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Before the

Assembly Standing Committee on Insurance
Assembly Standing Committee on Science and Technology

regarding the

Use of Artificial Intelligence Systems in the
Underwriting and Pricing of Insurance Policies

Tuesday, December 16, 2025
Albany, NY 12210

Good morning, Chairman Weprin and Otis, and members of the Committee. My name is Chuck Bell and I am programs director for advocacy at Consumer Reports[1], based in Yonkers, NY.   We are an independent nonprofit and nonpartisan organization that works side by side with consumers for a safe, just and fair marketplace.

While artificial intelligence and machine learning (AI/ML) has the potential to enhance the provision of insurance for both insurers and customers, they both present a range of serious risks, including the risk of discrimination and unfair treatment of consumers. We appreciate the Committees' interest in investigating these new and enhanced types of risks and developing appropriate New York state legislative and regulatory policies to prevent harms to consumers, and to ensure that any use of AI/ML does not unfairly discriminate against particular groups of consumers.

Algorithmic Discrimination in Insurance

AI/ML is increasingly being utilized by insurance companies for both back-end and front-end operations across the customer lifecycle, from targeted marketing to pricing and underwriting to claims management, fraud monitoring, and customer service. While AI/ML can bring efficiencies for insurance companies and potential benefits for consumers, these technologies also introduce a range of risks for consumers. The risk of algorithmic systems resulting in biased outcomes that perpetuate and even exacerbate existing societal biases has been well-established in a wide range of research across multiple sectors.[2] Algorithmic discrimination occurs when an automated decision system repeatedly creates unfair or inaccurate outcomes for a particular group. While the risk of discrimination exists with traditional models, these risks are exacerbated by ML techniques for automated decision-making that rely on the processing of vast amounts of data using often opaque models.

Biased results can arise from a number of sources, including underlying data and model design. Unrepresentative, incorrect, or incomplete training data as well as biased data collection methods can lead to poor outcomes in algorithmic decision-making for certain groups. Data may also reflect historical biases, particularly the types of data sources used for underwriting which are tainted by past discriminatory practices. Biases can also be embedded into models through the design process, such as via improper use of protected characteristics directly or through proxies. With complex ML models utilizing hundreds or thousands of input features, chosen features may serve as proxies for protected

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[1] Founded in 1936, Consumer Reports (CR) is an independent, nonprofit, and nonpartisan organization that works with consumers to create a fair and just marketplace. Known for its rigorous testing and ratings of products, CR advocates for laws and company practices that put consumers first. CR is dedicated to amplifying the voices of consumers to promote safety, digital rights, financial fairness, and sustainability. The organization surveys millions of Americans every year, reports extensively on the challenges and opportunities for today's consumers, and provides ad-free content and tools to 5 million members across the United States.

[2] For example, see Barocas, Solon and Andrew D. Selbst. "Big Data's Disparate Impact." 104 California Law Review 671 (2016), available at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2477899 See also: O'Neil, Cathy. *Weapons of Math Destruction: How Big Data Increases Inequality and Threatens Democracy*. Penguin Books, 2016; and Angwin, Julia, Jeff Larson, Surya Mattu, and Lauren Kirchner. "Machine Bias." ProPublica, 2016, available at: https://www.propublica.org/article/machine-bias-risk-assessments-in-criminal-sentencing

characteristics. Choices made during the model development process can also affect its predictiveness regarding particular populations. The issue of potential bias and discrimination is further compounded by the lack of transparency for complex ML models.

