

is currently no option for neighbors to share a singular vehicle in rural parts of the state.

<sup>1</sup> To remedy this issue, individuals should be able to share a vehicle between friends and/or neighbors and not have to individually cover the entire costs of maintaining the vehicle and insurance premiums.<sup>2</sup>

In order to implement private car sharing, there is a need for an insurance policy that will cover all of those who use the car, and avoid issues such as the owner incurring rate increases due to a borrower's accident, for instance. Automobile insurance companies offer multiple types of insurance policies. Peter Bullock, the summer camps coordinator for Shelburne Farms, has been attempting to find a solution in Vermont for this gap in policy. For private car sharing, Bullock's research has found that Pay As You Drive (PAYD) insurance appears to be the most viable, or at least a modified version of the PAYD insurance.<sup>2</sup>

PAYD insurance is offered for those who drive less than 15,000 miles a year. Progressive Insurance offers this policy in 32 states, including Vermont, in a program called Snapshot. This type of policy provides discounts to drivers of up to 30% per year off regular insurance rates. To implement Pay As You Drive insurance a monitor is installed in a car that tracks mileage, time of day when the car is driven, as well as driving style of the driver. All of these aspects factor into how much of a discount the driver receives.<sup>3</sup> A 2008 study found that two thirds of all households in the country would save money from using a PAYD policy.<sup>4</sup>

PAYD insurance would work for a small network of individuals who seek to split usage of a single car or truck. All individuals would be under the policy but would pay different amounts

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<sup>1</sup> Eartheasy, "Car Sharing," accessed March 17, 2011, [http://eartheasy.com/move\\_car\\_sharing.html#b](http://eartheasy.com/move_car_sharing.html#b).

<sup>2</sup> Peter Bullock In a phone interview with report coauthor Aaron Haight, Burlington, VT, February 16, 2011.

<sup>3</sup> Susan Ladika, "Cheap 'pay as you drive' Insurance," accessed on March 23, 2011, [http://articles.moneycentral.msn.com/Insurance/InsureYourCar/cheaper\\_insurance\\_if\\_you\\_drive\\_less.aspx](http://articles.moneycentral.msn.com/Insurance/InsureYourCar/cheaper_insurance_if_you_drive_less.aspx).

<sup>4</sup> Jason E. Bordoff, "Pay As You Drive Car Insurance," *Democracy Journal* 8 (2008) accessed March 23, 2011, [http://www.brookings.edu/articles/2008/spring\\_car\\_insurance\\_bordoff.aspx](http://www.brookings.edu/articles/2008/spring_car_insurance_bordoff.aspx).

depending on how much they use the vehicle.<sup>5</sup> Another seemingly useful policy that companies offer is Non Owner Car Insurance but the essential problem of that policy with private car sharers are increased rates every time you want to add another driver.<sup>2</sup>

A model for private car sharing would be a household with adolescents as named drivers. Bringing this same ability from the family level to a neighbor or friend having the freedom to borrow a vehicle from another is the essence of private car sharing. Ideally a bill for private car sharing would consist of two necessary components: 1) PAYD insurance for all cars being shared and 2) the inability to charge more money than the car costs.<sup>5</sup>

According to environmental advocacy groups, personal car sharing allows all car sharing members to cut costs, decrease vehicle use as non ownership of a vehicle could lead car sharing members to combine more trips, and diminish gasoline consumption. This in turn, it is argued, reduces greenhouse ~~to reduce~~ ~~household~~ ~~emissions~~

## Conclusion

Private car sharing between neighbors and friends without an intermediary (namely, a car share business) is difficult without proper insurance coverage for both parties. New legislation similar to California's private car share law and Oregon's HB 3149 would be the most effective method of circumventing the insurance issues of personal car sharing. A bill that could allow someone to share a vehicle with their neighbors with some modified form of PAYD insurance that wouldn't negatively affect the owner's insurance rates in the case of a borrower's accident.

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Prepared in response to a request from Representative Kate Webb of Shelburne by Patrick Doyle, Camille Fordy, and Aaron Haight, under the supervision of graduate student Kate Fournier and Professor Anthony Gierzynski on May 9, 2011.

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Disclaimer: This report has been compiled by undergraduate students at the University of Vermont under the supervision of Professor Anthony Gierzynski. The material contained in the report does not reflect the official policy of the University of Vermont.