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Informational Hearing

"Telematics, Auto Insurance, and California"

October 27, 2025
1:30 PM
1021 O Street, Room 2100

Background on Telematics

Telematics is a type of usage-based insurance, or UBI, that uses different forms of technology to track driving behaviors. This technology includes in-vehicle telecommunication devices. These devices may be included in the vehicle when it is sold or added later, often in the form of a plug-in mechanism. Telematics may also take the form of a mobile application, such as a smartphone app. This technology can track driving behaviors like braking, speeding, turning, as well as mileage, time of day, location, weather, and road conditions, among others. As it pertains to insurance, these devices monitor driving behavior while a person operates their vehicle, and generate information which could be used by insurers to calculate a premium that reflects the driver's particular driving behavior.

Telematics and Auto Insurance

According to the National Association of Insurance Commissioners, the first UBI programs began to surface in the U.S. over a decade ago, when Progressive Insurance Company and General Motors Assurance Company began to offer mileage-linked discounts through combined GPS technology and cellular systems that tracked miles driven. As telematics technology has become more accessible, the ability to offer UBI based on the risk data provided by telematics has grown.

Auto insurance relies on actuarial studies of aggregated historical data to produce rating factors including driving record, credit-based insurance score, personal characteristics, vehicle type, vehicle use, previous claims, liability limits, and more. UBI programs can utilize telematics data to try and provide more real-time data to help gauge risk factors for insurers, and this data can be considered in conjunction with other rating factors in premium calculation. The idea being that if one drives safely, an incentive can be offered that would lower insurance costs for those individuals. Conversely, if an individual's telematics data reveals riskier driving behavior, their insurance may become more expensive.

Telematics and Driver Safety

Telematics can also provide drivers with data and feedback about their own driving behaviors with the goal of making them more aware of their less ideal habits like speeding, hard braking, or rapid acceleration, and subsequently encourage better habits. Additionally, the existence of these programs can draw attention to the link between driving behavior and the cost of insurance. Several states like Missouri, Minnesota, and Ohio have implemented telematics programs that discourage distracted driving by seeking to limit cell phone use among drivers. For example, this can be accomplished by targeting traffic safety resources in areas where cell phone use while driving has shown to be higher.

California: The Insurance Commissioner and the Department Insurance

Under Proposition 103, driving behavior telematics data may not be used to calculate insurance rates in California. The Insurance Commissioner has the authority to interpret and enforce Proposition 103 including insurance rating factors like driving safety record. Pursuant to Proposition 103, the Insurance Commissioner may enact regulations to permit an additional optional insurance rating factor, like telematics data, to be utilized.

Approach

This hearing will focus on gaining a better foundational understanding of what telematics is and how such programs function within the realm of automotive telematics. This would include an introductory grasp on the nature of telematics technology, including the different methods it may take, as well as how telematics programs can be set up and structured in the context auto insurance and driver safety.

Although it is not the committee's intent to assess the benefits and challenges of a potential telematics program in California, the committee will hear testimony regarding a case study of the role telematics can play in driver safety and improved driving behaviors. Finally, the committee will hear from the Department of Insurance regarding their thoughts on how a theoretical regulatory framework for the use of telematics in auto insurance could take shape in California. The goal of the hearing would be to demystify the nature of telematics and the part they can play in driving behavior and insurance, while contemplating what the usage of telematics data in auto insurance rate calculation in California might look like under the provisions of Proposition 103.

Questions and Themes

- What is telematics technology and how does it function?
- What is the role of telematics in auto insurance?
- What efforts have other states pursued in terms of utilizing telematics?

- What is the potential regulatory environment for telematics in California?
- What should lawmakers and the public know about telematics and its role in auto insurance that they might not know already?