



Use-Based Automobile Insurance in Maryland
2021 Annual Report

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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, 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 2021, twenty-five insurance groups/companies have filed telematics programs for personal automobile programs, this includes six vendor companies and Insurance Service Office, Inc. (ISO). In addition, nineteen insurance groups/companies have filed telematics programs including three 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 to the terms upfront 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) before implementation.

Since consumers typically receive a discount for participating in a use-based program, the MIA expects an increase in the number of policyholders that opt into 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 user-based program has likely gone up during the pandemic era as many drivers worked increasingly from home. Though consumers may opt into 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

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

Estimated Emission Reductions for CY 2021

Due to the nature of this program, it is impossible for the 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 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.