

US EPA ARCHIVE DOCUMENT

**ENVIRONMENTAL PROTECTION AGENCY**

[FRL-6725-7]

**Regulatory Reinvention (XL) Pilot Projects; Project XL Proposed Final Project Agreement:  
Progressive Insurance Company**

**AGENCY:** Environmental Protection Agency (EPA).

**ACTION:** Notice of Availability of the Project XL Proposed Final Project Agreement: Progressive Insurance Project - Pay-as-you-Drive Auto Insurance.

**SUMMARY:** EPA is requesting comments on a proposed Project XL Final Project Agreement (FPA) for the Progressive Auto Insurance Company (hereafter “Progressive.”) The FPA is a voluntary agreement developed collaboratively by Progressive and the EPA.

**DATES:** Comments are due on or before **[Insert date 14 days from date of publication]**.

**ADDRESSES:** All comments on the proposed FPA should be sent to: Janet Murray, EPA Headquarters, Ariel Rios Building, 1200 Pennsylvania Avenue, mail code 1802, Washington DC 20460. Comments may also be faxed to Ms. Murray at (202)260-3125. Comments may also be received via electronic mail sent to: [murray.janet@epa.gov](mailto:murray.janet@epa.gov).

**FOR FURTHER INFORMATION CONTACT:** To obtain a copy of the proposed FPA or a Fact Sheet, contact: Janet Murray, EPA Headquarters, Ariel Rios Building, 1200 Pennsylvania Avenue, mail code 1802, Washington DC 20460. The FPA and related documents are also available via the Internet

at <http://www.epa.gov/ProjectXL>. Questions to EPA regarding the documents can be directed to Janet Murray at (202)260-7570. To be included on the Progressive Project XL mailing list for information about future meetings, or XL Progress Reports, contact Janet Murray at (202)260-7570. Information on other aspects of Project XL, descriptions of other XL projects and proposals, and application information is available via the Internet at <http://www.epa.gov/ProjectXL>.

#### **SUPPLEMENTARY INFORMATION:**

Project XL, first announced in the Federal Register on May 23, 1995 (60 FR 27282), gives regulated entities the flexibility to develop alternative strategies that will replace or modify specific regulatory or procedural requirements on the condition that they produce greater environmental benefits. EPA has set a goal of implementing fifty XL projects in full partnership with the states.

The Progressive Insurance Company has piloted a new type of voluntary auto insurance program in the state of Texas. Most auto insurance rates are based on a number of factors, including: age, sex, marital status, and where the driver lives, while more specific information about customer driving patterns such as mileage driven, time of day and location of driving, are generally not taken into account because of the difficulty involved in monitoring and tracking the information. In response to this, Progressive has worked cooperatively with a technology firm to install in their customers' vehicles a global positioning system device which, in addition to providing personal security, and roadside and directional assistance, also monitors a number of other factors, including: time of day, amount of driving, and estimated geographic location of driving. The company can then use these additional factors in its "Autograph" Program in determining auto insurance rates which are more specific to individuals' driving

habits.

It has been estimated that roughly 80% of an individual's transportation costs are fixed once one purchases a car; that is, 80% of costs remain the same on a monthly basis regardless of how much or how little one drives. With the Progressive system, some of the fixed costs now become variable costs which will be influenced by the customer's monthly driving activity.

By offering this product, Progressive is providing its customers a financial incentive to drive less and choose alternate forms of transportation, such as public transit or walking, and in so doing reduce the negative environmental impact resulting from higher levels of automobile usage. In this XL Project, EPA will initiate a study to determine the environmental impact of this insurance product.

While the company has not yet directly measured environmental impacts, if consumers respond to the increased per mile cost of driving resulting from converting automotive insurance from a fixed to variable cost the same way they do to the increased per mile cost of driving resulting from fuel price increases, a significant reduction in driving would be expected. Initial cost figures appear to show that drivers are paying close attention to their driving patterns and the information supplied to them by the company, in order to minimize their insurance costs.

The focus of this XL Project is an analytical study, which will determine the extent to which the Progressive Program has an effect on the environment. EPA, in partnership with USDOT and the

Insurance Institute for Highway Safety, is developing a study methodology to determine if indeed the anecdotal evidence is accurate, and drivers are driving less as a result of their participation in the program. EPA's interest in the program derives from the possibility that insurance pricing plans like Autograph might alter driving habits, as well as distinguish existing differences in habits, as drivers learn how their driving habits affect their costs. Recognizing that factors such as total driving and driving during congested traffic periods, can also affect air quality, EPA is interested in whether people who sign up for a voluntary program like Autograph will reduce their total driving or their driving during congested periods.

Reducing vehicle miles traveled (VMT) is essential to promoting many of EPA's environmental objectives. U.S. travel is responsible for a substantial portion of U.S. ozone precursor emissions (31% of volatile organic compounds and 36% of nitrogen oxides) 61% of nationwide carbon monoxide emissions, and 31% of carbon dioxide emissions. Reducing VMT is a fundamental strategy in addressing the full range of environmental harms related to travel.

The company has already piloted the technology and the insurance product. Progressive's commitment to this XL Project involves making available to EPA, aggregated data on participants' driving mileage and times of day that participants are driving. This will allow the Agency to analyze Progressive's data and make determinations regarding increases or decreases in driving mileage in response to the use of this product.

The public comment period on this project will be 14 days.

Dated: June 21, 2000

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Elizabeth Shaw,

Deputy Associate Administrator

for Reintervention Programs.