

## [“Pay-As-You-Drive” Insurance Gaining Traction In California](#)

“Pay-As-You-Drive” (PAYD) describes the concept of linking the amount you pay for auto insurance to the number of miles you drive each year. There are various ways that insurers will track mileage under a PAYD program. Most are using *telematics*, i.e. GPS tracking systems that automatically tabulate and report mileage. Some use odometer checks or maintenance records. The less you drive, the less you would pay. The concept has been under consideration for years and is gaining traction in several states. Some insurers are already offering PAYD discount programs in [most states](#), but so far not California. (Read more [here](#).) Environmental groups have been working hard for years to promote this concept. California’s Insurance Commissioner **Steve Poizner** and Assemblyman **Jared Huffman** sponsored related legislation in 2008, and the CA. Department is on its second set of proposed regulations to allow California drivers to benefit from discounts for driving less.

Giving people a financial reward for driving less is sound ecological and social policy. As with any new program, the devil is in the details, but it is very clear that the “pros” far outweigh the “cons.”

Issues relating to the “Pay-As-You-Drive” concept include:

1. Insurers must give appropriate discounts
2. Discounts must be sufficient to motivate people to drive less
3. Miles driven must be monitored without violating people’s privacy
4. People who must drive to and from work should not be unduly penalized

UP is currently engaged in efforts, along with **The California Department of Insurance, Ceres, The Natural Resources Defense Council, Consumer Watchdog** and others to make pay-as-you-drive a workable reality for more consumers.

The **Brookings Institute** issued a report in July 2008 that estimates that the universal adoption of pay-



as-you-drive plans would lead to an 8 percent decline in driving nationwide, a 2 percent reduction of carbon dioxide emissions, a 4 percent reduction of oil consumption, and a savings of \$270 per vehicle for two-thirds of American households. [Click here](#) to read the full report by Brookings. For an analysis specific to California, [click here](#).

Would a savings of \$270 be a sufficient incentive for the average American to switch to usage-based insurance and change their driving habits? The jury is still out. Stay tuned for updates on this topic in future newsletters.

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