



Telematics for Usage Based Insurance – Aligning with Privacy Laws

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Telematics-based Driving Behavior Data Defined

1. Data that identifies driving behavior such as speed, hard brake, hard acceleration, and trip time.
2. Collected from connected vehicles, mobile apps or plug-in devices.
3. May be obtained by insurers, OEMs or Telematics Service Providers as part of “usage-based” (UBI) auto insurance programs.



Recent Legislative Activity Impacting Telematics

Recent bills are inconsistent:

Legislative Topic	Sampling of Legislative Responses
Permissible Use (limits insurers)	<ol style="list-style-type: none">1. From <u>purchasing or obtaining</u> telematics data2. Complete ban for underwriting3. Ban of adverse impact
Consumer Consent	<ol style="list-style-type: none">1. Requiring <u>OEMs</u> to obtain consumer consent to collect data2. Requiring <u>insurers</u> to obtain consumer consent to use data

Is Further Regulation Required?

Telematics-based driving behavior data used for UBI benefits consumers.

- a. Promotes/Encourages/Rewards safe driving habits
- b. Personalized premiums
- c. Provides opportunity to lower premiums
- d. Rewards good drivers
- e. Reduces frequency and severity of accidents
- f. Provides additional factors for insurers to consider

4.3 Fair Premiums

Usage-based insurance changes the price people pay for insurance. Who are the winners and losers? If, through better predictive models, premiums are more actuarially accurate, cross-subsidies would be eliminated—but who benefits most from such realignment? This section evaluates the shift to UBI premiums and illustrates three effects. First and most pronounced is the reduction in total premiums due to safer driving. If there is a smaller risk to insure, a lower price would be set to insure it. Second, UBI reduce the importance of nondriving demographic factors, which has long been viewed as unfair to low-income drivers. Third, UBI improves the personalized nature of risk prediction, allowing insurers to charge each policyholder a more precise premium, reflecting the risk created by this driver rather than by the larger pool. This greater underwriting accuracy reduces the cross-subsidies among members of the insurance pool, and it too operates in a manner that favors lower-income drivers.¹⁹ Let's review these effects in turn.

* Omri Ben-Shahar, "Privacy Protection, At What Cost? Exploring the Regulatory Resistance to Data Technology in Auto Insurance" (August 23, 2023)

Conceptually, the collection and analysis of this information will enable safe and infrequent drivers to pay lower insurance premiums while less safe, higher risk drivers will pay higher premiums, so the cost of coverage more closely aligns with driving patterns and behavior.

* Douglas Heller & Michael DeLong, "Watch Where You're Going: What's Needed to Make Auto Insurance Telematics Work for Consumers," May 26, 2021

UBI can also help people become better drivers, Crewdson said. "In a 2024 study, 65% told us they're getting driving recommendations and 44% of them actually are changing driving behavior. So becoming a safer driver is a side benefit."

* January 17, 2025 USA Today article – "Apps and phones are tracking you anyway. May as well use it to save money on your car insurance"

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Is Further Regulation Required?

Existing laws balance the needs of commerce while ensuring fair and equitable treatment for consumers

1. *The Fair Credit Reporting Act (FCRA)* provides a strong framework for consumer access, correction, safety and control – principles that align with state data privacy act laws.
2. Requiring consumer consent would undermine the integrity of underwriting.
3. If consumer consent was required, consumers would inevitably not consent to negative information.
4. FCRA preemption challenges.

Consumer Awareness is Needed - Education

“Linking insurance premiums to your driving performance allows insurers to price premiums more accurately. Your premiums may go up or down depending on your driving behavior. Low-risk drivers receive lower premiums.” – *Washington Insurance Commissioner*

“UBI programs are designed to save low-mileage, safe drivers the most money. Drivers who rarely drive at night, drive mostly during daylight hours, drive safely, and drive less will benefit most. However, a number of companies give a discount just for enrolling in the program.” – *Texas Office of Public Insurance Counsel*

Consumer Perceptions

Ongoing affordability issues are expected to spur more interest in UBI.

