the rest of this document. The ABI will not enforce compliance with the Guide; however we will review the Guide regularly in consultation with stakeholders to ensure that it remains relevant.

## **1.8 Format of the Guide**

The actions in this Guide are presented in two sections; the first sets out actions for managing and handling Personal Telematics Data to ensure compliance with the GDPR and DPA 2018 and maintain consumer confidence in the industry's use of Personal Telematics Data. The second section sets out actions for managing Telematics Policies so as to ensure consumers are treated fairly and to minimise instances of consumer detriment.

In addition to sections 2 and 3, the Guide also includes a commentary in section 4 which sets out the rationale for the actions in the preceding sections. Section 5 presents a glossary of terms used throughout the document. Note that terms defined in the glossary have been capitalised when used throughout the document.

## 2 USE OF DATA

### 2.1 Overarching objectives

- A. The insurance industry is fully compliant with its legal and regulatory responsibilities in respect of the collection and use of Personal Telematics Data; and
- B. Consumers trust the insurance industry to use their Personal Telematics Data responsibly and to store Personal Telematics Data securely.

### 2.2 Detailed objectives

Generally, this Guide will support the insurance industry in achieving the overarching objectives set out above if they meet the following conditions, and clearly communicate to consumers the actions they are taking to meet these conditions:

1. Comply with the principles of the General Data Protection Regulation and Data Protection Act 2018;
2. Take steps to ensure that the use of Personal Telematics Data by Third Parties follows good practice; and
3. Meet their legal and regulatory obligations while protecting the consumer.

### 2.3 How to achieve the detailed objectives

The following tables outline specific actions that have been developed given the particular challenges associated with providing Telematics Polices.

While the tables are intended to provide comprehensive guidance to ensure that the objectives set out in sections 2.1 and 2.2 are met, Data Controllers and Data Processors should take care to ensure their conduct is consistent with those objectives, in addition to meeting the specific actions set out below.

#### 2.3.1 Compliance with the principles of the General Data Protection Regulation and the Data Protection Act 2018

Issue	Actions
Consumers understand: <ul style="list-style-type: none"><li>• What Personal Telematics Data is being collected;</li><li>• Who is using their Personal Telematics Data;</li><li>• How their Personal Telematics Data is being used; and</li><li>• What their rights are with respect to their Personal Telematics Data.</li></ul>	<ol style="list-style-type: none"><li>1. Prior to the inception of a contract, consumers should be given clear and comprehensive information to ensure they understand:<ol style="list-style-type: none"><li>a) How their Personal Telematics Data will be collected and used;</li><li>b) Who will have access to their Personal Telematics Data; and</li><li>c) What their rights are with respect to their Personal Telematics Data.</li></ol></li><li>2. Consumers should be informed of any relevant changes to what data is collected or used, or how data is processed.</li></ol>
Consumers understand the lawful basis on which their Personal Telematics Data is processed.	<ol style="list-style-type: none"><li>3. Consumers should be given clear information that sets out the lawful basis on which their Personal Telematics Data is processed. Lawful basis may include that such data is necessary for the</li></ol>

	<p>performance of the insurance contract to which they are party, in line with GDPR Article 6(1)(b).<sup>1</sup></p> <p>4. Where a policy includes Named Drivers, the consumer should be asked to inform all Named Drivers that the vehicle is fitted with a Telematics Device which is capable of tracking the vehicle and capturing driving behavioural data during a journey(s) and that their Personal Telematics Data is necessary for the performance of the insurance contract.</p> <p>5. If the insurer or Telematics Provider will contact consumers when telematics data suggests that there has been an extreme event (if applicable) or accident/collision, the consumer should acknowledge that they understand and accept that their data might be used in this way.</p>
<p>Data is not received after the termination of a policy.</p>	<p>6. When a policy is terminated, consumers should be given the option to have any after-market Telematics Device removed, while the consumer should be able to fully delete any smartphone application.</p> <p>7. Prior to inception of the policy, consumers should be made aware of any charges that may accompany the removal of the Telematics Device.</p> <p>8. If a policy has been terminated and the after-market Telematics Device has not been removed, the device should no longer transmit data to any Data Controller or Data Processor. Consumers should be informed of how long this may take to achieve once cancellation instructions are received and the Telematics Provider takes action to stop transmission of data. Any data transmitted after cancellation instructions are received should be deleted.</p> <p>9. If a policy has been terminated and it is impracticable to either have the after-market Telematics Device removed or stop the device from transmitting data, the link between the Telematics Device and the database should be severed such that no additional data received is accessible to any Data Controller or Data Processor.</p> <p>10. It should be made clear to consumers that data received during the policy period may be accessed after the policy has been terminated and the reasons for doing so should be made clear, such as any requirements by law(s) to retain any such data.</p>
<p>Personal Telematics Data collected is necessary for the purposes it is collected for.</p>	<p>11. In line with Article 5 (1)(c) of the GDPR, only data that is necessary for the purposes for which it is being used, as declared to the consumer, should be collected and retained by the Data Controller.</p>

