

Insurance system 'needs overhaul'

A NEW insurance rating scheme may have to be created as the current system is too far removed from modern day driving habits and risks, according to one pay-as-you-drive insurance provider.

GPS monitoring of the driving habits of its customers has shown that many drivers are paying too much, or in some cases not enough, to cover the risks of them using a vehicle on the road.

The chairman of Coverbox, Sandy Dunn, said: "The insurance industry is pretty sophisticated in identifying the risks and providing a quote and cover based on a driver's age, driving record, vehicle type and home and business locations, but grading groups of drivers together is causing some real anomalies in terms of who gets charged how much.

"For instance, a pattern is emerging when we compare traditional insurance costs with PAYD insurance costs: typically, several drivers come to us for quotes who are basically rated the same or similar in terms of risk when provided with a 'traditional' insurance quote.

"They may be the same age, have the same car, live in similar areas and have similar jobs - but the truly influential factors such as where and when they drive, the distances they cover, even where they park, are only becoming apparent through GPS monitoring.

"We have two customers who are on the face of it very similar in profile in the



OUT-OF-DATE: does the current insurance system need changing?

eyes of traditional insurance quotes - and paying very similar policy prices, but one was driving virtually exclusively in the rush hour and, because he was also a non-drinker, often found himself driving friends late at night.

"Those are the highest risk periods for accidents, but his policy price was not reflecting this.

"When he switched to PAYD he changed his driving habits meaning he spends less time in peak periods - rush hours - and 'super-peak' periods and now also saves on fuel as well as his insurance.

"It may be that a whole new and potentially far more accurate and

representative rating structure needs to be considered," he said.

The Coverbox system works through establishing a premium in the traditional manner, but relying on a pence-per-mile calculation.

GPS is then used to record the driver's actual movements and, taking into consideration factors such as mileage and timing, issue a monthly bill for insurance cover.

While the system means drivers are not over or undercharged, many drivers are uncomfortable with the idea of their movements being monitored using GPS.

