



PAY-AS-YOU-DRIVE INSURANCE PILOT PROGRAM

Traffic Safety Summit

*Uninsured and Unlicensed Drivers
What is the cost? What is the solution?*

May 2, 2006

**Carrie Reese
Senior Transportation Planner
North Central Texas Council of Governments**

PAY-AS-YOU-DRIVE INSURANCE

The Concept

Conventional Insurance Pricing

Fixed Premium For Unlimited Mileage Coverage

Lower-Mileage Drivers Subsidize Higher-Mileage Drivers

Pay-As-You-Drive (PAYD) Insurance Pricing

Converts Insurance To A Variable Cost

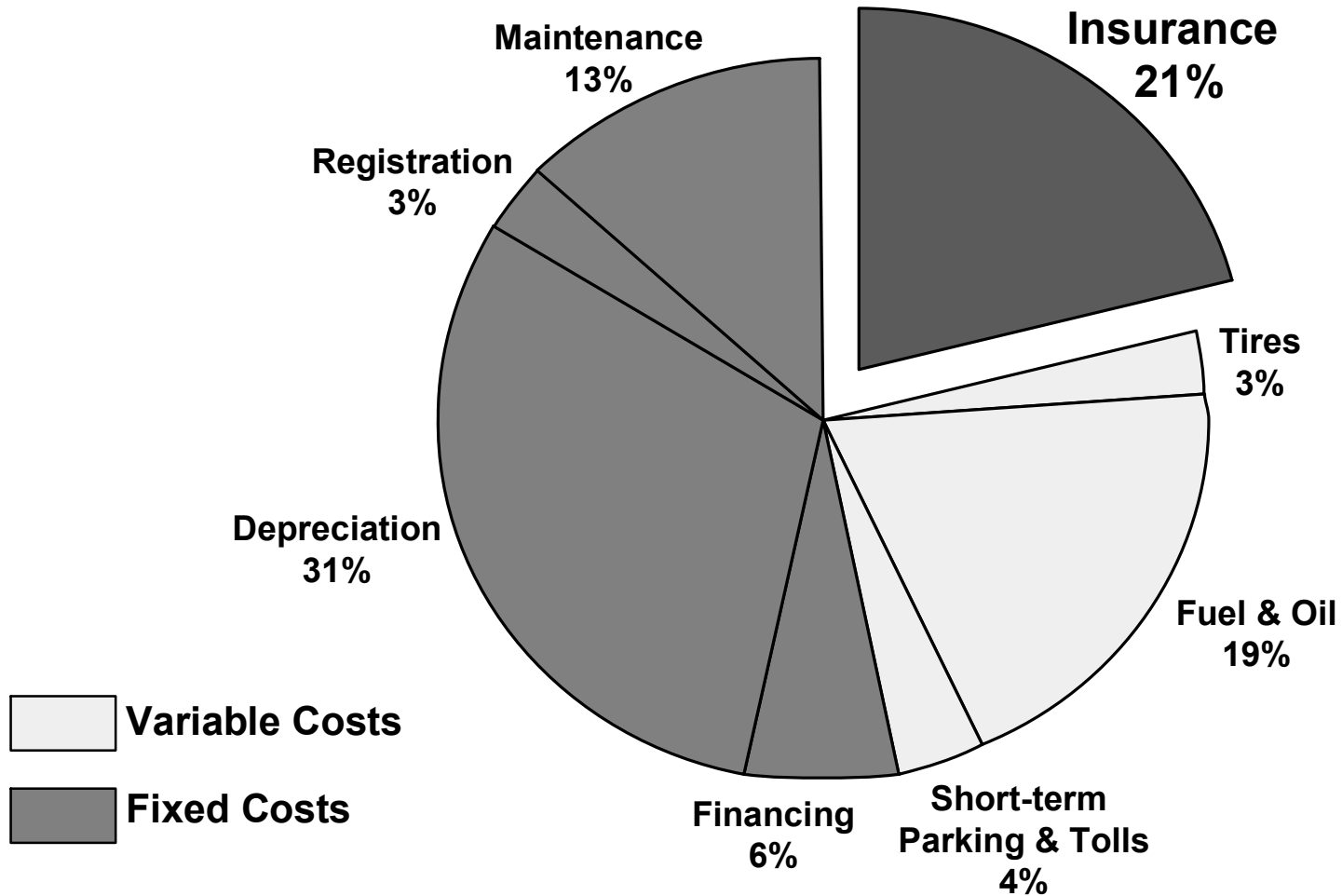
Premiums Are Directly Related To Mileage

Opportunity To Reduce Mileage

Opportunity To Save Money

DISTRIBUTION OF AUTOMOBILE EXPENSES

American Automotive Association (2003)



