

Introduction

The Association of British Insurers (ABI) has produced a good practice guide for providers of telematics-based motor insurance policies to help ensure that consumers better understand telematics motor insurance products and are being treated fairly and in line with relevant legislation and regulation. The guide has been developed in consultation with insurers and with assistance from the British Insurance Brokers' Association, and the Financial Conduct Authority, which regulates the insurance industry.

This consumer factsheet, which is based on the good practice guide, sets out what consumers can expect from their telematics-based motor insurance policy.

What is telematics motor insurance and how does it work?

Telematics motor insurance policies, often known as 'pay how you drive' or 'black box' insurance, take into account how the vehicle is used when setting the premium. This allows an insurer to offer premiums that are more tailored to the users of a vehicle than is possible with a traditional motor insurance policy.

Telematics policies primarily use GPS technology to measure how a vehicle is being driven, which insurers then use to make decisions about risk based on driving performance. This information is then considered together with other traditional risk factors, such as the drivers' age and where they live, to set premiums. 'Safe' drivers will usually benefit from lower premiums than 'less safe' drivers.

Insurers will assess driving performance in different ways, but most will consider things such as the number of miles driven, the types of roads used, time of day the vehicle is driven, and speed and braking patterns.

The technology may be in the form of a computer built into the car, it may be a small device – commonly known as a 'black box' – that is fitted by the insurer, or it may be a smartphone app.

How will my driving behaviour affect my premium?

As each individual insurer will assess driving behaviour in different ways, how you drive will have a different effect on your premium depending on which policy or insurer you choose. You should therefore always read the policy terms and conditions before buying insurance to make sure you understand how your driving behaviour will be taken into account, and how to make the most of your telematics policy.

In some cases, premiums will be adjusted at set points during the policy to take account of recently observed driving behaviour data. In other cases, premiums will stay the same throughout the life of the policy but low risk driving behaviour could result in non-monetary benefits. For example, where insurance policies set annual limits on mileage and charge extra for any miles driven above that limit, safe driving may be rewarded with a free increase in the annual mileage limit.

Other policies may not make adjustments to premiums or give non-monetary benefits until the policy is renewed. Typically an insurer may offer reduced premiums when a policy is renewed if you have shown you are a safe driver.

Are there any other benefits?

While the benefits will differ between insurers, telematics technology can offer a number of benefits, including:

- Feedback on your driving and suggestions and incentives to drive more safely;
- Tracking services to help locate your vehicle if it is stolen;
- Emergency services notifications in the event of an accident;
- Improved claims handling – telematics data can provide independent, objective evidence in the event of an accident, helping to assess liability for an accident quickly, and reducing the risk that honest motorists become victims of fraud.

What if I am not a low-risk driver?

Telematics policies will not always be cheaper than traditional policies. If you frequently drive late at night or on unsafe roads, or you consistently drive in an unsafe manner, your insurer may consider you a high-risk driver.

Every insurer will respond differently to high-risk driving behaviour. In some cases high-risk drivers will not be entitled to premium reductions or other non-monetary benefits. In other cases high-risk drivers may face a premium increase, a specific one-off charge, or in the most serious cases, cancellation of the policy.

You should always read the policy terms and conditions before purchasing a telematics policy and to help you decide if this type of policy is right for you.

What if other people drive my car?

Most telematics policies will assess how the vehicle is driven overall, rather than just how it is driven by the main driver. This means that the way any named drivers, or other individuals entitled to use your vehicle, drive will be used by your insurer to calculate your premium and/or any other non-monetary benefits. This is similar to a traditional motor insurance policy, where adding extra drivers can change the price of your insurance.

Are there any restrictions on when or where I drive or other hidden costs?

Some telematics policies place limits on where or when a vehicle can be driven. For example, some policies apply a fixed charge if the vehicle is driven outside set hours. These restrictions are typically intended to limit high-risk driving, and by agreeing to such restrictions, you may reduce the cost of your premium.

However, some telematics policies have no such restrictions, so you should always shop around to find the policy which works best for you.

Where a telematics policy uses a black box, there may also be a cost associated with having the device fitted or removed. Furthermore, there could be a charge to recover the cost of the device if you cancel the policy early. The exact charges should be explained in the information relating to your policy.

Will my telematics data be secure?

Insurers have a legal obligation under the General Data Protection Regulation (GDPR) and Data Protection Act 2018 to protect your personal data. Any insurer that does not protect your personal data can receive fines of up to €20 million and other penalties under this legislation.

Who will my telematics data be shared with?

Typically, insurers use specialist companies to help them deliver their telematics policies. These companies will often have access to your telematics data. Sharing your telematics data with other third parties can also enable you to benefit from additional services, such as breakdown cover, or special offers from partner organisations. However, your insurer should always explain the lawful basis and reasons for sharing your data with any third parties who aren't involved in delivering your insurance policy, and should make sure any sharing is compliant with GDPR and the Data Protection Act 2018.

Insurers will not share your data with the police or any other authorities unless there is a clear lawful basis to do so, for example preventing or detecting crime or if compelled to do so by the law or in connection with legal proceedings.

Most telematics policies provide regular feedback to customers on their driving performance via an online web portal or smartphone application. Therefore, if you are a named driver on a telematics policy, data about your driving may be shared with the policyholder through the web portal. For example, if the policyholder is one of your parents or your spouse, they may be able to monitor your driving performance and where and when you drive through the web portal. Your insurer will ensure that there is a clear lawful basis for sharing this data and this will be communicated appropriately to the policyholder.

What are my rights to my telematics data?

Most telematics policies provide regular feedback to customers on their driving performance via an online web portal or smartphone application. Under the GDPR and Data Protection Act 2018, you have a right to access any data that is personal to you, which may be more than is provided via the portal. Asking for this information is known as making a 'subject access request'.

Your insurer will ensure they have an appropriate lawful basis for responding to the request and this basis will be established with you when the policy is purchased.

For more information on subject access requests, check the Information Commissioner's Website: <https://ico.org.uk/your-data-matters/your-right-to-get-copies-of-your-data/>.

What happens after I cancel my policy?

This depends on how your telematics policy was provided:

- If you have a black box installed in your car, you should be given the option to have the device taken out. There may be a charge for this. If you don't want to pay to have the device removed, your insurer will either stop the black box transmitting data or, if this is not possible, it will make sure that the link between the device and the insurer's database is severed so that no additional data is accessible to the insurer.
- If your policy used a smartphone app, data will stop being collected once you have deleted the app.
- If your vehicle has the technology built-in, it may not be possible to remove it. In these cases, your insurer will make sure that the data that your vehicle transmits is no longer received by the insurer.

In all of these scenarios, the insurer will no longer be able to see or use data received once the cancellation has taken effect. However, the insurer may access data, such as

claims or accident data, received during the policy period after the policy has been cancelled. The insurer will make this and the reasons for doing so clear to you.

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