<sup>1</sup> Insurers or Telematics Providers may be able to rely on an alternative lawful basis for the use and processing of telematics data. If an alternative lawful basis is used, insurers or Telematics Providers should ensure that consumers are given clear information on the lawful basis and consumers are asked to inform Named Drivers, as per Actions 3 – 5.

<p>Personal Telematics Data is accurate.</p>	<p>12. In line with Article 5 (1)(d) of the GDPR, steps should be taken to ensure that Personal Telematics Data is accurate.</p> <p>13. Remedial action should be taken to fix any data that can be shown to be materially inaccurate within a timely manner, and to prevent the error from reoccurring.</p> <p>14. If it is not practical to fix any data that is inaccurate, there should be processes in place to ensure that only accurate data is used in assessing driving performance. Consumers should be made aware that any telematics data captured via GPS or other satellite location services may not be 100% accurate and there can be a small number of inaccuracies.</p> <p>15. If any inaccuracies can be identified, they should be deleted and the consumer's driving score should be recalibrated as if such event(s) never existed.</p> <p>16. Consumers should have the right to challenge any data inaccuracies if they feel this is not correct and a process should be stated for dealing with and processing such queries.</p>
<p>Personal Telematics Data is not kept for longer than is necessary.</p>	<p>17. Data Controllers and Data Processors should delete, Aggregate or Anonymise Personal Telematics Data where there is no clear businesses need to retain Personal Telematics Data.</p> <p>18. As per Action 10, any legal requirements to retain such telematics data should be made clear to the consumer.</p>
<p>Data Controllers respect the rights of Consumers.</p>	<p>19. Consumers should be made aware of their rights to request their Personal Telematics Data.</p> <p>20. Data Controllers should only access Personal Telematics Data where they have an appropriate lawful basis to do so. There should be a clear need to do so for the purposes of managing a policy, handling a Claim, setting Premiums, detecting and preventing fraud, responding to consumer queries or for any other purpose that the consumer has been informed of. Managing a policy may include intervention models i.e. extreme events such as speeding, braking, cornering, acceleration, etc. Intervention may also include managing mileage being exceeded, where a vehicle is kept overnight (if not at the declared home address X% of the time) and for those policies where the Telematics Device can also act as a stolen vehicle location/recovery service in the event of theft.</p> <p>21. Consumers should be appropriately informed of the reasons Data Controllers will access/use their Personal Telematics Data.</p>
<p>Personal Telematics Data is not disclosed without establishing a lawful basis for doing so.</p>	<p>22. Data Controllers should ensure that Personal Telematics Data is not disclosed to other individuals through web portals or other means without having clearly established the lawful basis for processing and sharing the data.</p>

	23. The established lawful basis should be communicated appropriately to the consumer.
Data Controllers meet their legal obligations when responding to a subject access request or other rights requests.	24. Where a subject access request or other rights request is received from a consumer (or any Named Drivers), the Data Controller should ensure they have an appropriate lawful basis to respond to the request and for sharing the appropriate data. <sup>2</sup> 25. The lawful basis for sharing Personal Telematics Data when responding to a subject access or other rights request should be established at the point of sale.
Personal Telematics Data is processed securely.	26. Data Controllers maintain effective security standards for Personal Telematics Data, commensurate with the sensitivity of the data.

