



Association of British Insurers

# **Selling Telematics Motor Insurance Policies**

**A Good Practice Guide**

**April 2013**



# 1 INTRODUCTION

## 1.1 The purpose of the guidance

This guidance sets out high-level actions that insurers should seek to achieve to ensure that customers 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)<sup>1</sup>, while consumer rights to data, and the obligations of firms in receipt of telematics data, are set out in the Data Protection Act 1998 (DPA). Accordingly, this guidance 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 guidance

The actions in this guidance have been developed specifically for Retail Telematics Products, rather than commercial telematics products. Accordingly, while many of the actions in this guidance will be relevant for commercial telematics products, the actions may not cover all of the conduct or data protection issues relevant to commercial telematics products.

While the guide is intended for insurers, many of the actions are applicable to Data Processors, 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 guidance

This is a voluntary good practice guide. The guidance 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 guidance is not confirmed by the FCA or the Information Commissioner's Office (ICO); however, both the FCA and the ICO have been consulted during the development of the guidance.

## 1.4 Authors of the guidance

The guidance has been developed by the Association of British Insurers (ABI).

## 1.5 Background

Telematics has the potential to dramatically change the motor insurance market. For insurers the technology will allow the management of policies on a more individual basis than has previously been possible and will enable new tools to reduce costs and prevent fraud. New technology also gives insurers the opportunity to provide new products and services to consumers, while also providing a means of reducing the cost of accessing insurance.

Since 2009, the number of consumers with Telematics Policies in the UK has increased significantly, as has the number of insurers and brokers offering Telematics Policies. While the market is expected to continue expanding rapidly in the immediate future, it is unclear whether Telematics Policies will remain a niche product or become mainstream.

Regardless of the eventual size of the telematics market, the ABI's goal is a stable and competitive telematics market that improves outcomes for consumers, and maximises the potential that is offered by the new technology.

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<sup>1</sup> Note that the Financial Services Authority became the Financial Conduct Authority on 1 April 2013.

Given the nature of telematics products specifically, and insurance products more generally, maintaining consumer confidence in telematics products will be a key determinant of the long-term viability and success of the telematics market. That is, 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 Industry Data Initiatives Board (IDIB), which is the ABI body responsible for the industry's telematics strategy, agreed to issue this good practice guide as a matter of priority. Subsequent discussions with the FSA reinforced the need for such a guide, as any decision to regulate the market externally will consider the effectiveness of the industry's own efforts to regulate itself.

## **1.6 Implementation**

This guide will be available to all general insurers, brokers, Distributors, Telematics Providers and Data Processors from 29 April 2013. We urge 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 the guidance, 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 guidance, any reference to the guidance in promotional material should also include a full explanation of why the telematics product in question does not fully comply with the guidance.

If any party becomes aware of any misleading public claims that a telematics product complies with this guidance, we request that they inform the ABI.

## **1.7 Review and update**

While the guidance 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 guidance; however we will review the guidance regularly in consultation with stakeholders to ensure that it is still relevant.

## **1.8 Format of the guide**

The actions in this guidance are presented in two sections; the first section sets out actions for managing and handling Personal Telematics Data to ensure compliance with the DPA 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 customers are treated fairly and to minimise instances of customer detriment.

In addition to the actions in chapters 2 and 3, the guidance also includes a commentary in chapter 4 which sets out the rationale for the actions in the preceding chapters. Chapter 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 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, the insurance industry will achieve 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 Data Protection Act 1998;
- 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 Policies.

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 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 Data Protection Act 1998

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 (including Named Drivers) should be given clear and comprehensive information to ensure they understand:               <ol style="list-style-type: none"> <li>i. how their Personal Telematics Data will be collected and used;</li> <li>ii. who will have access to their Personal Telematics Data; and,</li> <li>iii. 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 consent to the use of their Personal Telematics Data.	<ol style="list-style-type: none"> <li>3 Policyholders should consent to their Personal Telematics Data being used.</li> <li>4 Where a policy includes Named Drivers, the policyholder should be asked to confirm that all Named Drivers have given consent to their Personal Telematics Data being used, and that consent should be clearly recorded by or on behalf of the Data Controller(s).</li> <li>5 If the insurer or Telematics Provider will contact policyholders when telematics data suggests there has been an accident, the policyholder should acknowledge that they and any Named Drivers understand and accept that their data might be used in this way.</li> </ol>
Data is not received and accessed after the termination of a policy.	<ol style="list-style-type: none"> <li>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.</li> </ol>

