



Consumer Federation of America

January 10, 2024

Senator Neil Breslin
Chair
Senate Insurance Committee
172 State Street, Capitol Building
Room 430 CAP
Albany, NY 12247

Cc: Senate Insurance Committee Members, New York State Senators

Re: Support Senate Bill S553—Relates to Use of Telematics Systems By Automobile Insurers

The Consumer Federation of America (CFA)¹ urges the Senate Insurance Committee to support the bill S553—Relates to the Use of Telematics Systems by Automobile Insurers. This bill, sponsored by Senator Kevin Thomas, will promote transparency, ensure that telematics programs reduce costs for good drivers, safeguard consumer privacy and consumer data, and reduce unfair discrimination in these programs.

New York, along with nearly every state, requires drivers to purchase and maintain auto insurance. Policymakers have a responsibility to ensure that this product is affordable and that consumers do not experience unfair discrimination. Consumer protection is a key component of this market and fair insurance and rules must be put in place to ensure pricing fairness, and to protect consumer privacy when companies use telematics data and the associated algorithms.

Telematics, or usage-based insurance (UBI), are insurance programs that capture consumers' driving data via devices, built-in technology, and mobile phones. The programs use that data to assess consumers' driving behavior, driving patterns, and other qualities to calculate their insurance premiums. The savings and surcharges vary by company and so do the driving behaviors measured. Some of the driving behaviors measured include hard braking, the time of day or night when driving, the distance or miles traveled, acceleration, speed, cornering (how sharply and quickly someone goes around corners), and location. Insurance companies also state that another goal of telematics is to promote safer driving behavior—for example, some programs provide feedback about driving behavior after each trip or after a certain amount of trips.

However, insurers have generally withheld the full scope of their telematics programs and there is little transparency about their operations. Additional evidence suggest that auto insurance

¹ CFA is an association of over 250 consumer organizations that works to advance the consumer interest through research, advocacy, and education. We work to make insurance more affordable and accessible, conduct research on insurance markets, and combat harmful bias at every stage of the insurance process.

companies collect substantially more consumer data than they publicly disclose, and it is unclear for what purposes they are using all the data they collect.

S553 will set guardrails for the use of telematics programs in New York. First, it requires insurers to provide explanations to the Superintendent of Insurance regarding how factors used in the telematics model or algorithm are connected to risk and to demonstrate that each data point collected is connected to the risk of loss. CFA is concerned that auto insurers may be using factors in telematics that serve as proxies for income or race or that are unnecessary for risk assessment but can yield valuable customer data to the insurance company.

Second, S553 requires the public disclosure of scoring methodologies and reporting to the Superintendent on what testing is being done to ensure that telematics does not result in any discrimination on the basis of a protected class status, such as a consumer's race or ethnicity.

Third, S553 states that consumers must be allowed to request access to the data collected by telematics systems in a manner and form prescribed by the Superintendent, and that the data must be provided in a readable format. This transparency will not only allow customers to verify the accuracy of premiums but it will empower New Yorkers in the market place and help them make informed decisions about telematics offerings.

Fourth, insurers are prohibited from using any telematics data for any purpose other than underwriting and rating decisions. Companies should use the information for determining consumers' risk and lowering premiums for safe drivers. They should not monetize it or sell it to other corporations so they can engage in targeted advertising.

Fifth, insurers are prohibited from using external consumer data and information, or algorithms or predictive models, that unfairly discriminate based on race, color, national or ethnic origin, religion, sex, sexual orientation, disability, and gender identity or expression. They would also be forbidden from using any external data, information, predictive models, or algorithms that result in this discrimination.

Telematics has been touted as a way to improve pricing in the auto insurance market and encourage safer driving. S553 provides a framework to allow telematics to offer that benefit while ensuring fair pricing and protecting consumers from unfair and unnecessary exploitation of the data collected by insurers.

Consumer Federation of America urges your support for S553. Please contact us at mdelong@consumerfed.org with any questions.

Sincerely,

Michael DeLong

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Consumer Federation of America