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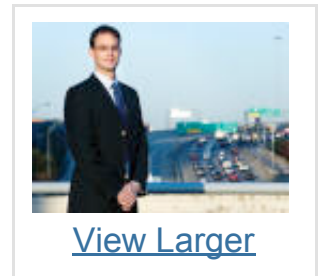
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MileMeter aims to offer pay-as-you-go auto insurance

Dallas Business Journal - by [Chad Eric Watt](#) Staff Writer

A startup auto insurance operation in Dallas aims to make Texas the first state to offer drivers pay-as-you-go policies.

MileMeter Inc. founder Chris Gay says he's spent the last three years getting MileMeter off the ground. He hopes to start issuing policies this summer.



The concept is simple: Drivers buy insurance that covers their automobiles until the odometer reaches a certain point. The execution is more complicated, Gay says.

"If you could build a business model around the odometer, it would be simpler, intuitive and it would apply to every vehicle out there," he said. "The catch is you have to build a business process around it."

Then the **Texas Department of Insurance** has to approve that process.

As MileMeter works toward that goal, it has built some unexpected momentum, thanks to the National Organization for Women and **Amazon.com**.

The company was a finalist this fall in the online book retailer's startup business contest. MileMeter finished second to an online video operation founded by a trio of **Google** alumni. The contest involved how the companies would use Amazon's Web services to grow their businesses.

During the contest, the National Organization for Women encouraged its constituents to back MileMeter.

NOW has long advocated auto insurance by the mile, because women generally drive less than men, and therefore pay disproportionately high auto insurance rates, says Patrick Butler, NOW's insurance project director.

Teenage boys typically get charged higher insurance rates than girls because of their driving habits, but about 70% of auto insurance written in Texas is done without taking gender into consideration, he said.

"A lot of people are committed to the status quo," Butler said.

Butler is a personal investor in MileMeter, and a force behind CentsPerMileNow, a project of **Texas National Organization for Women**.

MileMeter is in discussions with investors and reinsurers, which offer protection to insurance companies, to help with the capital requirements needed to start a new insurance operation. The startup also is receiving assistance from Dallas business consultancy Trinity River Advisors.

The more a person drives, the greater the chance of an auto accident, but auto insurers grade risk based more on demographics than on road time.

Still, auto insurers in Texas have worked on ways to sell coverage by the mile since at least 2001. That's when the state Legislature passed a bill enabling and encouraging insurance regulators to make such policies easier to craft.

While some major auto insurers, including **Progressive Corp.** have trotted out pilot programs, no one has yet developed a full-fledged by-the-mile insurance package.

"They are fearful of the product, in my opinion," Gay said.

That's because people who drive less than average subsidize people who drive more and therefore represent a bigger risk.

Grappling with logistics

If the short-distance drivers buy by the mile, the risk pool for long-haul drivers gets riskier, and therefore more expensive for both insurers and drivers.

Auto insurers have been grappling with the logistics of a by-the-mile insurance system, says Sandra Helin, public affairs director of industry group Southwestern insurance Information Service.

Insurers would have to come up with per-mile rates for different sorts of drivers. All insurers have to justify their rates to state regulators, and developing a second system would be costly, Helin notes.

Gay views auto insurance as a commodity. With his pay-by-mile program, customers who drive the least would have the most to gain.

"If we do our job right, we'll take all of their best customers," Gay said.

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