Car Insurance Affordability

Jerry's 2025 State of the American Driver report

80% of U.S. drivers say car insurance is unaffordable for the average person

27% chose a higher deductible for a lower rate

26% reduced coverage overall

30% had to cut spending on clothing, 26% on buying groceries

Usage Based Insurance (UBI)

Smartcar State of Connected Car Apps 2025 study

When asked how likely respondents were to share vehicle data for personalized auto insurance rates, we received a diverse range of answers

- 41% - likely or probably likely to consent
- 37% undecided
- 22% unlikely to

Usage Based Insurance (UBI)

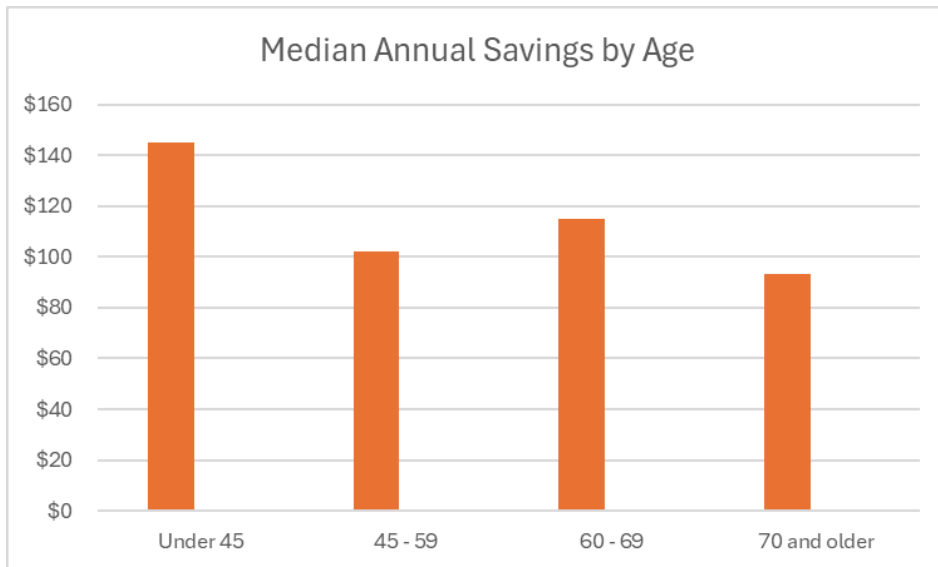
- Usage-Based Auto Insurance and Driver Behavior Empirical Study (2019)
 - Study participants received an average discount of 12%

Consumer Reports 2024 Insurance Study

The median annual savings from using telematics among all telematics users was \$120.

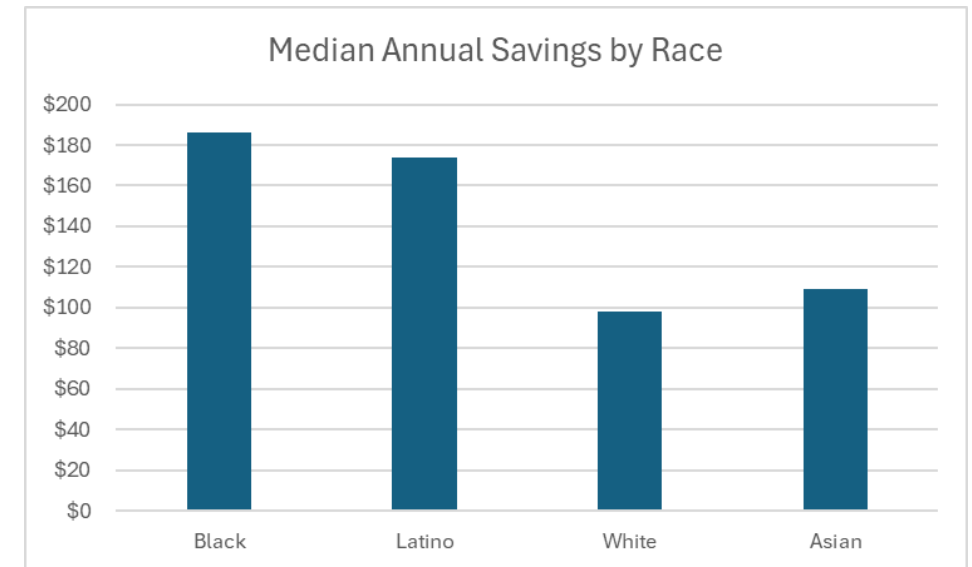
Those with younger drivers on their policy saved the most money on their annual premium (\$245).

Savings by age suggests UBI helps the (traditionally) riskiest drivers the most.



Consumer Reports 2024 Survey

Savings by race suggests UBI helps democratize insurance pricing.



Next Steps

Given the varying inconsistent legislation being introduced, it is important to establish uniformity across the states. We are here as a resource for you and your staff to provide additional information.



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