	<p>7 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 Processor.</p> <p>8 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 Processor.</p>
The Personal Telematics Data collected is necessary for the purposes it is collected for.	<p>9 Reasonable steps should be taken to ensure that the information collected by a Telematics Device is necessary for the purposes it is being used for as declared to the consumer.</p> <p>10 Only data that is necessary for the purposes it is being used for, as declared to the customer, should be retained by the Data Controller unless otherwise agreed by the customer.</p>
Personal Telematics Data is accurate.	<p>11 Reasonable steps should be taken to ensure that Personal Telematics Data is accurate.</p> <p>12 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>
Personal Telematics Data is not kept for longer than is necessary.	<p>13 Data Controllers and Processors should delete, Aggregate or Anonymise Personal Telematics Data when there is no clear business need to retain Personal Telematics Data.</p>
Data Controllers respect the rights of Data Subjects.	<p>14 Consumers should be made aware of their rights to request their Personal Telematics Data.</p> <p>15 Any charges for releasing Personal Telematics Data in the event of a subject access request should be consistent with the charging principles applied by the Data Controller for subject access requests for other types of Personal Data.</p> <p>16 Data Controllers should only access Personal Telematics Data where there is a clear need to do so for the purposes of managing a policy, handling a Claim, setting Premiums, detecting and preventing fraud, responding to customer queries or for any other purpose that the consumer has consented to.</p>
Personal Telematics Data is not disclosed without consent.	<p>17 Data Controllers should take reasonable steps to ensure that Personal Telematics Data is not disclosed to other individuals through web portals or other means without the consent of the Data Subject.</p> <p>Reasonable steps should include:</p> <ul style="list-style-type: none"> <li>i. providing Aggregated summaries wherever possible;</li> <li>ii. the Data Controller(s) recording the explicit consent of the policyholder to disclose their Personal Telematics Data to all Named Drivers at the point of sale (where Personal Telematics Data is shared online with all drivers), or having that consent recorded on their behalf;</li> <li>iii. requiring the policyholder to confirm that all Named Drivers have consented to having their Personal Telematics Data disclosed to the policyholder and other Named Drivers at the inception of the policy, and the Data Controller(s) recording that confirmation of consent or having it recorded on their behalf.</li> </ul>
Data Controllers meet their legal obligations when responding to a subject access request.	<p>18 Where a subject access request is received from a policyholder, the Data Controller should seek consent from any Named Drivers before any Personal Data that may relate to individuals other than the policyholder is released.</p>

	<p>19 Where a subject access request is received from a Named Driver, before any Personal Data is released the Data Controller should seek consent from:</p> <ul style="list-style-type: none"> <li>i. the policyholder;</li> <li>ii. any other Named Drivers which the Personal Data might relate to.</li> </ul> <p>20 Any consent given, and any attempts to gain consent should be recorded by or on behalf of the Data Controller(s). Where consent sought above is not given, Personal Data should only be released where it is reasonable in all the circumstances to comply with the request, giving consideration to section 7 (6) of the Data Protection Act 1998.</p>
Personal Telematics Data is processed securely.	21 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 Non-essential Third Parties without explicit consent.	<p>22 The policyholder should have to actively opt-in, rather than opt-out, of having their Personal Telematics Data shared with any Non-essential Third Parties.</p> <p>23 Policyholders should be reminded of their right to opt-out from having their Personal Telematics Data shared with, and used by, Non-essential Third Parties from time to time.</p> <p>24 Personal Telematics Data should not be shared with Non-essential Third Parties unless consent has been given by the policyholder on behalf of themselves and all Named Drivers.</p>
Data Subjects know who to contact about their Personal Telematics Data.	<p>25 The available policy information should stipulate the processes that will be followed in the event of a subject access request.</p> <p>26 The available policy information should identify the Data Controller/s, and should provide a first point of contact should a policyholder or Data Subject wish to make a subject access request or make a complaint.</p> <p>27 Should the first point of contact change (upon the termination of a contract, for example), the consumer should be made aware of that change.</p> <p>28 For each policy, the Data Controller should have a record of all of the third parties who have been given access to Personal Telematics Data from that policy.</p>
Data Controllers and Processors understand their responsibilities.	<p>29 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 Data Subject in exercising their rights under the DPA.</p> <p>30 The responsibilities of any Data Processor should be clearly agreed by both the Data Processor and the Data Controller, especially with regards to maintaining the security of Personal Telematics Data.</p>

