PAY-AS-YOU-DRIVE AUTO INSURANCE

COST

TIME
SHORT

IMPACT
STATE
REGIONAL
LOCAL
CORRIDOR
SPOT

WHO
COMMUTERS/PRIVATE

HURDLES
PUBLIC PERCEPTION

More Information: tti.tamu.edu/policy/how-to-fix-congestion

Description

Pay-as-you-drive (PAYD) auto insurance, also known as usage-based insurance, charges drivers based on how much they use their vehicle rather than a fixed monthly rate. PAYD encourages people to use their vehicles less by rewarding drivers who drive less. The less you drive, the less you pay, and vice versa. The insurance rate is based on mileage, though some companies consider other factors such as the time, day driven, and hard braking.

PAYD has a side benefit of reducing congestion. Charging drivers by the mile encourages drivers to use alternative commute modes to save money. Also, drivers are more likely to alter their commute time if they are charged a higher rate for driving during peak periods.

Target Market

PAYD auto insurance may be attractive to drivers in urban areas with public transit. This option provides a way to retain low-cost insurance on a vehicle that may not be used every day.

How Will This Help?

- **Reduces traffic volume and congestion** during rush hour by shifting drivers to less congested times.
- **Increases safety** by reducing high-risk motorists driving during rush hour.

Implementation Issues

Some concerns about PAYD include privacy, increased costs for higher-mileage drivers, and cost savings (which could be too minimal to alter driver behavior). To get drivers to switch their insurance policies, these concerns need to be addressed and communicated to commuters.

SUCCESS STORIES

Progressive's Snapshot program has expanded throughout the United 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.

A federal study modeled the benefits of developing a large-scale PAYD program. It found that **offering benefits can be more cost effective than providing new infrastructure.**