

US EPA ARCHIVE DOCUMENT



Project XL: Progressive Auto Insurance Company



WHAT IS PROJECT XL?



Project XL, which stands for “eXcellence and Leadership,” is a national initiative that tests innovative ways of achieving better and more cost-effective public health and environmental protection. The information and lessons learned from Project XL are being used to assist the U.S. Environmental Protection Agency (EPA) in redesigning its current regulatory and policy-setting approaches. Project XL encourages testing of cleaner, cheaper, and smarter ways to attain environmental results superior to those achieved under current regulations and policies, in conjunction with greater accountability to stakeholders. It is vital that each project tests new ideas with the potential for wide application and broad environmental benefits. As of July 2000, twenty-six pilot experiments are being implemented and over thirty additional projects are in various stages of development.

SUMMARY OF THE PROGRESSIVE PROJECT

Progressive Auto Insurance company has piloted a unique voluntary insurance program in Texas which bases auto insurance rates upon specific driving factors such as mileage driven, time of day, and geographic location, in lieu of more customary factors such as age, sex, and marital status. This new program is made possible by a global positioning system device which Progressive installs in their customers' vehicles. The information recorded by the device ensures that the customer will only pay insurance for the miles that are actually driven. Progressive's system is designed not only to lower costs for its customers, but also to encourage positive driving behaviors which may lead to a reduction in accidents, thefts, and harmful air emissions. This XL project, EPA's 27th, was signed on July 27, 2000.

SUPERIOR ENVIRONMENTAL PERFORMANCE

Reducing vehicle miles traveled is a fundamental strategy in addressing the full range of environmental harms related to travel ranging from air emissions to habitat destruction. Although the direct environmental impact of Progressive's previously piloted insurance program has not yet been calculated, preliminary anecdotal evidence shows an initial reduction in driving mileage by customers in the Progressive program.

It is estimated that once an individual purchases a car, roughly 80% of their transportation costs remain the same on a monthly basis regardless of how much or little they drive. EPA expects that individuals will respond to the increased per mile cost of driving that results from

converting automotive insurance from a fixed to a variable cost, the same way they do to the increased per mile cost of driving that results from fuel price increases. As drivers begin to understand how their driving habits affect their costs, it is likely that they will reduce their total amount of driving time.

FLEXIBILITY

EPA is conducting an analytical study with the U.S. Dept. of Transportation and the Insurance Institute for Highway Safety to test the degree of environmental improvement that results from using this insurance product. As this insurance program becomes available in other geographic regions, Progressive will make available to EPA aggregated data on driving habits of program participants. Personal information, such as names and addresses of participants, will not be included in the study. No regulatory flexibility is currently being offered; however, if the study determines that superior environmental performance results from this insurance, EPA may, in the future, consider offering flexibility to promote it.

STAKEHOLDER INVOLVEMENT

The Department of Transportation/Federal Highway Administration, the Insurance Institute for Highway Safety and Environmental Defense have contributed to the development of this project; EPA will continue to work cooperatively with these groups and other interested parties throughout the project's implementation.

APPROACHES TO BE TESTED

- . Will pay-as-you-drive auto insurance alter driving habits, and reduce vehicle miles traveled?

CONTACTS

EPA Project XL:	Janet Murray	202-260-7570
EPA Study Methodology:	Allen Greenberg	202-260-0626
Progressive Insurance:	Bob McMillan	719-265-7488

FOR ELECTRONIC INFORMATION

More information about Project XL is available on the Internet at <http://www.epa.gov/ProjectXL>, or via Project XL's Information Line at 202-260-5754.