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

Issue	Actions
<p>Personal Telematics Data is not shared with the Authorities without appropriate permissions.</p>	<p>31 Data controllers should have a clearly documented procedure for disclosing data to the authorities, and this should be followed at all times and communicated to policyholders at the start of a policy, and should be consistent with an insurer's obligations under the Data Protection Act 1998 and other relevant legislation.</p> <p>32 The available policy information should clearly stipulate in what circumstances personal data will be disclosed to the authorities.</p> <p>33 No telematics data should be released to the authorities, without a court order or the explicit written consent of the policyholder and the data subject(s) unless:</p> <ul style="list-style-type: none"> <li>i. the data is being released for the purpose of detecting and preventing insurance fraud; or</li> <li>ii. the data controller is compelled to do so by a statutory duty to respond to a request by the authorities,</li> </ul> <p>and the data controller should reserve the right to disclose telematics data in all such circumstances as part of the insurance contract, while consent from the Data Subject should not be unreasonably withheld.</p> <p>34 Except for data released for the purpose of detecting and preventing insurance fraud, only information specifically relevant to the court order or data request, or agreed to by the data subject(s) should be released to the authorities.</p> <p>35 Data controllers should clearly state in their disclosure policy, and when replying to data requests from the authorities, that it remains the data subject's obligation to refrain from committing an offence and that the data controller cannot assume any responsibility in this regard.</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; and
- B Customers who purchase Telematics Policies are treated fairly.

#### 3.2 Detailed objectives

Generally, the insurance industry will achieve 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 customers 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.	36 Policy Documents should clearly state that a Premium might fluctuate over time at the behest of the insurer as a result of telematics data that indicates the policyholder 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 by as a result of their Driving Behaviour.	37 Where appropriate, the available policy information should clearly state what the maximum Premium payable could be, or what the maximum load on to 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. 38 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.
Consumers understand how their Driving Behaviour will impact Premiums.	39 The available policy information should clearly explain what Driving Behaviours will lead to increased Premiums and what Driving Behaviours will lead to reduced Premiums. 40 The available policy information should make clear that changes to Premiums to reflect Driving Behaviour will be made according to the risk of an individual making a Claim, and may or may not be related to how skilful an individual is as a driver. 41 Consumers should be given examples of how Premiums would fluctuate based on different examples of Driving Behaviour and with different frequencies of those Driving Behaviours.
Changes to how Premium Adjustments are calculated are clearly communicated.	42 Any changes to how Driving Behaviour affects Premium Adjustments during the life of a policy should be clearly explained to consumers.



	43	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.
Consumers understand any Additional Charges that might apply throughout the life of their policy.	44	Policy Documents should clearly state the circumstances in which charges in addition to the Premium will be charged.
	45	Policy Documents should clearly state the maximum amount of any Additional Charges and how frequently they can be charged.
Consumers understand any Unusual Benefits and Exclusions.	46	Policy Documents should clearly state any Unusual Benefits and Exclusions, particularly those which depend on the analysis of telematics data.
Consumers are engaged throughout the purchase process.	47	Distributors of telematics products should take reasonable care to inform consumers that telematics products are different from Traditional Insurance Products which they may be compared with.
	48	Where appropriate, telematics products shown in comparison with other policies should indicate that the Premium might fluctuate to reflect changes in Driving Behaviour.
Consumers understand how policies can be cancelled by each party and any costs arising from cancellation.	49	Policy Documents should clearly state under what circumstances either party may cancel a Telematics Policy.
	50	Policy Documents should clearly state any costs that will arise as a result of a consumer cancelling a Telematics Policy.
	51	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.
Consumers understand how telematics data will be used when assessing Claims.	52	The available policy information should clearly state how telematics data will be used in the event of a Claim.
Telematics Policies should not suggest that Driving Behaviour which is against the law is acceptable.	53	Recommended Driving Behaviour and any Tolerances around such Driving Behaviour should be communicated to consumers without stating that consumers may not attract adverse Premium Adjustments if they break the law (by driving slightly above the speed limit, for example).

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

Issue	Actions
The policyholder can make an informed decision during the Cooling-off Period.	54 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 and be made objectively.	55 Those responsible for setting Premiums should be able to objectively measure those Driving Behaviours that will increase or decrease Premiums. 56 Reasonable Tolerances should apply before Premium Adjustments are made. 57 Where possible, consumers should be given advanced notice if their Driving Behaviour is likely to result in an adverse Premium Adjustment, and the notice period should be as long as possible to allow them to mitigate or minimise the adverse Premium Adjustment by changing their Driving Behaviour.
	58 Consumers should be given an explanation for any Premium Adjustments made to their policy.

