

HOUSE BILL 270
REGULATION OF USAGE-BASED
AUTOMOBILE INSURANCE IN MARYLAND
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RATING FACTORS AND SAFE DRIVING

- “Usage-based insurance” (UBI) and “telematics” are the same thing: a method using modern technology that measures how a vehicle is actually used over a period of time.
- UBI is gaining rapid acceptance among automobile insurers. It is believed that the top ten automobile insurers in Maryland use some form of UBI.
- Snapshot is a UBI program used by Progressive Insurance – a major automobile insurer that pioneered UBI more than 20 years ago and currently makes it available to customers countrywide.
- UBI provides consumers the ability to lower their premiums by how they drive their vehicles.

UBI IN MARYLAND

- While Maryland has permitted a version of UBI to be used for many years, its use is limited and consumers do not enjoy the full benefit of it.
- In the substantial majority of states (40 or more) UBI operates like most rating factors: it can either reduce a policyholder's premium or increase it, depending on how the vehicle is used.
- In Maryland, a limited, discount-only version of UBI is available. In order to gain the full benefit of UBI, the MIA has advised that the statute must be changed. Together with a new, important consumer protection required by the MIA, HB 270 makes the necessary change.

SNAPSHOT IDENTIFIES VEHICLE USAGE WARRANTING BOTH LOWER AND HIGHER RATES

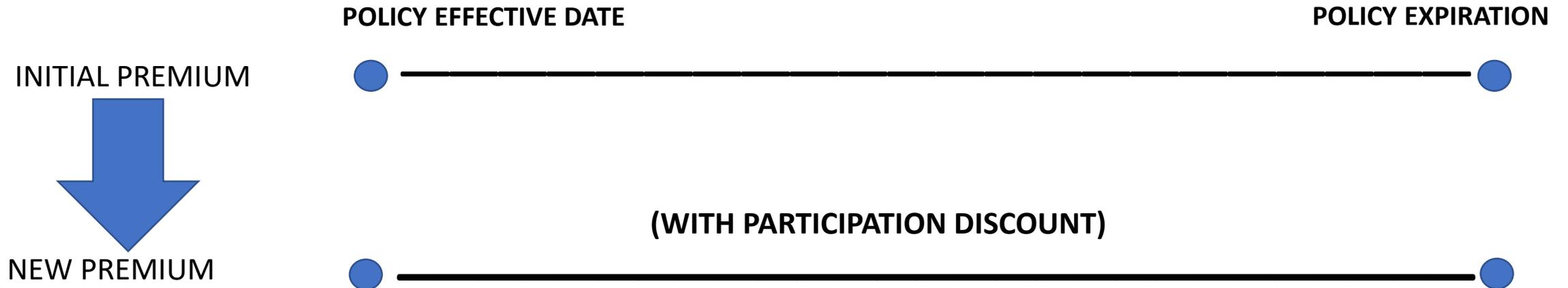
- Snapshot data is strongly predictive of future losses.
- Selected rating variables achieve a balance of:
 - **FAIRNESS** to participants
 - **CUSTOMER EMPOWERMENT** to reduce premiums through safer driving
 - **REWARDS** safe driving behavior and discourages risky behavior
 - **PROFITABILITY** to company
- A pricing model that allows for both discounts and surcharge improves pricing accuracy and mitigates subsidization of riskier drivers by safer drivers.

PROGRESSIVE INSURANCE POLICY WITHOUT SNAPSHOT

(INCLUDES STANDARD RATING FACTORS SUCH AS TYPE OF VEHICLE DRIVEN,
DRIVER INFORMATION, WHERE VEHICLE IS KEPT AT NIGHT, ETC.)



PROGRESSIVE INSURANCE POLICY WITH SNAPSHOT FOR FIRST POLICY TERM



SNAPSHOT USAGE-BASED PREMIUM AFTER FIRST POLICY TERM



60% OF POLICYHOLDERS RECEIVE
A USAGE-BASED DISCOUNT

40% OF POLICYHOLDERS RECEIVE
NO USAGE-BASED DISCOUNT

EFFECT OF HB 270 ON SNAPSHOT PREMIUMS



80% OF POLICYHOLDERS RECEIVE
A USAGE-BASED DISCOUNT

20% OF POLICYHOLDERS
RECEIVE A USAGE-BASED
SURCHARGE

IMPORTANT NEW CONSUMER PROTECTION

- Current Maryland law requires that consumers who are surcharged for accidents or tickets receive a Notice of Premium Increase (NOPI) before policy renewal.
- HB 270 enhances the NOPI requirement with an additional requirement that the insurer specifically identify the amount of any UBI-based premium increase on the NOPI.

SOME ADDITIONAL COMMENTS . . .

- **USAGE AND PRIVACY** of the data
- **RELIABILITY** of the devices
- **COMPLAINT** handling
- **REMONITORING** the data
- **VOLUNTARY** - the consumer chooses