### 2.3.2 Take steps to ensure that the use of Personal Telematics Data by Third Parties follows good practice

Issue	Actions
Personal Telematics Data is not shared with Third Parties unless an appropriate lawful basis is established.	27. Personal Telematics Data should not be shared with Third Parties unless an appropriate lawful basis has been established. Any sharing of information with Third Parties must be compliant with GDPR and DPA 2018. 28. Data Controllers should clearly articulate to consumers the reasons for sharing the data and their appropriate lawful basis for doing so.
Consumers know who to contact about their Personal Telematics Data.	29. The available policy information should stipulate the processes that will be followed in the event of a subject access request or other rights request. 30. The available policy information should identify the Data Controller(s) and should provide a first point of contact should a consumer wish to make a subject access request, another rights request or make a complaint. 31. Should the first point of contact change (upon the termination of a contract, for example), the consumer should be made aware of the change. 32. For each policy, the Data Controller should have a record of all the Third Parties who have been given access to Personal Telematics Data from that policy.
Data Controllers and Data Processors understand their responsibilities.	33. Where there is more than one Data Controller, the roles and responsibilities of each Data Controller should be clearly agreed and understood by all parties in such a way as to assist the consumer in exercising their rights under the GDPR. 34. The responsibilities of any Data Processor should be clearly agreed by both the Data Processor and

<sup>2</sup> The appropriate lawful basis would be complying with a legal/regulatory requirement to fulfil the subject access request where data is held that identifies and relates to the Data Subject requesting it. Data would generally only identify and relate to the policyholder (being the party to the insurance contract). Where driving data of Named Drivers cannot be separated or identified it should only be shared with the policyholder.

the Data Controller, especially with regards to maintaining the security of Personal Telematics Data.

### 2.3.3 Meeting legal and regulatory obligations while protecting the consumer

Issue	Actions
<p>Personal Telematics Data is not shared with the Authorities unless there is a lawful basis for doing so.</p>	<p>35. Data Controllers should have a clearly documented procedure for disclosing Personal Telematics Data to the Authorities and this should be followed at all times and communicated to consumers at the start of a policy, and should be consistent with an insurer's obligations under the GDPR and DPA 2018 and other relevant legislation.</p> <p>36. Where a policy includes Named Drivers, the consumer should be asked to inform all Named Drivers of the procedure for disclosing Personal Telematics Data to the Authorities.</p> <p>37. The available policy information should explain in what circumstances Personal Telematics Data will be disclosed to the Authorities.</p> <p>38. The release of Personal Telematics Data to the Authorities should be done in accordance with Article 5(1)(a) of the GDPR.</p> <p>39. No Personal Telematics Data should be released to the Authorities, without a lawful basis for doing so being established, for example:</p> <ul style="list-style-type: none"> <li>a) the data is being released for the purpose of preventing and detecting crime, as outlined in the DPA 2018 (Schedule 2, Part 1, Paragraph 2);</li> <li>b) the Data Controller is compelled to do so by law or in connection with legal proceedings, as outlined in the DPA 2018 (Schedule 2, Part 1, Paragraph 5).</li> </ul> <p>and the Data Controller should reserve the right to disclose Personal Telematics Data in all such circumstances as part of the insurance contract.</p> <p>40. Except for data released for the purpose of preventing or detecting crime, only information specifically relevant to the data request should be released to the Authorities.</p>



### 3 SELLING AND MANAGING POLICIES

#### 3.1 Overarching objectives

- A. Consumers understand the policies they are being offered, and are able to make informed purchase decisions;
- B. Consumers who purchase Telematics Policies are treated fairly; and
- C. Product manufacturers and Distributors assess the circumstances, demands and needs of their customers, before selling a product.

#### 3.2 Detailed objectives

Generally, this Guide will support the insurance industry in achieving the overarching objectives set out above if they meet the following conditions, and do so in a transparent manner:

- 1. Policy terms and conditions are clearly explained to consumers;
- 2. Policies are managed transparently and objectively, with changes to Premiums and Claims decisions based on clearly defined criteria.

#### 3.3 How to achieve the detailed objectives

The following tables outline specific actions that have been developed given the particular challenges associated with providing telematics products.

While the tables are intended to provide comprehensive guidance to ensure that the objectives set out in sections 3.1 and 3.2 are met, firms providing telematics products to consumers should take care to ensure their conduct is consistent with those objectives, in addition to meeting the specific actions set out below.

##### 3.3.1 Policy terms and conditions are clearly explained to consumers

Issue	Actions
Consumers understand that insurers may adjust Premiums over time to reflect changes to driver risk profiles.	41. Policy Documents should clearly state that a Premium might fluctuate over time as a result of Personal Telematics Data that indicates the consumer, and/or Named Drivers, is a greater or lesser risk than previously thought, and at what points during the policy fluctuations might occur.
Consumers understand how much Premiums might vary as a result of their Driving Behaviour.	42. For policies that have variable Premiums, where appropriate (either during inception, mid-term and/or renewal underwriting), the available policy information should clearly state how or when adjustments may be made, and where applicable what the maximum Premium payable could be or what the maximum load on their Premium could be, either in pounds or as a percentage of the original Premium, as a result of changes to their driver risk profile. 43. The available policy information should clearly set out a range of possible Premiums that cover the extremes of consumer Driving Behaviour, expressed in pounds or as a percentage of the original policy, and any other actions an insurer might take in addition to, or instead of, a Premium Adjustment.