	59 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.
Changes to Premiums and Additional Charges should be proportionate and justifiable.	60 Changes to Premiums to reflect Driving Behaviour, other than discounts made for marketing purposes, should be limited to changes to truly reflect the risk profile of the policyholder. 61 Charges to recover the costs faced by insurers during the course of a policy, such as charges for the installation of a Telematics Device, should reflect the gross costs faced by the insurer. 62 Any charge to a policyholder for cancelling a policy should be fair and transparent.
Policies are not unfairly cancelled.	63 Where cancellation is made on the basis of a defined count of repeated incidents, policyholders should be given notice of the increasing likelihood of cancellation before a policy is cancelled. 64 Policyholders should have an opportunity to appeal against a decision to cancel a policy and the review should include at least one instance of manual review.
Responses to accidents do not cause undue concern.	65 There should be clearly documented procedures for any Accident Alerts, and those procedures should be strictly followed. 66 Where a Telematics Policy includes an Accident Alert, reasonable care should be taken to ensure that there has been an incident, before contact is made with the policyholder. 67 There should be an agreed first point of contact in the event of any incident that requires the policyholder to be contacted. 68 Any staff members, including outsourced staff, contacting policyholders about a possible accident should be specifically trained in how to handle such situations.

## 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 Data Protection Act 1998

The actions in sections 2.3.1 – 2.3.3 are a product of the Data Protection Act, 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 resultant 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 appropriate consent, there is potential for Personal Telematics Data to be collected, processed or disclosed illegally;
- the existence of additional data, combined with varying outsourcing arrangements, will make responding to subject access requests more complex;
- Personal Telematics Data will 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 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 their own legal advice to understand the DPA requirements specific to their particular telematics products.

#### *Consumers understand and consent to the use of Personal Telematics Data.*

Unlike Traditional Insurance Products, Telematics Policies will see the continual collection of data. Accordingly, actions 1 – 5 are included to ensure that all drivers consent to the collection and use of Personal Telematics Data, including generally for the purpose of detecting and preventing fraud (in general, rather than limited to specific instances of fraud). Consent should be freely given, specific and fully informed.

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 policyholder.

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.

Tick boxes filled in by the policyholder when the policy is agreed are expected to provide a sufficient level of consent to satisfy actions 3, 4 and 5, provided that the explanation is sufficiently clear and the consumer understands what they are (or are not) agreeing to.

#### *Data should not be collected after termination*

Actions 6, 7 and 8 prevent data being used 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 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 8. Any charges for having the box removed or transmission stopped should be made consistent with actions 44 and 45.

*The use of Personal Telematics Data is appropriate and accurate*

Actions 9, 10 and 13 are 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 11 and 12 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. In time, an industry standard may be agreed that it is possible to assess accuracy against.

*Data Controllers respect the rights of Data Subjects*

Actions 14 and 15 have been included to address the rights of Data Subjects to access their Personal Telematics Data under the DPA.

Action 15 has been included to ensure that barriers are not put in place to discourage subject access requests for Personal Telematics Data that are not in place for other forms of Personal Data. However, action 15 should not be interpreted as preventing differential charging for Personal Telematics Data under a subject access request, if there is a genuine rationale for such differential pricing (for example, if a contract with a third party provider stipulates that the insurer must pay a fee to that provider for any subject access requests). Data Controllers should note that there is a legal limit to what may be charged of £10.

Action 16 has been included to ensure that Data Controllers respect the right to privacy of a Data Subject.

*Personal Telematics Data is not disclosed without consent*

Telematics Policies typically offer online portals through which a policyholder can access data about the driving history of the vehicle. When there are multiple drivers on a vehicle, this could lead to a breach of the DPA if, for example, a Named Driver whose Personal Telematics Data is visible to the policyholder online has not given consent to have their Personal Telematics Data shared with the policyholder, or vice versa. Action 17 is intended to address this.

*Data Controllers meet their legal obligations when responding to a subject access request*

Given the potential for Personal Telematics Data to be collected, Data Subjects will have the right to make subject access requests for their Personal Data under the DPA. Actions 18, 19 and 20 are included to ensure that appropriate consent is gathered from other all Data Subjects before Personal Data is released. If appropriate consent was gathered at the point of sale, this step may not be necessary upon receiving a subject access request.

*Personal Telematics Data is processed securely*

Action 21 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**

*Using Personal Telematics Data for marketing purposes*

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 consent, consumers will lose trust in telematics products if explicit consent is not given before it is shared or if, regardless of any consent obtained, the Personal Telematics Data are used in a manner or for purposes which go beyond the reasonable expectations of the consumer. Accordingly, actions 22 – 24 put safeguards in place to ensure that Personal Telematics Data is not shared with third parties without explicit consent from the policyholder.

