

Pay dirt: Pay as you go

by Star-Tribune

High gas prices are changing our driving habits. Continuing a seven-month trend, Americans drove 9.6 billion, or 3.7 percent, fewer miles in this May than they did last May, according to the Federal Highway Administration.

So, should driving less lead to lower auto insurance rates?

Analysis by the Consumer Federation of America found that drivers who are curbing their car use because of high fuel prices could shave between 5 to 15 percent off of their yearly insurance bill simply by informing their insurer that they're changing their driving habits.

Take the bus to work or school? Then reclassifying your car use from "drive to work" to "pleasure" could slice up to 15 percent off your premium. If consolidating errands into a single trip, provide a new estimate to your insurer about how many miles you drive per year. The federation estimates Minnesota drivers could save between \$44 and \$133 using these methods.

What if you're like my husband and routinely drive your car a whopping 2 miles per day, if at all? Shouldn't you receive an even greater discount? That's the idea behind usage-based insurance premiums, also called pay-as-you-drive.

The Hamilton Project at the Brookings Institution think tank, found that pay-as-you-drive insurance would give people an incentive to drive less.

"Driving would decline by an estimated 8 percent nationwide, netting society the equivalent of \$50 billion to \$60 billion a year by reducing driving-related harms," such as carbon emissions, accidents, congestion and reliance on oil, said the authors of a new policy brief. "Roughly two-thirds of households would end up paying less for auto insurance, with each of those households saving an average of \$270 per car."

This idea has privacy advocates up in arms. "My big problem is [insurance companies] are in the business to make money," said ACLU of Minnesota Executive Director Charles Samuelson. "And data is money." He also believes that the more information insurers have, the easier it will be for them to discriminate.

Some state insurance regulators have yet to approve pay-as-you-drive programs, although Minnesota has approved such plans. First tested in Minnesota in 2004, Progressive Insurance's mileage-based plan uses a small wireless device installed in the car that monitors when and how that car is driven. Your car must be a 1996 model or newer to have the technology to work.

Diana Schmidt of Wabasha has used the Progressive Insurance MyRate program for a little over a year, in which time it's saved her nearly 20 percent on insurance premiums.

"It really makes me a little more conscientious; I don't speed very often," said Schmidt, who finds herself wondering if a driving maneuver would be considered safe or not. "I think it's one more thing that might make you a better driver."

Driving less often, at less risky times of the day (avoid rush hour and late-night driving) while following the rules of the road can save you money. How much you save varies by state. Minnesota drivers who sign up get a 5 percent discount. After that, the program can save them as much as 25 percent depending upon driving habits. Other factors that are taken into account include your driving record, credit score, the vehicle you drive and where you live.

One-third of Progressive customers that come in sign up for the MyRate program and save an average of 11 percent.

"This is a product whose time has come," said J.C. Jones, Progressive's Minnesota Product Manager. "Over time, we think people have the potential to realize larger and larger savings as they just are more conscious about how they drive and when they drive."

GMAC Insurance also has a low-mileage discount program for OnStar subscribers that offers 26 percent discounts upon enrollment.

Car insurance for man's best friend

Innovation in the car insurance industry does not stop there. Farmers Insurance is now offering Minnesota pet

owners financial coverage in the event that Felix or Fido is hurt or killed in a car crash. The pet endorsement includes coverage of up to \$600 per accident and is free. Policyholders must have both comprehensive and collision auto coverage to qualify. The release said it doesn't cover an "animal commonly kept for food or profit."

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