PAY-AS-YOU-DRIVE INSURANCE

Distance-Based Pricing

Based Upon Recognized Risk Factors

Driving Record, Age, Gender, Location & Vehicle

Relates To How Much A Vehicle Is Driven

Average Annual Mileage Of 12,500 Miles:

Risk	Annual Premium	Cost Per Mile
Lower	\$600	5¢
Higher	\$1,200	10¢

PAY-AS-YOU-DRIVE INSURANCE

Benefits

Increase Consumer Choice

Increase Insurance Cost Equitability

Increase Insurance Affordability

Reduce Uninsured Driving

Reduce Vehicle Miles Traveled

Reduce Risk, Increase Safety

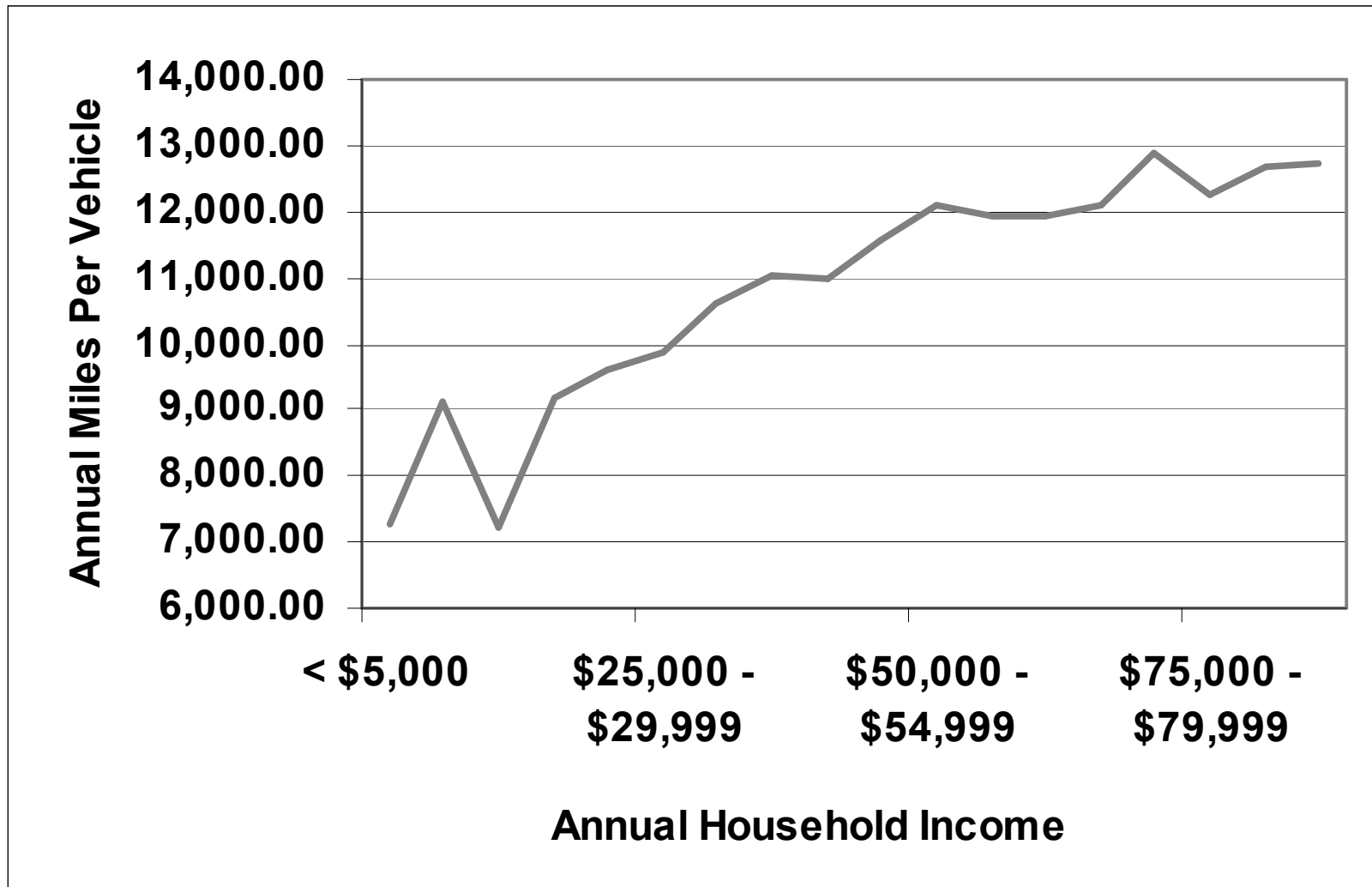
Reduce Congestion

Reduce Harmful Vehicle Emissions

Decrease Road and Parking Facility Costs

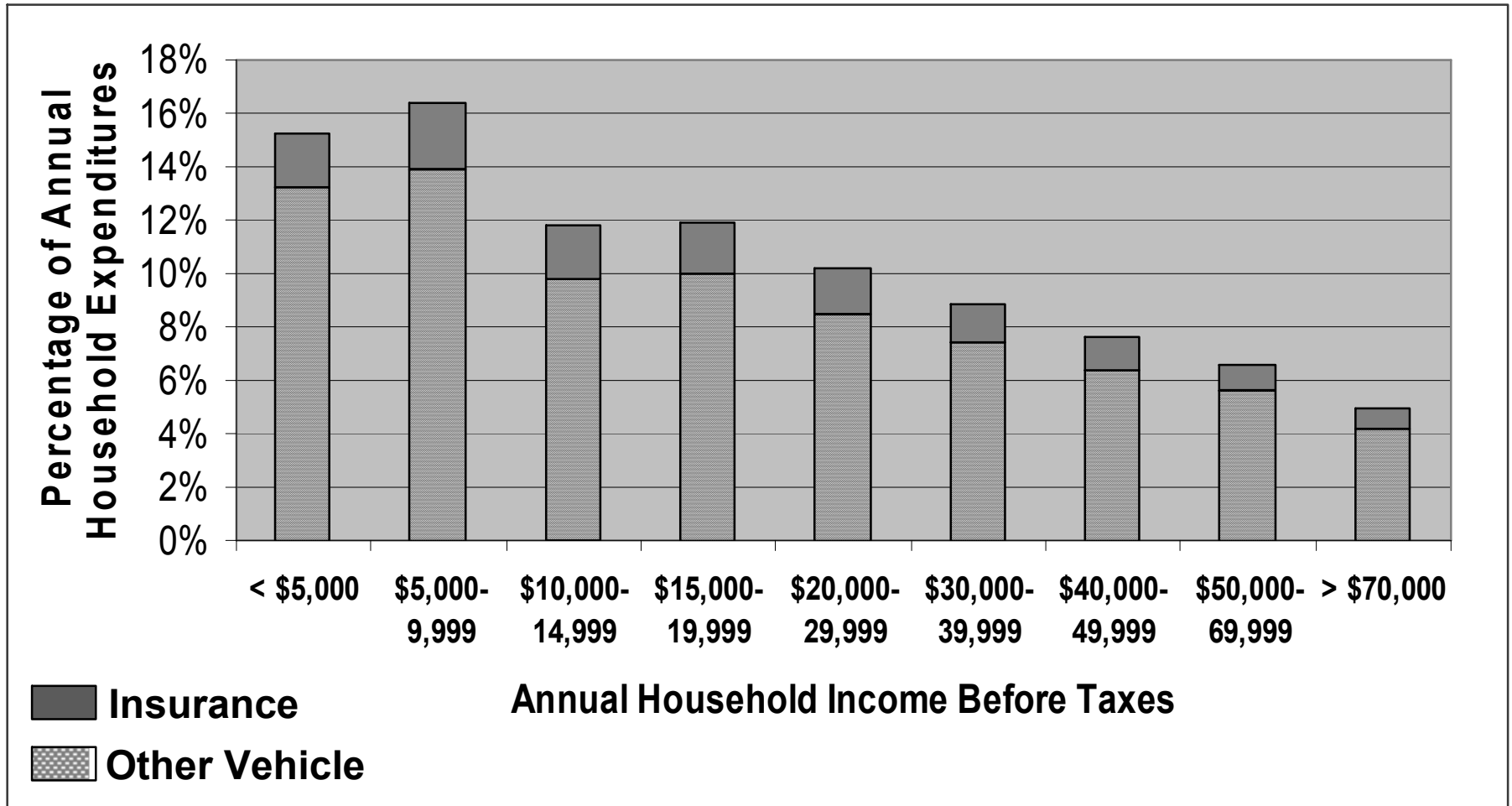
IMPACTS ON LOWER-INCOME MOTORISTS

Average Annual Vehicle Mileage By Income



IMPACTS ON LOWER INCOME MOTORISTS

Average Annual Vehicle Expenditures



IMPACTS ON LOWER INCOME MOTORISTS

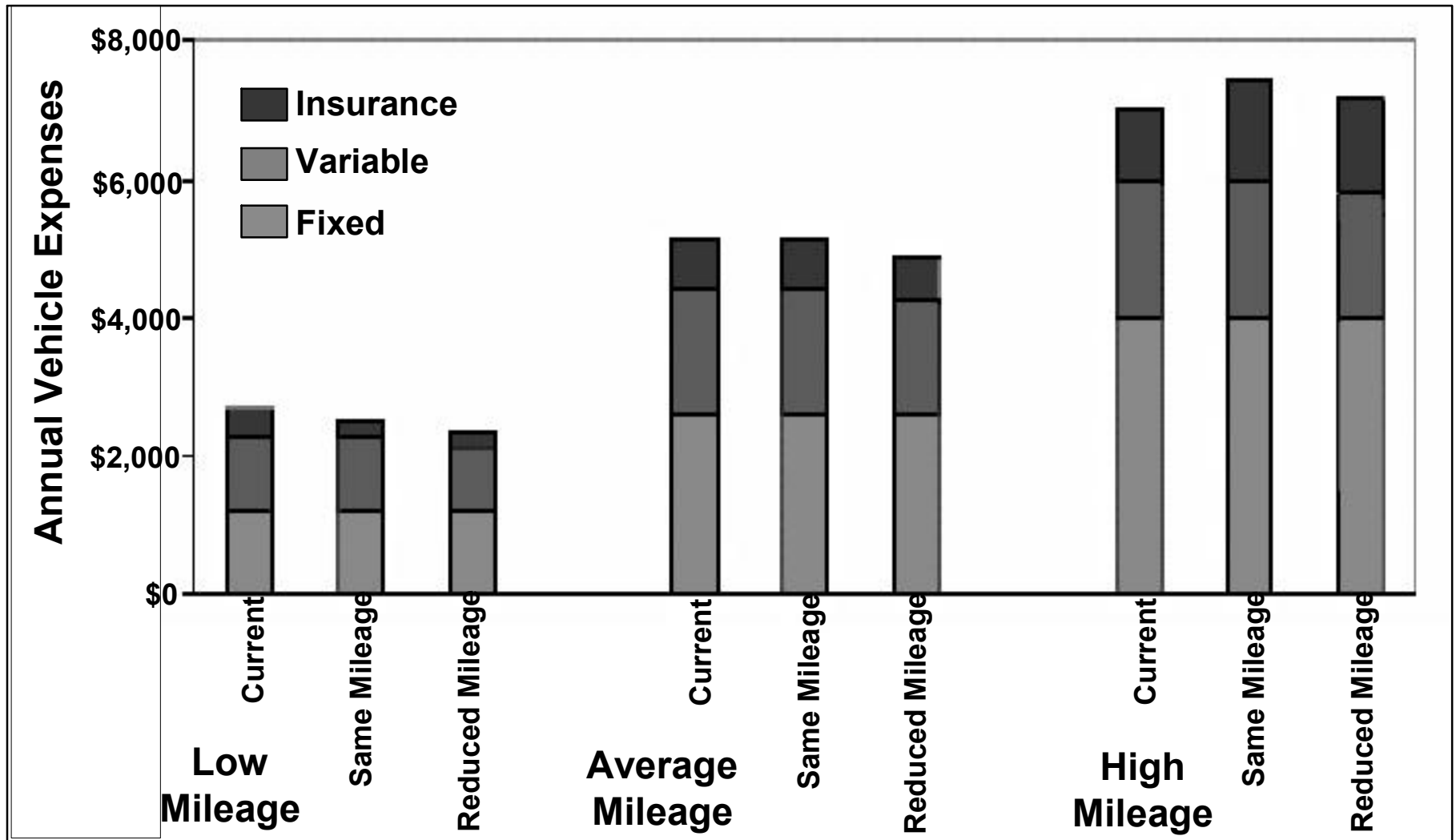
Insurance Options

Higher-Risk, Lower-Income Households Face Three Options With Current Insurance Pricing:

- 1. Spend a large portion of income on vehicle insurance.**
- 2. Forego vehicle ownership, although this reduces economic and social opportunity.**
- 3. Drive uninsured, which is illegal in many jurisdictions.**

CURRENT AND PAYD PREMIUMS

Annual Costs Compared



Reduced Mileage at 10%

PAY-AS-YOU-DRIVE INSURANCE

North Central Texas Pilot Program

Goal

**To Determine The Validity Of Using Mileage As
A Risk Factor And Measure The Impact Of
Insurance Incentives On Driver Behavior**