<p>Consumers understand how their Driving Behaviour will impact Premiums.</p>	<p>44. The available policy information should clearly explain what Driving Behaviours may lead to increased Premiums and what Driving Behaviours may lead to reduced Premiums.</p> <p>45. The available policy information should make clear that changes to Premiums to reflect Driving Behaviour may be made according to the risk of an individual making a Claim.</p> <p>46. For policies that have variable Premiums, consumers should be given examples, expressed in pounds or as a percentage of the original premium, of how Premiums could fluctuate based on different examples of Driving Behaviour and with different frequencies of those Driving Behaviours.</p>
<p>Changes to how Premiums Adjustments are calculated are clearly communicated.</p>	<p>47. Any changes to how Driving Behaviour affects Premium Adjustments during the life of a policy should be clearly explained to consumers.</p> <p>48. Changes to how Premium Adjustments are calculated should only become effective once a consumer has been informed and should not be applied retroactively unless in the interests of the consumer.</p>
<p>Consumers understand any Additional Charges that might apply throughout the life of their policy.</p>	<p>49. Policy Documents should clearly state the circumstances in which charges in addition to the Premium will be charged, which may include, but are not limited to, technology, device installation and/or removal costs, etc.</p> <p>50. Policy Documents should clearly state the maximum amount of any Additional Charges and how frequently they can be charged.</p>
<p>Consumers understand any Unusual Benefits and Exclusions.</p>	<p>51. Policy Documents should clearly state any Unusual Benefits and Exclusions, particularly those which depend on the analysis of telematics data.</p>
<p>Consumers are engaged throughout the purchase process.</p>	<p>52. Distributors of telematics products should inform consumers that telematics products are different from Traditional Insurance Products which they may be compared with.</p> <p>53. Where appropriate, telematics products shown in comparison with other policies should indicate that the Premium might fluctuate to reflect changes in Driving Behaviour.</p> <p>54. Manufacturers and Distributors of telematics products should take reasonable care to consider all the circumstances, demands and needs of their customers during and at the point of sale and during the life cycle of the product.</p> <p>55. Manufacturers and Distributors should ensure that any engagement and communications with consumers is in line with the requirements of the Insurance Distribution Directive.</p>
<p>Consumers understand how policies can be cancelled by each party and any costs arising from cancellation.</p>	<p>56. Policy Documents should clearly state under what circumstances either party may cancel a Telematics Policy.</p>

	<p>57. Policy Documents should clearly state any costs that will arise as a result of a consumer cancelling a Telematics Policy.</p> <p>58. Policy Documents should clearly state any costs that will arise as a result of an insurer cancelling a Telematics Policy.</p> <p>59. Policy Documents should clearly state what will happen to any hardware installed as part of a Telematics Policy when a Telematics Policy is cancelled or ends.</p> <p>60. Manufacturers and Distributors should be aware of the Waste Electrical and Electronic Equipment recycling (WEEE) regulations. Decisions for removal of Telematics Device should be based on providers own environmental and social policies. Where removal is preferred by the consumer, Providers should make clear any charges this can incur and arrange for the safe collection and recycling of the Telematics Device.</p>
Consumers understand how telematics data will be used when assessing Claims.	61. The available policy information should clearly state how telematics data will be used in the event of a Claim.

### 3.3.2 Policies are managed transparently and objectively, with decisions based on reasonable and clearly defined criteria

