



King County

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Department of Transportation

Pay-as-You-Drive (PAYD) Insurance Pilot Project

Objective

- King County Metro, Washington State Dept. of Transportation and partner agencies will conduct a statewide pilot of an innovative product known as Pay-As-You-Drive Insurance that will demonstrate significant savings for driving less. Insurance premiums will be based on number of miles driven.
- King County has selected Unigard Insurance Company of Bellevue, Washington as the insurance partner to design and develop the PAYD pilot program.

Target Population

- Target population would be Washington automobile commuters who choose to reduce the number of miles they drive by taking transit, vanpools or bicycling to work. A minimum of 5,000 vehicle owners will be recruited to participate in the pilot.

Pilot Goals

- Develop a viable Pay-As-You-Drive Insurance (PAYD) product.
- Identify potential barriers and solutions associated with the PAYD product.
- Reduce vehicle miles driven by participants by up to 12 percent over a four-year period.
- Increase High Occupancy Vehicle (HOV) ridership among participants by 5 percent over four years.

What is Pay-As-You-Drive?

- Pay-As-You-Drive (PAYD) offers individualized insurance premiums based upon actual vehicle use rather than fixed rates with discounts. PAYD Insurance would include assessment of risk factors such as driving record, age, vehicle model, and education.

Benefits

- The PAYD pilot should examine benefits for consumers, taxpayers and insurance companies. Benefits might include:
 - reduction of insurance costs for consumers
 - reduction in number of uninsured motorists
 - reduction in driving and improvement of air quality
 - increase in high occupancy vehicle ridership
 - reduction in claims for the industry
 - increased market share for the insurance companies

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Project Leads

- King County Department of Transportation
- Unigard Insurance Company
- Washington State Department of Transportation

Funding

- Award for \$1.9 million in Federal Pricing and Congestion Management Air Quality grant funds for the pilot from the Federal Highways Administration (FHWA).
- \$616,000 grant from Washington State to pilot Pay-As-You-Drive (\$146,000 current biennium/\$500,000 next biennium based on trip reduction performance).
- \$3.3 million in matching funds from Unigard, including cash and in-kind discounts.
- Partner agencies, including cities of Seattle, Redmond, Bellevue and agencies including Transportation Choices Coalition, Puget Sound Air Quality District, Flexcar, Inc., Climate Solutions and the King County Department of Natural Resources and Parks provide approximately \$190,000 in in-kind matching funds.

Timeline

- The county and its partners will support a five year pilot, including three years of pre-implementation, during which devices will be tested in a minimum of 5,000 vehicles. Data collected during pre-implementation will be used to support the implementation of a mileage-based insurance product.

Other PAYD Programs

- Other PAYD programs have been implemented (e.g. Progressive Insurance in **Texas**), but they have only offered discounts to vehicle owners that drive less than a certain amount per year.
- Progressive Insurance's mileage-based program has a lid discount of 15%. One of the key purposes of our pre-implementation phase is to collect data that will **establish** the pricing of the product. We would like to encourage the possibility of a higher discount based directly related to the miles reduced.
- PAYD programs that offer mileage-based premiums are being offered in both England and Japan.