*Insurers use 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. Recommendations 25 - 30 are intended to ensure that the various involved parties clarify responsibilities between themselves, to ensure that Data Subjects know who to contact about their Personal Telematics Data.

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](#).

**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 31 – 33 are intended to help insurers demonstrate that telematics data will only be given to the Authorities when compelled (or when the Data Subject has given their consent) and that in all cases a clearly defined and explained procedure will be followed.

Action 33 also ensures that a Data Controller will not breach their obligation not to disclose Personal Data to another party under the Data Protection Act 1998.

Action 34 ensures that the data released will be limited to what is absolutely necessary, while action 35 is intended to confirm that the Data Controller is not responsible for the actions of the Data Subject.

It is particularly important for all Data Controllers to follow the actions in section 2.3.3. This is because if these actions are not followed, it could establish a duty of care for Data Controllers. If a duty of care were to be established all Data Controllers could be required to pre-emptively release data to the authorities, which would severely undermine any telematics proposition.

**4.5 Policy terms 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 36 – 41.

In addition to actions 36 – 41, insurers and other intermediaries should also ensure that they meet the requirements for disclosing product information as specified in chapter 6 of ICOBS.

Action 38 also asks for those providing policies to stipulate 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 policyholders will also change. Actions 42 and 43 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 44 and 45 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 benefits and exclusions, action 46 is intended to ensure that consumers can identify the key differences between policies. Similarly, actions 47 and 48 are to ensure that Distributors of Telematics Policies sufficiently highlight the differences between Telematics Policies and Traditional Insurance Products.

*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 49-51 are intended to ensure that policyholders are aware of the implications of cancelling a policy when they are purchasing a product.

*Claims might be influenced by telematics data*

Action 52 is intended to ensure that consumers are aware if firms are going to use telematics data when evaluating Claims.

*Insurers apply Tolerances to Telematics Policies*

Most Telematics Policies will apply discretion when evaluating an individual's behaviour. For example, singular instances of low-level speeding may not attract higher Premiums from insurers. Similar Tolerances might be applied due to technical limitations with data collection. This creates a difficulty for insurers, who need to clearly communicate what how Driving Behaviour will impact Premiums, without advocating breaking the law. Action 53 provides guidance on this issue. In many cases, this action may best be met by simply providing generic advice on how to keep Premiums down rather than stating what any Tolerances are. However insurers may want to seek legal advice on any wording they use if they decide to describe Tolerances in detail.

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

*The policyholder 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 policyholder may not have an opportunity to evaluate how a Telematics Policy works during the Cooling-off Period. Accordingly, action 54 is intended to ensure that the policyholder is given sufficient information to make an informed decision during the Cooling-off Period. One way in which insurers could aide 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 objectively made and proportional*

Actions 55-60 are intended to ensure that Premium changes are made objectively. 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 57 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 58 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 59 ensures consumers have the opportunity to challenge an explanation of 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 61 and 62 limit these charges to the actual gross costs faced by insurers.

*Cancellations are justified*

Telematics data will allow insurers to manage risks better, including by terminating policies for vehicles that are driven recklessly. Actions 63 and 64 ensure consumers are given fair warning, and policyholders 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 customers. For example, without the appropriate controls, a driver's parents might be falsely alerted to a suspected accident, causing considerable amounts of stress. Actions 65 to 68 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 aide 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 policyholder.

## 5 GLOSSARY OF DEFINED TERMS

**Accident Alert** – when the insurer or a third party on behalf of the insurer proactively contacts the policyholder or other agreed contacts when telematics data suggests there has been an accident.

**Additional Charges** – any charge in addition to the Premium that may be made in response to a specific event. Examples may include charges 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 insured has suffered a loss, or is liable for causing a third party to suffer a loss.

**Cooling-off Period** – the time a policyholder has to change his mind and to get a refund of his 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 Data Protection Act 1998.

**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 Data Protection Act 1998.

**Data Subject** – an individual who is the subject of Personal Data, as defined by the Data Protection Act 1998.

**Distributor** – the customer-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 policyholder and named on the insurance policy as being a user of any motor vehicle insured under the insurance policy.

**Non-essential 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 customer queries or delivering any service included as part of the policy (for example breakdown cover).

**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 Data Protection Act 1998.



**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 policyholder 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.

**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.

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

**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.