



Association of British Insurers



'Pay How You Drive' Motor Insurance

Introduction

The ABI has produced a good practice guide for providers of 'pay how you drive' insurance to help ensure that customers are being treated fairly. The guide is voluntary, but has been developed in consultation with insurers, the Financial Conduct Authority, which regulates the insurance industry, and the Information Commissioner's Office, which promotes data privacy for individuals.

This consumer factsheet, which is based on the good practice guide, sets out what customers can expect from their 'pay how you drive' policy.

When selecting a 'pay how you drive' policy, you may want to ask the provider whether they comply with the ABI's good practice guide. If they do, you can be confident that you will be treated fairly.

What is 'pay how you drive' insurance and how does it work?

'Pay how you drive' insurance policies, often known as telematics 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.

'Pay how you drive' policies use GPS technology to measure how a vehicle is being driven, which insurers then use to make judgements about driving performance. This information is then considered together with other traditional risk factors, such as the drivers' age and occupation, 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 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 insurer will assess driving behaviour in different ways, how you drive will have a different effect on your premium depending on which policy 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 'pay how you drive' policy.

In some cases, premiums will be adjusted at set points during the policy to take account of driving behaviour data. In other cases, premiums will stay the same throughout the life of the policy but low risk driving behaviour will 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.

Some other policies may not make adjustments to premiums or give non-monetary benefits until the policy is renewed. Typically each insurer will 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 providers, 'pay how you drive' technology can offer a number of benefits, including:

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

What if I am not a low-risk driver?

'Pay how you drive' policies will not always be cheaper than traditional policies. If you frequently drive late at night or on unsafe roads, or you consistently drive badly, 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 simply 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 'pay how you drive' insurance to ensure that you understand how high-risk driving behaviour will be taken into account and to help you decide if this type of policy is right for you.

What if other people drive my car?

Most 'pay how you drive' 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 'pay how you drive' 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 behaviour, and by agreeing to such restrictions, you may reduce the cost of your premium.

However, many 'pay how you drive' policies have no such restrictions, so you should always shop around to find the policy which works best for you.

Where a 'pay how you drive' 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 'pay how you drive' data be secure?

Insurers have a legal obligation under the Data Protection Act 1998 to protect your personal data. Any insurer that did not protect your personal data could receive fines and other penalties under this Act.

Who will my 'pay how you drive' data be shared with?

Typically, insurers use specialist companies to help them deliver their 'pay how you drive' policies. These companies will often have access to your 'pay how you drive' data.

Sharing your 'pay how you drive' 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 ask your permission before sharing your data with any third parties who aren't involved in delivering your insurance policy. The exception to this is where data is shared with other insurers for the purpose of detecting and preventing insurance fraud.

Insurers will not share your data with the police or any other authorities unless they are forced to do so by a court order or you have given your express permission to do so.

Most 'pay how you drive' policies provide regular feedback to customers on their driving performance via an online web portal. Therefore, if you are a named driver on a 'pay how you drive' 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 behaviour through the web portal. Your insurer will seek permission to share this information when the policy is purchased.

What are my rights to my 'pay how you drive' data?

Most 'pay how you drive' policies provide regular feedback to customers on their driving performance via an online web portal. Under the Data Protection Act 1998, 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' and there is usually a small charge for this data.

Your insurer should get the consent of all the drivers named on your policy before releasing any personal data that may relate to them.

For more information on subject access requests, check the Information Commissioner's Website: http://ico.org.uk/for_the_public/personal_information.

What happens after I cancel my policy?

This depends on how your 'pay how you drive' 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 you removed, your insurer will either stop the black box transmitting data or, if this is not possible, it will make sure that the data it transmits cannot be used.
- 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 your data once the cancellation has taken effect.

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