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Car insurance savings come with 'Big Brother'

- Story Highlights
- You can trade a bit of privacy for a discount on car insurance
- One car insurance company monitors your driving with device
- It tracks sudden braking, driving during high traffic times
- Mileage, not gas, may determine road taxes in future

By Bengt Halvorson

(AOL Autos) -- Tim Goodwin doesn't spend much time behind the wheel of his 2004 Chevy Tahoe. Even though he only covers about 3,000 miles per year -- using it just for weekend trips -- he had, until recently, been getting no special deal on his insurance for driving so little.

Six months ago, the Springfield, Missouri, property supervisor found a policy that gives him a break. So far he's saved about \$48 -- or ten percent -- over six months compared to a traditional premium.

There's a catch; his insurance company, Progressive, is monitoring every move he makes behind the wheel.

Goodwin is fine with it, and says that just knowing that a small transceiver is reporting his driving behavior back to the insurance company helps him drive more carefully.

"There's this 'Big Brothe'r thing, but it's good," Goodwin said. "Since I know I'm being watched, I'm on my best behavior." [AOL Autos: Check out other Big Brother devices](#)

Goodwin noted that he's now less likely to speed.

"You'll, in effect trade a degree of privacy for a lower rate" in such a pay-as-you-drive policy, explains Mike Barry, vice president of media relations for the Insurance Information Institute. "They know not only how many miles you drive but how and when you drive."

For now, MyRate is the only widely available pay-as-you-go auto policy -- available now in nine states (Alabama, Kentucky, Louisiana, Maryland, Michigan, Minnesota, Missouri, New Jersey, and Oregon), with at least three more expected by the end of the summer.

There are "tens of thousands" of drivers already enrolled, according to Progressive, and one in four existing customers of the company who've become eligible for the program have opted in.

Progressive says that MyRate may save up to 25 percent versus a traditional premium if you travel less than 10,000 miles per year, are a defensive driver, and rarely drive past midnight.

What bad behaviors does the system look for? Sudden starts and stops, and driving during higher-risk times, will raise the rate -- by up to 9 percent in states where a surcharge is permitted.

Progressive says that if you drive even once a week between midnight and 4 a.m. the policy probably isn't a good choice. On the flip side, smooth rural drivers who cover more than 15,000 miles a year could also save 20 percent or more. [AOL Autos: Can your car last 1 million miles?](#)

Several other insurers, including Allstate, Unigard, and The Hartford, are testing usage-based policies; and GMAC Insurance now offers a low-mileage discount of up to 54 percent to drivers of late-model GM vehicles -- with mileage reported by the onboard OnStar communication and safety system.

Another company, MileMeter, offers a system (only in Texas) through which customers pre-pay for a certain number of miles of coverage, as verified simply through the vehicle's odometer reading. [AOL Autos: How to cut your insurance in half](#)

In various forms, pay-as-you-drive policies are already offered in Canada, the U.K., Japan, Israel, the Netherlands, and South Africa, but for now the wider adoption of such policies in the U.S. has been slowed by the differences between in requirements in each state.

Why so long coming?

Tully Lehman, a spokesman for the insurance industry in California, a state that has recently laid the framework for pay-as-you-drive policies, says that the biggest concern with surveillance-based systems like Progressive's is privacy.

But there are also worries with the misinterpretation of the driving-style data.

"For instance, when the company sees hard braking," it could be driver inattention or carelessness, Lehman said. "Or, it could be a dog in the road." It also could be any number of things that have nothing to do with the driver's behavior.

Another issue is that the very vehicle you drive might not qualify you for much of a discount if it has touchy brakes or spirited acceleration; the company doesn't correct for the fact that some cars are more "responsive" than others. A Buick driver, for instance, might get more of a discount than a Mini Cooper driver simply because of the way the vehicles respond. MyRate doesn't differentiate between drivers, either.

MyRate users are able to log in and see an assessment of their driving style, along with charts and graphs and a running trip record.

While privacy advocates might already be up in arms over the data set -- which won't be shared with third parties but could be kept for up to six years -- they'll be somewhat relieved to hear that MyRate doesn't have GPS capabilities. The system knows "when" and "how" you drive, but not "where." For that, we'll leave the controversy to the GPS locators in cell phones.

Tracking exactly where users go would create serious privacy concerns, admits Steve McKay, product manager for MyRate

"Knowing location wouldn't add a lot to the predictive value either," McKay said.

The state of California in 2006 outlawed the pricing of policies by zip code, along with several other factors.

Although the future of pay-as-you-drive plans might rest in GPS-based systems that do track where you go, it's now looking like a distant future. California has also recently adopted new regulations that set the framework for pay-as-you-go policies, but the state's insurance commissioner, Steven Poizner, is especially conscious of the privacy concerns that the technology brings.

"I will not approve any auto insurance policy that aims to utilize GPS devices in order to obtain location data from consumers," Poizner said in a release last year.

State and federal governments also have their eye on GPS systems as a new way of figuring road tax in the future. With the projected long-term market swing away from conventional gasoline vehicles toward more efficient plug-in hybrids and electric vehicles, many state officials are worried about dwindling revenue for highways.

Currently, road taxes are collected via a per-gallon gasoline tax. Just earlier this year, U.S. Transportation Secretary Ray LaHood proposed a mileage-based method for calculating road tax, and several states, including Oregon, have tested a GPS-based system that would assess road tax.

Nudges drivers to be safer and greener

Drivers might simply choose pay-as-you-drive policies to get a break on their premium. But it'll likely save them even more in the long run; because they'll probably drive their cars gentler, get better gas mileage, put less wear on their vehicles, and be less prone to getting tickets.

"Just leaving the device in your car changes your behavior," Allstate spokesman Raleigh Floyd said. Because the company is scoring the driver's actions and there are measurable rewards for good behavior. "It becomes more game-like--and the benefit is that you're a safer driver." [AOL Autos: How to avoid a speeding ticket](#)

Even Goodwin admits that he finds restraint in his Tahoe when he wouldn't have before.

"Now when I just want to floor it, I don't," he said.

They're likely to reduce their trips as well. According to a report from the Brookings Institution, if motorists paid for their auto insurance by the mile, driving would decline by about eight percent nationwide, significantly reducing carbon-dioxide emissions and gasoline consumption, and nearly two-thirds of drivers would pay less for auto insurance. [AOL Autos: How to get 100 MPG](#)

Major environmental groups and safety advocates are also on board; the ten-percent decline in driving anticipated by the Environmental Defense Fund would not only reduce air pollution and toxic runoff but also translate to saved lives, through a 17-percent reduction in crashes.

Even Progressive agrees that a pay-as-you-drive policy won't be right for everyone. Those who value their privacy or want to drive however they please can rest assured; there will still be traditional policies for the foreseeable future, experts say.

But if you're willing to take your insurer along for the ride, you might soon have a lot of money-saving options.

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