



Maryland

INSURANCE ADMINISTRATION

Greenhouse Gas Reduction

2023 Annual Report

Environment Article § 2-1305(c)

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Commissioner

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Greenhouse Gas Reduction 2023 Annual Report

Pursuant to the statutory requirements of Envir. § 2-1305(c), this report provides a status update on the Maryland Insurance Administration’s (“MIA”) on-going and future operational initiatives, which serve to reduce the state of Maryland’s greenhouse gas emissions. As an informational addendum, this report also considers the MIA’s regulatory activities, which involve the assessment and monitoring of insurers’ climate-related financial risk, and provides an overview of the various pre-disaster mitigation initiatives, adaptation strategies, and innovative risk transfer programs undertaken by the insurance sector to address the consequences of a changing climate and climate-related risk exposures.

Pay-As-You-Drive® Insurance in Maryland

Program Description

Usage-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 usage-based plan. Under usage-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 2023, twenty-nine insurance groups and/or companies have filed telematics programs for personal automobile programs with the MIA. The programs include six vendor companies and Insurance Service Office, Inc. (“ISO”). In addition, twenty-five insurance groups and/or companies have filed telematics programs for commercial automobile programs, including four vendor companies (all of which have also filed personal auto programs) and ISO. These programs are mostly voluntary, meaning the insured must sign up for the program. However, at least one insurer in the market will only write a policy for an applicant who agrees upfront to the terms of the insurer’s usage-based program. While some insurers utilize their own usage-based technology, others purchase it from third party vendors. An insurer that uses a vendor-created product must file it with the MIA prior to implementation.

Since consumers typically receive a discount for participating in a usage-based program, the MIA expects an increase in the number of policyholders that opt in to a usage-based program. Generally, younger drivers and drivers who do not drive a high amount of miles annually are receptive to usage-based coverage programs. The percentage of policyholders that signed up for an existing usage-based program likely increased during the pandemic, because many drivers worked from home. Consumers may opt in to usage-based programs for an initial discount on their premium. However, their premiums may actually increase at renewal as a result of the data collected by the insurer through the usage-based program, because insurers may consider a variety of driving behaviors in rating the risk.

Program Objectives

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

Measurable Implementation Milestones

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

Obstacles/Considerations

There are no statutory or regulatory prohibitions on usage-based automobile insurance at this time. However, any such program must operate within the confines of Maryland law. The following is a list of some of the obstacles and considerations to take into account when reviewing these programs:

1. Usage-based automobile insurance only produces financial rewards for individuals who drive short distances, or those whose measured driving behaviors (e.g., reducing speed, time and duration of trips, avoiding distracted driving and hard-braking, etc.) are 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 usage-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. The type of telematics device and whether it sends information to an insurer via wireless phone networks would affect the ability of such usage-based automobile insurance programs to remotely eliminate malicious code, which could interfere with data and data transmission.

Space Utilization Study and Space Reduction Plan

Program Description

In the fourth quarter of 2020, pursuant to a request from the Department of General Services (“DGS”), and at the direction of the former Lieutenant Governor Boyd Rutherford, the MIA began to consult Coldwell Banker Richard Ellis (“CBRE”) to develop a framework for a space utilization study for the MIA’s offices located at 200 Saint Paul Place, Suite 2700, Baltimore, Maryland 21202.

At that time, because of the COVID-19 Pandemic and resulting State of Emergency, the MIA had instituted an agency-wide telework agreement, with some exceptions, for its staff. During that period of remote work, the MIA completed an internal assessment of each Division and/or Unit to determine which positions and personnel the MIA could appropriately reclassify as full-time telework and/or hybrid telework status. Based on that assessment, the MIA found that approximately sixty percent (60%) of its staff was able to perform their essential job functions on a fully remote basis and that the remaining forty percent (40%) could do so on a hybrid basis. From 2021 to today, the MIA continues to effectively operate and perform its core regulatory responsibilities along that 60/40 divide of in-person and remote work – which has resulted in a certain amount of underutilized office space and square footage in the MIA’s offices on any given day of the business week.

Program Objectives

The evaluation and utilization of existing, underutilized office space are critical aspects of the MIA’s sustainability and energy conservation initiatives. Efficient space utilization is not only a matter of prudent resource management, it also holds significant implications for environmental sustainability. The current underutilization of office square footage represents an opportunity to enhance sustainability and reduce greenhouse gas emissions by minimizing unnecessary energy usage for heating, cooling, lighting and other operational needs.

