Pay-As-You-Drive-And-You-Save Insurance

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What are PAYDAYS Pricing and PAYDAYS Insurance?

- Converting hidden and lump-sum costs of auto ownership and usage to transparent, variable costs.

- Such costs may relate to insurance, but also to parking, vehicle taxes and fees, or to the car itself through car sharing.

- Most of the costs of owning and operating a vehicle are fixed and the financial incentive not to use personal vehicles heavily is relatively small.

- Many households, especially low-income households that have lost jobs, would prefer variable costs to fixed ones.

- Various studies project substantial driving reductions, public policy benefits, and consumer savings resulting from PAYDAYS pricing.
Research Supports Business Case for PAYDAYS Insurance

- Older research provides foundation.
- Host of recent, mostly small instrumented vehicle studies consistently shows a strong linkage between certain driving habits and crashes.
- Actions of insurance companies also suggest actuarial underpinnings for PAYDAYS pricing.
New PAYDAYS Incentives

- Created a hypothetical government program providing payments or tax credits equal to 10% of the value of new PAYDAYS pricing.
  - Compared against other government programs designed to build infrastructure and to reduce air emissions and fatalities.
  - Shown to be far more cost effective than the average Federal transportation emissions reduction program (CMAQ) expenditure and to the cost of providing new infrastructure.
  - Cost effective fatality reductions were also demonstrated.

- Examined Federal fuel economy rulemakings for calculation of public costs and benefits of driving miles to establish economically appropriate PAYDAYS incentives.
Implementation Status of PAYDAYS Insurance

- Progressive I (Autograph), II (TripSense), and III (MyRate)
- GMAC Insurance
- Mile Meter
- Unigard Insurance
- Norwich Union in the U.K.
- Other foreign examples
- U.S. honorable mentions—Plymouth Rock and American Family/DriveCAM
Results of PAYDAYS Insurance

- Cuts vehicle miles traveled
- Curtails crash claims in excess of driving reductions
- Relieves congestion at a rate greatly exceeding driving reductions
- Diminishes air pollution and carbon emissions
- Lowers infrastructure costs
- Strengthens cities and lessens urban sprawl
- Provides substantial consumer savings
- Increases insurance company profits
Features of PAYDAYS Insurance To Maximize Driving Reductions

- Direct and transparent usage-based pricing
- Frequent billing
- Pricing reminders through e-mail and other communications, such as in-vehicle meters
- Discounted transit passes (and a few free miles of insurance to market to transit pass holders)
- Individualized assistance for trip reductions
- Additional “regret lottery” awards for mileage reductions
Thank you!

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