Approach

Two-Phased Pilot Program

Funding

Approximately \$1.34 Million

NORTH CENTRAL TEXAS PILOT PROGRAM

Phase 1

Objective

Test The Hypothesis That Lower Mileage Equals Lower Risk

Insurance Partner

Progressive Casualty Insurance Company

Dates

Completed December 2005

Methodology

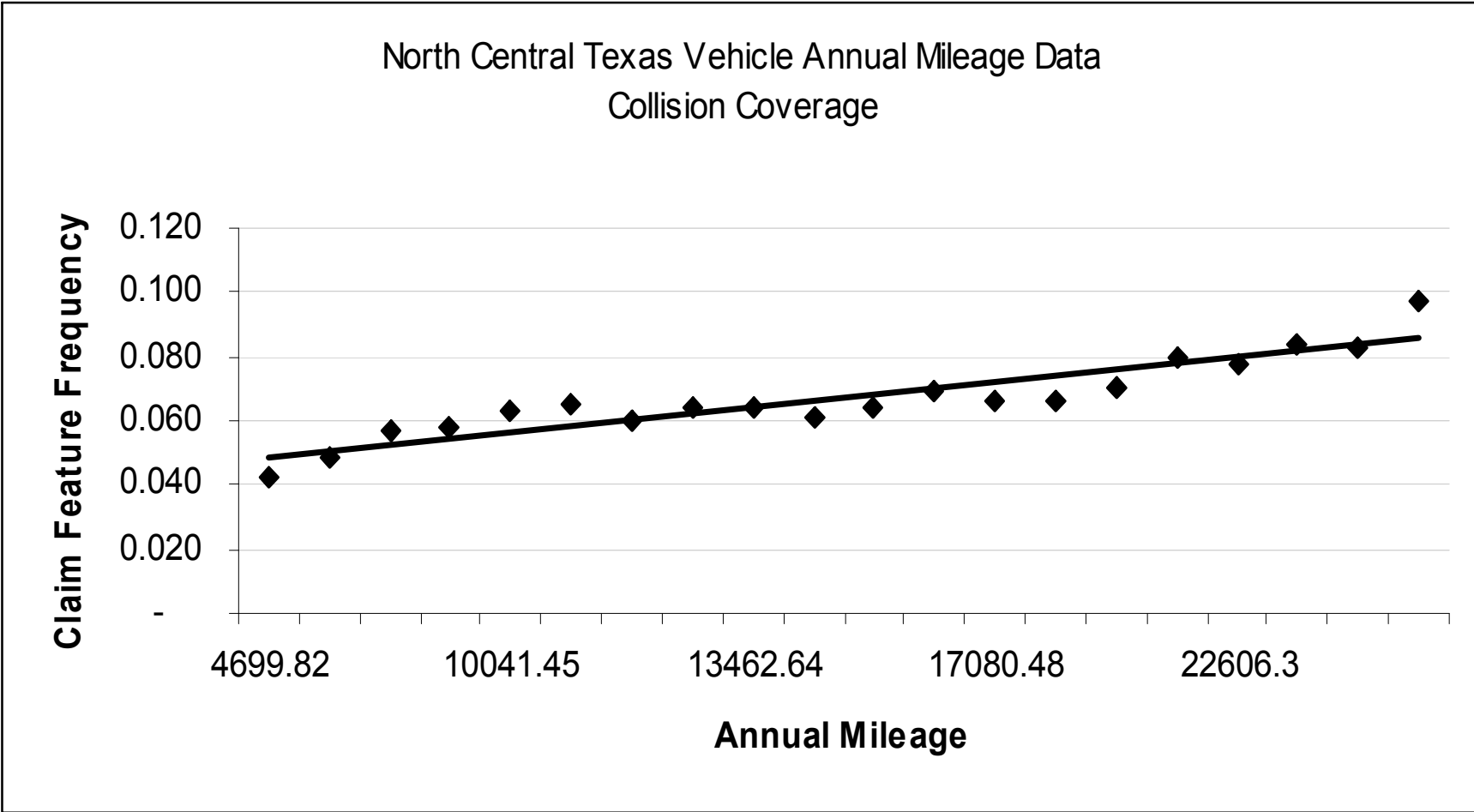
Claims Records & Odometer Readings (2002-2005)

