



Pay-As-You-Drive® Insurance in Maryland
2016 Annual Report
MSAR #10580

Al Redmer, Jr.
Commissioner

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Pay-As-You-Drive® Insurance in Maryland

Program Description

Pay-As-You-Drive® automobile insurance is also known as use-based insurance. Generally, use-based insurance plans are 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 all are factors that can be used to determine premiums under a use-based plan. Under use-based plans, the consumer generally uses a telematics device to provide information about the actual mileage and other driving behaviors to the insurance carrier. The carrier can use that information to adjust the price of coverage based on the degree of risk posed by the insured's actual driving behaviors.

As of 2016, twelve insurance companies offer a use-based insurance program for their private passenger insureds and eight offer these programs to their commercial insureds. This is a voluntary program. Consumers receive discounts off of their insurance premiums for participating in most use-based programs.

Program Objectives

The Maryland Insurance Administration (MIA) continues to work with the carriers to increase the number of companies offering these programs.

Estimated Emission Reductions for CY 2015

Due to the nature of this program, it is impossible for the MIA to measure the reduction. Even though it is unclear to what extent the Pay-As-You-Drive® Program will reduce 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 Pay-As-You-Drive®, any such program must operate within the confines of Maryland law. That being said, the following are a list of the obstacles/considerations that should be taken into account when reviewing these programs:

1. Pay-As-You-Drive® programs only produce financial rewards for individuals who drive short distances. Individuals lacking access to public transportation or alternatives to driving, such as those who live in rural areas or those who commute to work, will not be inclined to sign up for this type of program as it will not result in any cost savings to them.
2. Consumers may be concerned about the privacy issues surrounding these types of 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 Pay-As-You-Drive[®] programs 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. The increased costs and expenses for insurers to develop alternative rating plans and the devices used to track and transmit this data may limit its availability and affordability.
5. The (in)ability to collect additional premiums from insureds who exceed the mileage limits, or to legally disclaim coverage if the insured vehicle is involved in an accident after it is discovered that the amount of mileage insurance purchased has been exceeded.
6. The (in)ability to properly rate policies when more than one vehicle or driver are on the policy. Different drivers present different risk factors, so it would be important for the insurer to know how many miles each insured person is driving each insured vehicle which may be almost impossible to determine.
7. Depending on the type of telematics device and whether it sends information to a carrier via wireless phone networks, the ability to remotely execute malicious code could interfere with the data and data transmission.