Determining the optimal square footage needed for the MIA's operations is a pivotal first step in curbing the MIA’s emissions. Since 2021, the MIA has deployed its own funding to procure CBRE’s consultant services to evaluate its current space utilization and assess the actual square footage needs of each Division and/or Unit. These evaluations have taken into consideration relevant factors such as personnel numbers and schedules, workflow dynamics, technological advancements, as well as the greater evolution of the MIA’s work, including the human resources needed to effectively regulate an evolving insurance industry and meet the evolving needs of consumers. This study will lead to the development of recommendations for an actionable space reduction plan. Once implemented, the MIA can measure and compare, on an aggregate level based on percentage of building occupied, its electricity usage in kilowatt-hours against historical usage.

Measurable Implementation Milestones

- Complete the Space Utilization Study and identify potential pathways for space utilization improvements and energy conservation.
- Achieve a reduction in operational energy consumption within the MIA's office located at 200 Saint Paul Place, Suite 2700, Baltimore, Maryland 21202.

Obstacles/Challenges

- For commercial multi-tenant buildings that use a full building heating and cooling system – as is the case for the MIA offices leased at 200 Saint Paul Place – it is not possible to quantify electricity consumption for specific spaces and use cases, which is why DGS's standard lease for state agencies allocates utility costs by percentage of building occupied.
- Given that it is not possible to monitor the allocation of kilowatt usage per use case or space, the variance in the MIA's future electricity usage (i.e. the anticipated decrease) will still be dependent on the total electric consumption of the building and its other tenants, including any new tenant that would occupy space that is returned by the MIA, per the allowances of the MIA's lease agreement with Bay City Management.
- The potential benefits of teleworking and hybrid working on energy conservation should be measured against the economic losses that the Baltimore City community will sustain if new tenants are not found in sufficient quantity and quality to fill the void left by such remote work arrangements, rather than the MIA calling more workers back to the office.

Cloud Migration of MIA Data Center

Program Description

Data centers are facilities housing a multitude of interconnected servers and networking equipment that store, process, and manage vast amounts of digital information for various applications and services. Physical data centers consume a substantial amount of electricity due to their continuous operation and power-demanding infrastructure. The primary reason for traditional data center's high consumption of electricity is the constant need for servers to remain operational and ready to process requests at all times. In traditional data center setups, like the MIA's, there are no mechanisms to control power intake effectively, leading to servers running round-the-clock, regardless of the workload. Additionally, processor chips within the MIA's servers lack built-in analytics to regulate power consumption during periods of peak demand or low usage, resulting in a constant and inefficient power draw.

Furthermore, the MIA's data center lacks the integration of renewable energy sources, a feature increasingly adopted by major tech companies like Amazon, Google, and Microsoft. The absence of renewable energy utilization compounds the environmental impact of continuously operating the data center, as conventional electricity sources tend to rely heavily on fossil fuels,

contributing to higher net greenhouse gas emissions. By migrating to a cloud-based platform, the MIA can leverage the cloud provider's infrastructure, which often incorporates energy-efficient technologies and renewable energy sources, thereby significantly reducing the carbon footprint associated with electricity consumption.

Program Objectives

A pivotal aspect of the MIA's transformation of its information technology operations involves migrating the agency's physical data center to the cloud at the conclusion of the MIA's ITS Project with Salesforce ("ITS Project"). The MIA anticipates that this migration will reduce the MIA's overall electricity consumption vis-à-vis eliminating the energy usage associated with the operation and maintenance of the MIA's data center, thereby reducing the MIA's carbon footprint and dependency on non-renewable energy sources.

Measurable Implementation Milestones

- Retire relevant data center servers and complete the migration of critical data center operations to the cloud within one year of ECTS and Enterprise System functionality being moved over to the Salesforce platform.
- Achieve a reduction in operational energy consumption within the MIA's office located at 200 Saint Paul Place, Suite 2700, Baltimore, Maryland 21202.

Obstacles/Challenges

- The timing of the retirement of existing data center servers is dependent on the completion of the ITS Project and the build out of ECTS and Enterprise System functionality via the Salesforce platform.
- The anticipated decrease in the MIA's electricity usage, specific to the operations of the data center, cannot be easily measured due to the aggregated method of metering electricity consumption (based on a percentage of building occupied) in a commercial multi-tenant building such as 200 Saint Paul Place.

Conclusion

Currently, the MIA has already employed or is laying the groundwork for several operational initiatives in consideration of Maryland's goal of reducing greenhouse gas and the impacts of climate change. One way the MIA is fostering this goal is by working with insurers to encourage the offering of Pay-As-You-Drive® Insurance in Maryland, given the potential connection between using Pay-As-You-Drive® Insurance and reductions in greenhouse gasses. The MIA has also taken the initial steps toward the execution of a study to assess underutilized spaces and initiate a reduction in that space to improve utilization and energy conservation, ultimately enhancing sustainability. Lastly, the MIA is working toward Cloud migration of the MIA data center in order to reduce the carbon footprint associated with electricity consumption. The MIA looks forward to continuing to build on these measures to further the State's goals around addressing greenhouse gas reduction and climate change.