Issue	Action
The consumer can make an informed decision during the Cooling-off Period.	62. Where a Telematics Policy uses a Telematics Device that may not be installed within the Cooling-off Period, the insurer should take reasonable steps to explain to consumers how a Premium will fluctuate based on Driving Behaviours, and to demonstrate other features particular to the policy.
Changes to Premiums should be transparent.	<p>63. Those responsible for setting Premiums should be able to measure those Driving Behaviours that may increase or decrease Premiums.</p> <p>64. Reasonable Tolerances should be considered and these are for individual insurers to determine. If deemed appropriate, Reasonable Tolerances should apply before Premium Adjustments are made.</p> <p>65. Where possible, consumers should be given advance notice if their Driving Behaviour is likely to result in an adverse Premium Adjustments, and the notice period should be as long as possible to allow them to mitigate or minimise the adverse Premium Adjustments by changing their Driving Behaviour.</p> <p>66. Consumers should be given an explanation for any Premium Adjustments made to their policy.</p> <p>67. Consumers should have the opportunity to challenge the explanation for any Premium Adjustments made and should be informed that they have this opportunity at the start of a policy and when they are informed of any adjustment.</p>

Changes to Premiums and Additional Charges should be proportionate and justifiable.	<p>68. Changes or additions to the Premium to reflect Driving Behaviour should be limited to changes to truly reflect the risk profile of the consumer.</p> <p>69. Charges to recover the costs during the course of a policy, such as charges for the installation of a Telematics Device, should be proportionate and justifiable.</p> <p>70. Any charge to a consumer for cancelling a policy should be transparent and proportionate.</p>
Policies are not unfairly cancelled.	<p>71. Where cancellation is made on the basis of a defined count of repeated incidents, consumers should be given notice of the increasing likelihood of cancellation before a policy is cancelled.</p> <p>72. Consumers should be given clear information on incidents that will lead to immediate cancellation.</p> <p>73. If possible, cancellations should be subject to a manual review.</p> <p>74. Consumers should have an opportunity to appeal against a decision to cancel a policy.</p>
Responses to accidents do not cause undue concern.	<p>75. There should be clearly documented procedures for any Accident Alerts, and those procedures should be strictly followed.</p> <p>76. Where a Telematics Policy includes an Accident Alert, reasonable care should be taken to ensure that there has been an accident before contact is made with the consumer.</p> <p>77. There should be an agreed first point of contact in the event of any accident that requires the consumer to be contacted.</p> <p>78. Any staff members, including outsourced staff, contacting consumer about a possible accident should be specifically trained in how to handle such situations.</p>

## 4 COMMENTARY

### 4.1 Purpose

This section provides context for the actions outlined in the previous two chapters. It includes examples of conduct issues specific to telematics and how the actions are intended to address those issues.

### 4.2 Compliance with the principles of the General Data Protection Regulation and Data Protection Act 2018

The actions in sections 2.3.1 – 2.3.3 are a product of the GDPR and DPA 2018, and for the most part could be applied to any insurance product. The ABI recommends that those involved in providing a Telematics Policy apply the actions in these sections due to the complex issues and resulting risks arising from telematics data.

Additional data protection issues arise from telematics products because:

- There is more data collected and consumers need to understand what is being collected and why;
- Without the identification of the correct legal basis for processing there is a risk that Personal Telematics Data could be collected, processed or disclosed illegally;
- The existence of additional data, combined with varying outsourcing arrangements, could make responding to subject access requests more time consuming;
- Personal Telematics Data may be an attractive data resource for Third Parties.

It is worth noting that telematics products will differ in what types of Personal Telematics Data are collected. This will depend on what type of Telematics Device is used (particularly whether the policy uses a personal device such as a smartphone, a self-fitted device or something generic to the vehicle), what information is recorded by the Telematics Device, and, what type of information is provided to the individual through any online portal. The ABI strongly recommends that insurers seek the advice of their Data Protection Officer and/or any legal advice to understand the GDPR and the DPA 2018 requirements specific to their particular telematics products.

*Consumers understand the lawful basis on which their Personal Telematics Data is used*

Unlike Traditional Insurance Products, Telematics Policies will see the continual collection of data. Accordingly, actions 1 – 5 are included to ensure that all drivers understand the lawful basis for the collection and use of Personal Telematics Data, such as the data is necessary for the performance of the insurance contract to which they are party.

In general, consumers should have access to an explanation of the collection and use of any piece of data that could impact them directly. The prominence of that information, in policy documentation or online, should be proportionate to the importance of the data in terms of how it impacts a policy, or how sensitive it is to a consumer.

Actions 4 and 5 include specific reference to Named Drivers because in many cases Telematics Policies will collect Personal Telematics Data for individuals other than the policyholder.

