LARRY HOGAN
Governor

BOYD K. RUTHERFORD
Lt. Governor

KATHLEEN A. BIRRANE
Commissioner

GREGORY M. DERWART
Deputy Commissioner

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November 4, 2022

The Honorable Larry Hogan State House
100 State Circle Annapolis, Maryland 21401

Dr. Suzanne Dorsey, Chair
Maryland Commission on Climate Change
1800 Washington Blvd.,
Baltimore, MD 21230

Re: Report required by EN § 2-1305(c) / SB 528/Ch. 38, 2022 HB 696/Ch. 570, 2022
(MSAR # 14365) – Greenhouse Gas Reduction

Ladies and Gentlemen:

Pursuant to EN § 2-1305(c), SB 528/Ch. 38, 2022, HB 696/Ch. 570, 2022 (MSAR # 14365) and in accordance with § 2–1257 of the State Government Article of the Annotated Code of Maryland; the Maryland Insurance Administration (MIA) and other State agencies shall report annually on the status of programs that support the State's greenhouse gas reduction efforts or address climate change.

The attached report describes MIA's Use-Based Automobile Insurance Program.

Five printed copies of this report have been mailed to the DLS library for its records.

Should you have any questions regarding this report, please do not hesitate to contact me or my Director of Government Relations, Andrew Tress, at Andrew.tress1@maryland.gov.

Sincerely,

Kathleen A. Birrane
Insurance Commissioner

cc: Sarah T. Albert, Department of Legislative Services (5 copies)
        Horacio A. Tablada, Secretary of the Environment

Maryland

INSURANCE ADMINISTRATION

Use-Based Automobile Insurance in Maryland

2022 Annual Report

(MSAR #: 14365)

November 4, 2022

Kathleen A. Birrane

Commissioner

Pay-As-You-Drive® Insurance in Maryland

Program Description

Use-based automobile insurance is generally designed to align the amount of premium paid with actual vehicle usage. The distance an automobile is driven, the speed at which it is driven, and the time of day it is driven are some of the vehicle usage factors that an insurer can use to determine premiums under a use-based plan. Under use-based plans, the consumer generally uses a telematics device or web-based application that transmits such data and information about other driving behaviors to the insurer. The insurer can use the data to determine the price of coverage based on the degree of risk posed by the insured's actual driving behavior.

As of July 2022, 27 insurance groups/companies have filed telematics programs for personal automobile programs; this includes six vendor companies and Insurance Service Office, Inc. (ISO). In addition, 24 insurance groups/companies have filed telematics programs for commercial automobile programs including four vendor companies (all of whom have also filed personal auto programs) and ISO. These programs are voluntary, meaning the insured must sign up for the program, in most cases. However, at least one insurer in the market will only write a policy for an applicant that agrees upfront to the terms of its use-based program. While some insurers utilize their own use-based technology, others purchase it from third party vendors. An insurer that uses a vendor-created product must file it with the Maryland Insurance Administration (MIA) prior to implementation.

Since consumers typically receive a discount for participating in a use-based program, MIA expects an increase in the number of policyholders that opt in to a use-based program. Generally, younger drivers and drivers that do not drive a high amount of miles annually are receptive to use-based coverage programs. The percentage of policyholders that signed up for an existing use-based program has likely gone up during the pandemic era as many drivers worked increasingly from home. Though consumers may opt-in to use-based programs for a discount on their premium, their premiums may actually increase at renewal as a result of the data collected by the insurer through the use-based program since insurers may consider such data in rating the risk.

Program Objectives

MIA continues to work with insurers to increase the number of companies offering these programs.

Estimated Emission Reductions for CY21

Due to the nature of this program, it is impossible for MIA to measure any emissions reduction that is directly attributable to use-based insurance programs. Even though it is unclear to what extent the use-based automobile insurance will reduce greenhouse gas (GHG) production, it is beneficial to encourage the expansion of these programs in the state in that they offer more options to consumers.

Obstacles/Considerations

While there are no statutory or regulatory prohibitions to use-based automobile insurance, any such program must operate within the confines of Maryland law. That being said, the following is a list of the obstacles/considerations that should be taken into account when reviewing these programs:

1. Use-based automobile insurance only produces financial rewards for individuals who drive short distances, or those whose measured driving behaviors (speed, time and duration of trips, avoiding distracted driving and hard-braking, etc.) is better than the standards established by the insurer. Individuals lacking access to public transportation or alternatives to driving, such as those who live in rural areas or those who commute to work, may not be inclined to sign up for this type of program if they think they will not reap any cost savings.

2. Consumers may be concerned about privacy issues surrounding programs that utilize devices that monitor how, when and where they drive in order to justify the discounts provided.

3. Individuals who sign up for use-based automobile insurance are most likely persons who drive a limited number of miles, and as such, the actual reduction in GHG may not add up to the volume projected.

4. Depending on the type of telematics device and whether it sends information to an insurer via wireless phone networks, the ability to remotely execute malicious code could interfere with the data and data transmission.