203,941 Complete Records (of 700,996) Analyzed

Collision, Property Damage, Bodily Injury

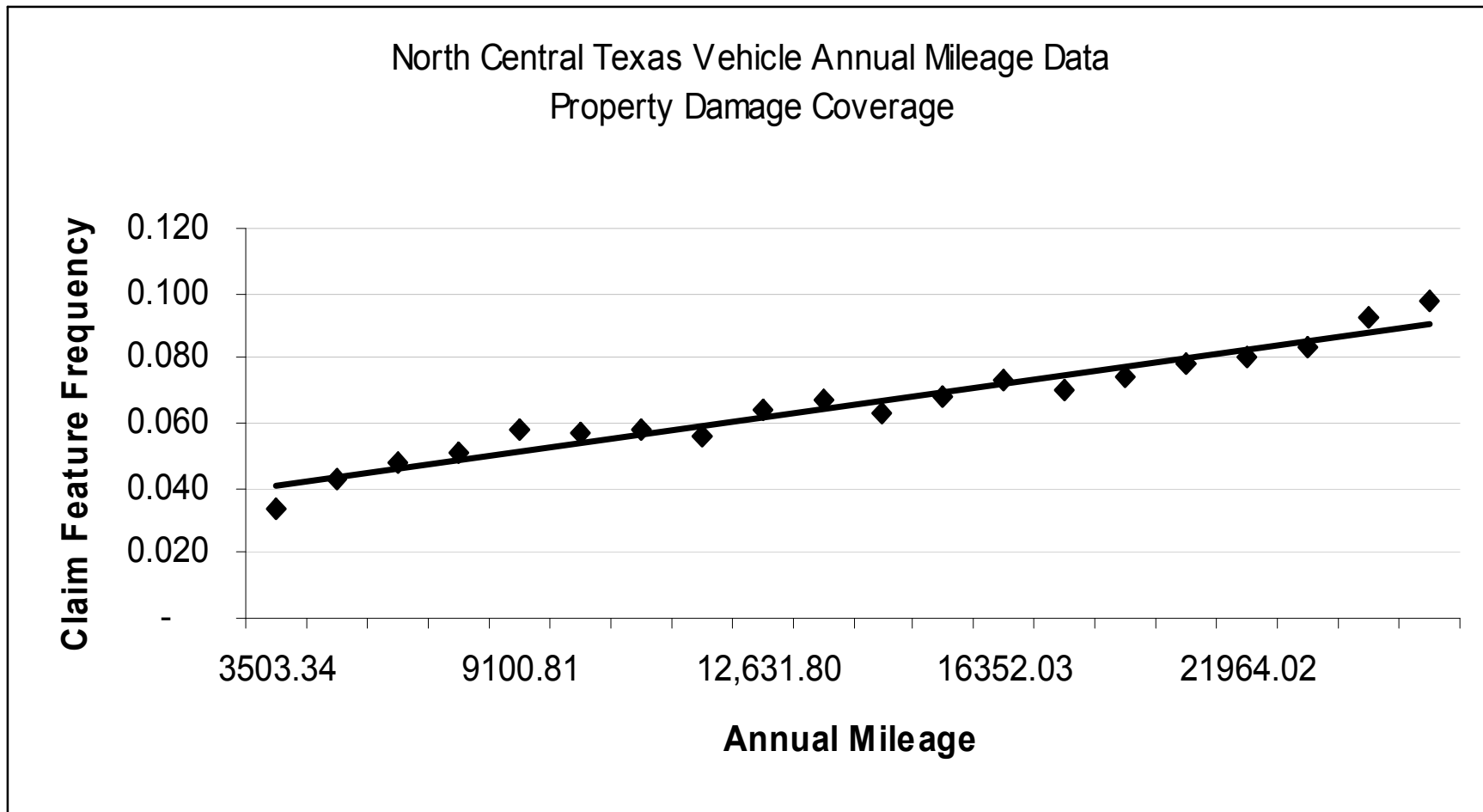
NORTH CENTRAL TEXAS PILOT PROGRAM

Phase 1 Results - Collision



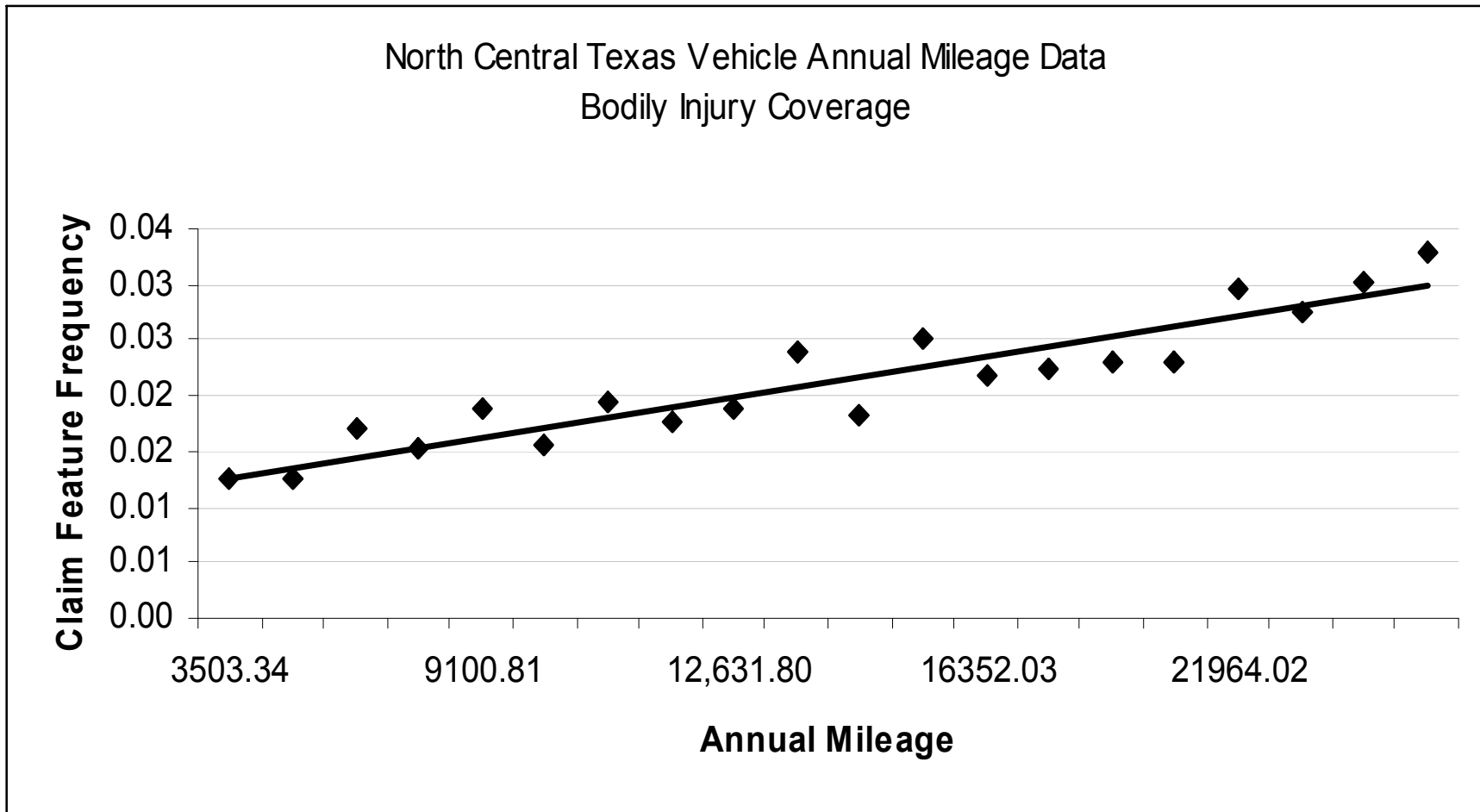
NORTH CENTRAL TEXAS PILOT PROGRAM

Phase 1 Results – Property Damage



NORTH CENTRAL TEXAS PILOT PROGRAM

Phase 1 Results – Bodily Injury



NORTH CENTRAL TEXAS PILOT PROGRAM

Phase 2

Objective

Test the Impact Of Insurance Incentives On Driver Behavior

Insurance Partner

Progressive Casualty Insurance Company

Dates

March 2006 – Approximately July 2007

Methodology

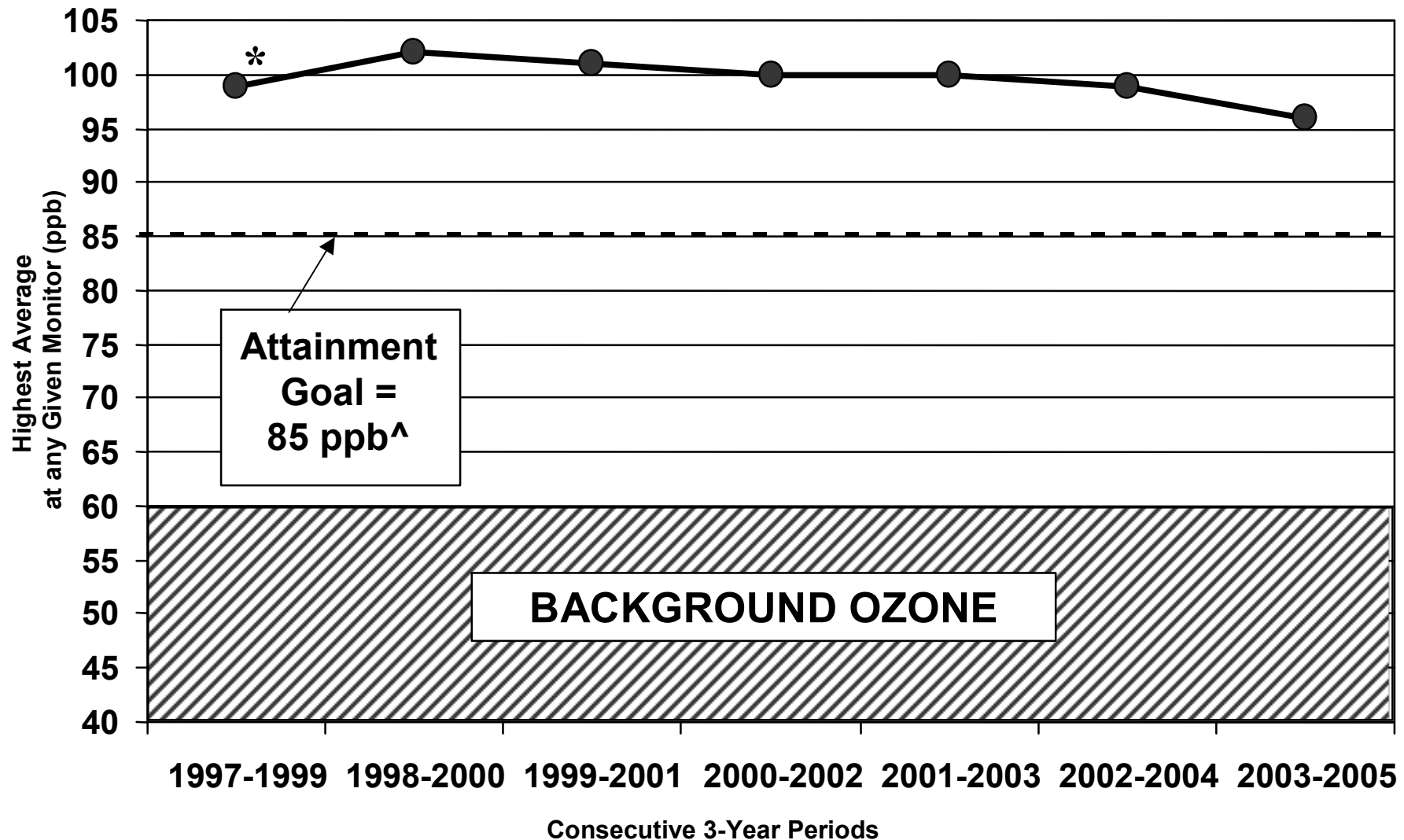
3,000 Customer Volunteers

Variable Incentive Plan For Reduced Mileage

On-Board Diagnostic Collection, Participant Surveys

8-HOUR OZONE DESIGN VALUES (1997-2005)

DFW Nonattainment Area



^Attainment Goal - According to the US EPA National Ambient Air Quality Standards, attainment is reached when, at each monitor, the three-year average of the annual fourth-highest daily maximum 8-hour average ozone concentration is less than 85 ppb.