*Data should not be received after termination of a policy*

Actions 6 – 10 prevent data being used where that data is transmitted after the termination of a policy. Wherever possible, an insurer should either remove an after-market

Telematics Device or stop the device from transmitting data, as per actions 6 and 8. Any charges for having the device removed or transmission stopped should be communicated to consumers consistent with action 7. Only where this is impracticable should the link between the Telematics Device and the Data Controller be severed such that data is still transmitted but is not received or accessible to the Data Controller, as per action 9. It should be made clear to consumers that data received during the policy period may be accessed after termination and the reasons for accessing the data, such as Claims or accident data, should be made clear.

*The use of Personal Telematics Data is appropriate, data is accurate and not kept for longer than necessary.*

Action 11 is included to ensure that Personal Telematics Data is adequate, relevant and not excessive for the purposes for which it was collected or is being processed.

Actions 12 - 16 are included to ensure that Personal Telematics Data used is accurate and up to date, which is particularly important where decisions are taken without manual intervention.

Actions 17 and 18 are included to ensure that Personal Telematics Data is only kept as long as necessary and any legal requirements to retain the data are made clear to the consumer.

*Data Controllers respect the rights of Consumers*

Actions 19 – 21 have been included to address the rights of consumers to access their Personal Telematics Data under the GDPR.

*Personal Telematics Data is not disclosed without establishing a lawful basis for doing so.*

Telematics Policies typically offer online portals or smartphone applications through which a consumer can access data about the driving or driver history of the vehicle. Actions 22 and 23 are intended to ensure that a lawful basis for disclosing or sharing telematics data is identified before any data is disclosed.

*Data Controllers meet their legal obligations when responding to a Subject Access Request or other rights request*

Given the potential for Personal Telematics Data to be collected, consumers will have the right to make Subject Access Requests or rights requests for their Personal Data under the GDPR. Actions 24 and 25 are included to ensure that an appropriate lawful basis is established before Personal Data is released and this is established at the point of sale.

*Personal Telematics Data is processed securely*

Action 26 is included to ensure the security of Personal Telematics Data. It should be read that this applies to data held in Telematics Devices and data in transmission, as well as data held by data processing centres, Telematics Providers and insurers.

#### **4.3 Take steps to ensure that the use of Personal Telematics Data by Third Parties follows good practice**

*Sharing Telematics Data with Third Parties*

Personal Telematics Data will be valuable to other parties for marketing and research purposes. While it is acceptable if data is shared with other parties with the appropriate lawful basis, consumers will lose trust in telematics products if the Personal Telematics Data are used in a manner or for purposes which go beyond the reasonable expectations of the consumer. Accordingly, actions 27 and 28 put safeguards in place to ensure that Personal Telematics Data is not shared with Third Parties without a clear and appropriate lawful basis being established, and this basis is shared with the consumer.

#### *Insurers use of Third-Party Telematics Providers and Data Processors*

Insurers will typically contract with a Telematics Provider to deliver their telematics products. In most cases, both the Telematics Provider and the insurer will be Data Controllers, while in some cases there will also be a third-party Data Processor. Actions 29 – 34 are intended to ensure that consumers know who to contact about their Personal Telematics Data and to ensure that the various parties clarify responsibilities between themselves.

For more information on what constitutes good practice with regard to data sharing, we recommend you refer to the ICO's data sharing code of practice [Link to be inserted once finalised by ICO].

#### **4.4 Meeting legal and regulatory obligations while protecting the consumer**

##### *Providing information to the Authorities*

A potential concern of consumers is that telematics data will be shared with the police or other Authorities. Actions 35 – 40 are intended to help insurers demonstrate that telematics data will only be given to the Authorities when compelled and that in all cases a clearly defined and explained procedure will be followed.

Action 38 also ensures that any release of Personal Data to the Authorities will be done in accordance with the GDPR and DPA 2018.

Action 40 ensures that the data released will be limited to what is absolutely necessary.

#### **4.5 Policy term and conditions are clearly explained to consumers**

##### *Consumers understand Premiums will fluctuate over time as a result of Driving Behaviour*

As the Premiums for Telematics Policies are intended to vary over time to reflect driver risk profiles, there is a need to ensure that consumers understand this, as well as how much they might have to pay and that the Premiums will be dependent on their Driving Behaviour, and potentially the Driving Behaviour of other vehicle users. This is reflected in actions 41 - 46.

In addition to actions 41 - 46, insurers and intermediaries should also ensure that they meet the requirements for disclosing product information as specified in chapter 6 of ICOBS.

