



Insurance Circular Letter No. 4 (2014)
May 27, 2014

**TO: All Insurers Authorized to Write Property/Casualty
Insurance in the State of New York (“insurers”)**

RE: Insurance Telematics and Usage-Based Auto Insurance

STATUTORY REFERENCES: Insurance Law Article 23

Summary

The purpose of this Circular Letter is to alert insurers to the keen interest of the Department of Financial Services (“DFS”) in receiving filings from insurers for products that use telematics devices, including usage-based insurance products, which provide salutary benefits to both consumers and insurers.

1. Telematics and Usage-Based Insurance

As data capture and transmission technology have become more advanced, and as user interfaces have become more sophisticated in recent years, insurers have begun offering programs, such as those known as “usage-based insurance” programs or “UBI,” that use telematics¹ devices to monitor the driving habits of their insureds. When installed in an insured’s vehicle, a telematics device can gather various forms of data pertaining to driving habits, such as the number of miles a vehicle has driven, the time of day a driver drives, and a driver’s acceleration and braking patterns.

Because telematics permits insurers to capture real-time data, it allows companies to make more nuanced decisions concerning underwriting and to better align pricing to risk. Just as importantly, telematics-based UBI programs can lead to safer driving by insureds by giving them timely feedback about driving habits that are most relevant to their insurer.

¹ The term “telematics” is a combination of the words “telecommunications” and “informatics,” and refers to the technology of sending, receiving, and storing information relating to remote objects, such as vehicles, via telecommunication devices. The term is often used to refer specifically to the use of the technology in connection with the provision of auto insurance.

2. **Recent Filings**

In recent months, a number of carriers have submitted filings to DFS for products or programs that rely on telematics. Many other insurers, too, have expressed to DFS preliminary indications of interest in rolling out such products or programs in New York.

The precise contours of each telematics program vary. Some programs require installation of a telematics device for a set amount of time in exchange for a fixed discount; others require such installation for the duration of a policy period in exchange for a periodic rate adjustment. DFS recently approved a combined driving monitoring and cellphone control program that uses telematics devices to block a driver's ability to send text messages or make phone calls from specifically identified smartphones. This two-part technology solution could significantly help improve public safety by removing from drivers a significant source of distraction, thus neutralizing a major cause of auto accidents.

DFS has approved the use of telematics data for the overall purpose of encouraging safe driving, and has worked to ensure that consumer privacy is protected. To that end, DFS has approved UBI filings only where it is clear that the product or program is offered to the consumer solely on a voluntary basis.

Conclusion

DFS supports UBI and the innovations that telematics can bring to the marketplace. The trend towards using telematics mirrors the reality of today's quickly evolving technological environment, and taps into the increasing public demand for direct user interface, real-time data, and transparency in transactions. Accordingly, DFS encourages other carriers to explore the benefits of telematics, and invites filings that employ telematics to create products and programs, such as UBI, that are designed to benefit both consumers and the insurance industry.

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Sincerely,

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