*NOTE: 1997 data is not for a complete ozone season.
Source: NCTCOG Transportation Dept – October 2005

PAY-AS-YOU-DRIVE INSURANCE

Estimated Impacts of Mileage Fees

VMT Fee	Change in VMT
1¢	-1.8%
2¢	-3.5%
3¢	-5.1%
4¢	-6.7%
5¢	-8.2%
6¢	-9.7%
7¢	-11.2%
8¢	-12.5%
9¢	-13.9%
10¢	-15.2%

PAY-AS-YOU-DRIVE INSURANCE

Estimated VMT and Emissions Reduction in 2009

2009 Vehicle Miles Traveled (VMT)
173,003,248 Miles

2009 Mobile-Source Nitrogen Oxide (NOx) Emissions
184 Tons Per Day

Participation (% Of Drivers)	Daily VMT Reduction	NOx Reduction (Tons Per Day)
10	1,678,131	0.92
25	4,195,329	2.29
50	8,390,657	4.58

NORTH CENTRAL TEXAS PILOT PROGRAM

Information Sources

Please visit

<http://www.nctcog.org/trans/air/programs/payd/index.asp>

for latest program information.

Carrie Reese

Senior Transportation Planner

North Central Texas Council of Governments

creese@nctcog.org

(817) 608-2353

NORTH CENTRAL TEXAS PILOT PROGRAM

Presentation Resources

Patrick Butler, *Why The Standard Automobile Insurance Market Breaks Down in Low-Income Zip Codes: A per-mile analysis of Texas auto insurance based on testimony before the Texas House Committee on Insurance April 6 and 13, 1999*, National Organization For Women, July 2000.

Todd Litman, *Distance-Based Charges; A Practical Strategy For More Optimal Vehicle Pricing*, Victoria Transport Policy Institute, December 2004.

Todd Litman, *Distance-Based Vehicle Insurance As a TDM Strategy*, Victoria Transport Policy Institute, January 1999.

Todd Litman, *Pay-As-You-Drive Pricing For Insurance Affordability*, Victoria Transport Policy Institute, May 2004.

U.S. Department of Bureau Labor Statistics, 2004.

U.S. Department of Transportation, *National Household Travel Survey*, 2001.

U.S. Environmental Protection Agency, *Pay-As-You-Drive Insurance: A Review of The Literature*, Prepared by ICF consulting and Victoria Transport Policy Institute, September 2003.