Action 43 also asks for those providing policies to explain other actions that might be taken in addition to, or instead of, a Premium Adjustment. This reflects the fact that some Telematics Policies may reward drivers through means other than Premium Adjustments, and that particularly bad Driving Behaviour may result in a cancellation of a policy, rather than a Premium increase.

##### *Insurers will continually refine rating algorithms*

As insurers gather more data, they will redefine their rating models. As rating models change the consequences of particular driving habits for consumers will also change. Actions 47 and 48 are intended to ensure that consumers are always fully aware of the best way to minimise their Premiums.

*Telematics Policies might include additional fixed charges to discourage certain behaviour*

Some Telematics Policies include additional fixed charges that apply immediately and may be applied more than once, to discourage drivers from certain types of risky behaviour. Examples include an Additional Charge that is levied each time a vehicle is driven after a certain time of night. While these charges may be justifiable amendments to Premiums if Premiums have been determined on the assumption that such behaviour would not occur, actions 49 and 50 have been included to ensure that consumers are fully aware of these fixed charges.

*Telematics products are not standardised*

As each telematics product offers a range of different benefit and exclusions, action 51 is intended to ensure that consumers can identify the key differences between policies. Similarly, actions 52 and 53 are to ensure that Distributors of Telematics Policies sufficiently highlight the differences between Telematics Policies and Traditional Insurance Policies.

FCA regulations require manufacturers and Distributors of insurance products to take care to consider all the circumstances of their customers and understand the demands and needs of their customers, as well as ensuring that any communications are in line with requirements of the Insurance Distribution Directive. This is reflected in actions 54 and 55.

Actions 51 – 55 are particularly important when engaging with vulnerable customers. For example, young drivers whose first experience of insurance is purchasing a telematics product could be considered vulnerable. In these instances, not only should the terms and conditions be carefully explained, but also the nature and purpose of insurance contracts and legal requirements.

*Recovering the cost of a Telematics Device*

The cost of a Telematics Device can add complexity to the cancellation of Telematics Policies if the insurer has not recovered the cost of the Telematics Device before the cancellation occurs. Actions 56 – 60 are intended to ensure that consumers are aware of the implications of cancelling a policy when they are purchasing a product.

*Claims might be influenced by telematics data*

Action 61 is intended to ensure that consumers are aware if firms are going to use telematics data when evaluating Claims.

#### **4.6 Policies are managed transparently and objectively, with decisions based on reasonable and clearly defined criteria**

*The consumer can make an informed decision during the Cooling-off Period*

Typically it will take some time to arrange the installation of a Telematics Device. The consequence of this is that the consumer may not have an opportunity to evaluate how a Telematics Policy works during the Cooling-off Period. Accordingly, Action 62 is intended



to ensure that the consumer is given sufficient information to make an informed decision during the Cooling-off Period. One way in which insurers could aid informed decision making is through the provision of “try before you buy” smart phone applications if the application is a valid proxy for the fixed Telematics Device.

#### *Changes to Premiums and Additional Charges should be justifiable and proportionate*

Actions 63 - 67 are intended to ensure that Premium changes are justifiable. Were policies to increase without a reasonable explanation as to why they have increased, or by an unjustifiable amount, it would be difficult to maintain consumer confidence in telematics products, and would see insurers facing unnecessary challenges from consumers about why changes have been made.

Action 65 is included to ensure that consumers are fairly warned about the potential of an adverse Premium Adjustment. It is expected that the provision of information to a consumer through an online portal would be sufficient to meet this requirement as individuals would be able to gauge their performance relative to the terms and conditions of the policy.

Action 66 ensures that any Premium Adjustment is explained to the consumer. Again, we consider that it is sufficient to provide any explanation through an online portal. Action 66 ensures consumers have the opportunity to challenge an explanation to a Premium Adjustment.

Policies may also include Additional Charges to recoup costs faced by insurers, particularly those resulting from the installation of a Telematics Device. Actions 68 and 69 ensure these charges are reasonable and proportionate.

#### *Cancellations are justified*

Telematics data will allow insurers to better manage risks, including by terminating policies for vehicles that are driven recklessly. Actions 71 - 74 ensure consumers are given fair warning, and have an opportunity to appeal against any cancellations. Again, it is expected that providing such information to individuals through an online portal would be sufficient.

#### *Insurers handle Accident Alerts sensitively*

Some Telematics Policies offer Accident Alerts as a standard part of the product. While this can be extremely useful and can save lives in some circumstances, the service also runs the risk of causing unnecessary concern for consumers. For example, without the appropriate controls, a driver’s parents might be falsely alerted to a suspected accident, causing considerable amounts of stress. Actions 75 - 78 are included to minimise such risks.

