

PAY-AS-YOU-DRIVE AUTO INSURANCE

Description

Pay-as-you-drive auto insurance (PAYD), also known as usage based insurance, charges drivers based on their vehicle use rather than a fixed monthly rate. PAYD may encourage people to use their vehicles less by rewarding drivers who drive less. The less you drive the less you pay while the more you drive the more you pay. It is an insurance rate structure option for motorist. The insurance rate is based on a driver's risk, total distance driven, and time of day the vehicle is driven.



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The goal behind PAYD is to provide affordable vehicle insurance while reducing congestion. Motorists are able to adjust their driving schedule based on the amount they are willing or able to pay for auto insurance. Charging motorist by the mile will encourage drivers to use alternative commute modes to save money. Also, drivers will be more likely to alter their commute time if they are charged a higher rate for driving during peak periods.

Cost:	●○○○○
Time:	Short
Impact:	Regional
Who:	Commuters/ Private
Hurdles:	Public Perception

Target Market

PAYD auto insurance is targeted toward lower-income or high risk drivers that cannot afford a typical auto insurance policy. The option to drive less to pay less makes this type of policy attractive, especially in areas with long commutes and heavy congestion.

How Will This Help?

- Reduce traffic volume and congestion during peak time by shifting drivers to less congested times.
- Increased safety by reducing the high-risk motorist driving especially during peak period.

Success Stories

- Progressive's Snapshot is available in 30 states and only collects data on how safely, how often, how far, and when a car is driven. No speed or location data are collected.
- Using a vehicle's On-Star system, GMAC Insurance offers the Low-Mileage Discount. This insurance structure is offered in 35 states.

Implementation Issues

There are several concerns raised about PAYD auto insurance. Some of the concerns include invasion of privacy, increased costs for higher-mileage drivers, cost savings is too minimal to alter driver behavior, and odometer tampering. In order to get drivers to switch their insurance policies, these concerns need to be addressed and communicated to commuters.