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Bill would allow insurance to offer pay-as-you-drive plan

Legislators want insurance companies to offer auto insurance that would charge rates based on how much someone drives. The so-called pay-as-you-drive insurance is aimed at getting people to cut back on their driving and reduce greenhouse-gas emissions.

By [Chantal Anderson](#)

Seattle Times staff reporter

Polly Freeman performing errands after work on her bike and collects her 6-year old son, Nate, from school at West Woodlands Elementary. While Freeman and her husband own a car but they usually bike to get around.

OLYMPIA — Polly Freeman and her husband own a car but they usually bike to get around.

So why should they pay the same car-insurance rates as someone who drives much more?

Next year, people like the Freemans could get a break on their insurance if lawmakers approve legislation that would encourage insurance companies to charge rates based, in part, on the exact number of miles a customer drives.

"I would certainly be interested in learning more about that," said Freeman, a busy Seattle mom and freelance writer who might be able to save on her insurance costs by driving less.

But the proposal raises privacy concerns.

Buyers of traditional auto insurance are usually asked how much they typically drive in a given year, and some premiums are partly based on that mileage. But for so-called pay-as-you-drive insurance, companies electronically track how much people drive to help determine what they should pay. And one company that offers such coverage in other states not only tracks how far they drive, but also how they drive.

Because the exact number of miles driven are tracked, they play a more prominent role in the insurance price.

"The biggest concern the insurance commissioner expects to have is privacy related," said Hilary Young, spokeswoman for state Insurance Commissioner Mike Kreidler, whose approval is required for any new insurance policies sold in the state.



DEAN RUTZ / THE SEATTLE TIMES

The plans would be strictly voluntary and sold as an alternative to traditional auto insurance. Insurers also would consider additional factors, such as the value of your car and your driving history, when setting rates.

The bill is part of a package Senate Democrats have proposed to combat global warming. The idea is to give people a financial incentive to drive less, lowering greenhouse-gas emissions and saving some money at the same time.

"I just think with the state of the economy a lot of people are going to be looking for some help, and this is an option for them," said Sen. Tracey Eide, D-Federal Way, who is sponsoring the insurance bill.

The other global-warming bills include proposals to increase clean-energy production, help low-income people weatherize their homes and set limits on greenhouse gases.

A study by the Brookings Institution, a left-leaning think tank in Washington, D.C., estimated that if motorists nationwide switched to pay-as-you-drive insurance, driving would decrease by 8 percent and carbon-dioxide emissions would drop by 2 percent.

The legislation is supported by the state Senate Democratic leadership. Sen. Jean Berkey, D-Everett, chairwoman of the Financial Institutions, Housing and Insurance Committee, said she intends to give the bill a hearing within the next few weeks.

The bill's prospects in the House, however, are less certain.

Device attached to car

Progressive Insurance offers a form of pay-as-you-drive insurance in nine states, including Oregon, and is talking with the Washington Insurance Commissioner's Office about providing it here, too.

Hartford Insurance and Allstate Insurance are exploring the concept, too.

The insurance company attaches a device to each customer's car that gathers information such as how you drive, when you drive and how far you drive. The data upload wirelessly to the company's computer system. Consumers are able to review their data and see what kind of discount — or price increase — they are on track to receive.

Do you drive past midnight or brake hard and accelerate fast? If so, you could be charged up to 9 percent more through the Progressive program, called MyRate. But if you reduce your miles and drive more safely, your price could drop up to 15 percent.

Insurance rates are fixed on a six-month basis, so consumers are able to correct their driving to receive an increased discount for the next six-month term.

Before selling the insurance in Washington, Progressive wants to make sure its rating formulas and other proprietary information would be kept confidential from competitors and consumers. Eide's proposed legislation would do that. Eide has filed a place-holder bill, Senate Bill 5708, that says insurance companies can charge rates based on how much someone drives. The bill is expected to be rewritten to address the concerns about proprietary information.

Unigard, a Bellevue-based insurance company, is planning a study that could lead to its own form of pay-as-you-drive insurance. The company would install devices in 5,000 customers' cars to record how much they are driving. In return for the information, customers would receive a discount on their insurance.

Participants in the study wouldn't be charged rates based on their miles driven, but the data would help Unigard design a pay-as-you-drive program that could be offered later, said Anne Smith, spokeswoman for Unigard.

King County Metro Transit and the state Department of Transportation also are involved in the proposed study.

Big brother concerns

Chuck Ayers, president of the Cascade Bicycle Club in Seattle, said he's a fan of incentives that get people to tread lighter on the earth.

"We need to be careful about stepping over the line and being big brother," Ayers said. "But if it's a voluntary thing — private industry rewarding you financially for being a better driver and driving less ... in general, I think we would be very supportive of it."

The state insurance commissioner would first sign off on what data are collected and how the data are used to set rates, said Young, the commissioner's spokeswoman.

Freeman, the freelance writer, might be just the kind of driver who could benefit from pay-as-you-drive insurance. She estimates her family drives an average of 50 miles a week. Her husband occasionally drives to a poker night across town. The rest of the time they bike.

"It's beginning to be a pretty good money saver," Freeman said.

Still, she doesn't sound sold on the idea of allowing someone to monitor her driving.

"It seems like for being green you would have to incur a higher level of scrutiny on your driving," Freeman said. "That concerns me."

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