#### *Policy Documents*

Throughout this good practice Guide numerous actions make reference to providing information to consumers through ‘Policy Documents’ or ‘the available policy information’. The ABI acknowledges that providing a significant amount of detailed information in Policy Documents may not necessarily aid consumers as they engage with an insurance policy.

Accordingly, we encourage insurers to present the information specified in the manner that is most appropriate to achieve the aim, whether that is in Policy Documents, on the insurer’s website, or in an online portal provided with a Telematics Policy.

In general, consumers should have access to information about any aspect of the policy that could reasonably be expected to impact them personally and directly. The prominence of that information in policy documentation or online should be proportionate to the importance of the information, in terms of how it could impact a consumer.

## 5 GLOSSARY OF DEFINED TERMS

**Accident Alert** – When the insurer or a Third Party on behalf of the insurer proactively contacts the consumer or other agreed contacts when telematics data suggests there has been an accident affecting the telematics consumer.

**Additional Charges** – Any charge in addition to the Premium that may be made in response to a specific event. Examples may include changes to remove or install a Telematics Device or charges for driving outside agreed times or areas.

**Aggregated Data** – A new data set, which has been derived from Personal or non-Personal Data about certain policies that has been combined to show general trends or values, without identifying individuals within the new data set.

**Anonymised Data** – Data in a form that does not identify individuals and where identification through its combination with other data is not likely to take place.

**Authorities** – Any individual or organisation with the power to enforce laws.

**Claim** – A claim for compensation when the insurer has suffered a loss or is liable for causing a Third Party to suffer a loss.

**Cooling-off Period** – The time a consumer has to change their mind and to get a refund of their money after having purchased an insurance policy. Under ICOBS 7.1.1, this is 14 days.

**Data Controller** – A person who (either alone or jointly or in common with other persons) determines the purposes for which and the manner in which any Personal Data are, or are to be, processed, as defined by the GDPR.

**Data Processor** – Any person (other than an employee of the Data Controller) who processes the data on behalf of the Data Controller, as defined by the GDPR.

**Data Subject** – An individual who is the subject of Personal Data, as defined by the GDPR.

**Distributor** – The consumer-facing party involved in selling Telematics Policies to consumers. This may include insurance companies, brokers and comparison websites.

**Driving Behaviour** – The way in which a vehicle is driven, as reflected in the data recorded by the Telematics Device.

**Named Driver** – Any person nominated by the consumer and named on the insurance policy as being a user of any motor vehicle insured under the insurance policy.

**Personal Data** – Data which relate to a living individual who can be identified:

- a) From those data, or
- b) From those data and other information which is in the possession of, or is likely to come into the possession of, the Data Controller, and includes any expression of opinion about the individual and any indication of the intentions of the Data Controller or any other person in respect of the individual, as defined by the GDPR and DPA 2018.

**Personal Telematics Data** – Any Personal Data, which has been recorded by a Telematics Device.

**Policy Documents** – Documents provided to the consumer setting out the wording of a contract of insurance, or otherwise explaining the terms and conditions of a contract of insurance, including the policy summary and the terms and conditions.

**Premium** – The consideration payable under the contract by the consumer to the insurer, excluding any Additional Charges.

**Premium Adjustment** – A change made to the Premium based on the analysis of the telematics data collected throughout the life of the policy.

**Reasonable Tolerances** – Margins of error within which deviations from recommended Driving Behaviour will not be penalised.

**Retail Telematics Products** – Telematics Policy products applying to vehicles used for personal, rather than commercial, purposes.

**Telematics Device** – Any device which is used to record data that is used as part of a Telematics Policy.

**Telematics Policy** – An insurance policy which relies on the collection of data from the insured vehicle or driver during the lifetime of the policy.

**Telematics Provider** – An individual or organisation responsible for delivering some or all of the functionality and or services specifically required as part of a Telematics Policy. This may be an insurer, a broker or a contracted Third Party.

**Third Party** – Any Third Party not directly involved in managing or delivering a policy, handling a Claim, setting Premiums, detecting and preventing fraud, responding to consumer queries or delivering any service included as part of the policy (for example breakdown cover).

**Traditional Insurance Products** – Insurance products that do not use telematics.

**Unusual Benefits and Exclusions** – Benefits or exclusions that are not normally found in comparable contracts.