

8 of 24 DOCUMENTS

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MARKETPLACE**SHOW:** Marketplace (6:30 PM ET) – SYND

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LENGTH: 514 words**HEADLINE:** Pay-per-mile auto insurance would allow low-mileage drivers to pay less**ANCHORS:** DAVID BRANCACCIO**BODY:**

DAVID BRANCACCIO, anchor:

Besides what you pay for gasoline, one of the big costs of driving is the premium for car insurance. Right now, how far you drive is not much of a factor in the price. We asked Add & Pad, our numbers guys, to tell us if there's anything we can do about it. They're Yale Professors Barry Nalebuff and Ian Ayres, and they told us that one way is something called pay-per-mile auto insurance. You pay a fee rolled into the price of gas per gallon right at the pump and be covered until you have to refill. The current insurance system, they argue, penalizes far too many people.

Professor BARRY NALEBUFF (Yale School of Management): So the big losers are low-mileage drivers like me.

Professor IAN AYRES (Yale Law School): Try like women. Women drive half as much as men, they have half as many accidents, but they have to pay the same amount for car insurance.

Prof. NALEBUFF: Women are supporting men's driving habits.

Prof. AYRES: The other problem is that everyone drives too much.

Prof. NALEBUFF: I get it, just like I eat too much at all-you-can-eat buffets.

Prof. AYRES: And these extra miles lead to more accidents. Economist Aaron Edlin estimates the cost of excessive driving is \$8 billion a year.

Prof. NALEBUFF: So what's the solution?

Prof. AYRES: Simple. Auto insurance should be sold on a pay-per-mile basis. The insurance companies just need to start looking at your odometer.

Prof. NALEBUFF: Aren't you worried that people will turn back their odometers?

Prof. AYRES: Nope. Now that everything is digital, rollbacks have gotten a lot harder. The other way to do this is to use satellite tracking technology, you know, GPS.

Prof. NALEBUFF: Yeah, but that means the insurance company would know everywhere I've driven and whether I was speeding. Oh! That gives me the willies.

Prof. AYRES: You don't have to sign up for it. It'd just be an option. One insurance company, Progressive, already has a pilot program like this running in Texas and the UK.

Prof. NALEBUFF: So why isn't it happening in more places?

Prof. AYRES: Well, commercial fleets can get this insurance, but most firms don't want to offer it to consumers because they'd have to raise their price to half their customers.

Prof. NALEBUFF: I see. It's only upstarts like Progressive that come in and cherry-pick the low-mileage drivers.

Prof. AYRES: That's why insurance commissioners should go further and adopt the proposal of the National

Organization of Women. Auto insurers should have to at least offer the option of pay-per-mile insurance.

Prof. NALEBUFF: OK, MARKETPLACE listeners, many of you are being ripped off by all-you-can-drive insurance. So do something about it. Call your state insurance commission and demand to pay for just what you use.

Prof. AYRES: In New Haven, this is Ian Ayres...

Prof. NALEBUFF: ...and Barry Nalebuff for MARKETPLACE.

BRANCACCIO: Barry Nalebuff teaches business strategy at the Yale School of Management, and Ian Ayres teaches law and economics at Yale Law School.

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