For example, a fraud monitoring algorithm may systematically flag consumers on the basis of race or proxies for race, as illustrated in the recent lawsuit against State Farm claiming that its fraud detection software has a disparate impact on Black customers.[3] A pricing algorithm may systematically charge similarly situated consumers differently based on race or other sensitive characteristics, or proxies thereof. For example, telematics programs that obtain consumer-generated driving data for insurance pricing may result in unintended bias and disparate impacts.[4] Pricing algorithms may also be used to charge prices based on a consumer's willingness to pay rather than actual risk. A joint investigation by CR and The Markup into the issue of "price optimization" found that an advanced algorithm Allstate was proposing to deploy for pricing of auto insurance premiums "seemed to determine how much a customer was willing to pay – or overpay – without defecting."[5]

CR has long advocated for insurance that is priced fairly based on the risk posed by the insured. The increasing use of AIS and ECDIS in insurance heightens the risk of unfair or discriminatory outcomes due to disparate treatment or disparate impact, particularly where complex "black box" ML models are used. There is a clear need to take proactive steps to ensure transparency, accountability, and fairness in the use of ECDIS and AIS in insurance, across the full customer lifecycle.

NY DFS Circular Letter No. 7 Regarding AI and External Data

The New York Department of Financial Services' *Circular Letter Regarding Use of Artificial Intelligence (AI) Systems and External Consumer Data and Information Sources (ECDIS) in Insurance Underwriting and Pricing*[6] (issued on January 17, 2024 and finalized on July 11, 2024) was an important step forward for clarifying the responsibilities of insurance companies using AI for pricing and underwriting in New York state. The Department's proposed circular makes clear that insurers should not use external consumer data and information sources and artificial intelligence systems unless they can establish through a comprehensive assessment that their underwriting or pricing guidelines are not unfairly or unlawfully discriminatory. If the insurer's comprehensive assessment finds a disproportionate adverse effect, it must seek out a "less discriminatory alternative" variable or methodology that reasonably meets its legitimate business needs.

In its letter to the Department commenting on the draft circular letter, CR recommended that the New York DFS require insurers to proactively search for and implement less discriminatory alternatives on an integrated, ongoing basis rather than as part of a one-off assessment after an AI model is developed.[7] CR

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[3] Flitter, Emily. *New Suit Uses Data to Back Racial Bias Claims Against State Farm*, The New York Times, 12/14/22, available at: https://www.nytimes.com/2022/12/14/business/state-farm-racial-bias-lawsuit.html

[4] See Heller, Douglas and Michael DeLong. *Watch Where You're Going: What's Needed to Make Auto Insurance Telematics Work for Consumers*. Consumer Federation of America, May 2021. Available at: https://consumerfed.org/wp-content/uploads/2021/05/Insurance-Auto-Telematics-White-Paper-5-26-21.pdf

[5] Sankin, A., Varner, M. and Felton, R. *Why You May Be Paying Too Much For Your Auto Insurance*, Consumer Reports, 2/25/20, available at: https://www.consumerreports.org/money/car-insurance/why-you-may-be-paying-too-much-for-your-carinsurance-a5080204954/

[6] New York Department of Financial Services, *Insurance Circular Letter No. 7 Re*: *Use of Artificial Intelligence Systems and External Consumer Data and Information Sources in Insurance Underwriting and Pricing, 07/11/24*, available at: https://www.dfs.ny.gov/industry-guidance/circular-letters/cl2024-07

[7] Chien, Jennifer. *Consumer Reports supports New York Department of Financial Services' efforts to protect consumers from algorithmic discrimination in insurance,* Consumer Reports, March 18, 2024. Available at:

also called on the Department to provide further guidance to insurers on how to conduct such a search and to select among alternatives to reduce disparate impact as much as possible.

Adverse Action Notices

CR highlighted its support for the Department's proposed requirement that insurers be more transparent with consumers when they issue adverse action notices regarding their reasoning and the data it relied upon when it declines to issue a policy, imposes a limitation, rate differential, or other adverse underwriting decision. CR urged the Department to ensure that such notices be provided in plain language with specific steps consumers can take to achieve a better result and recommended that consumers be given the right to request human review of automated decisions.

To expand on this point, consumers have the right to know why their insurance policies have been refused, canceled, or limited. Much more can be done to ensure that such information is conveyed to consumers in a way that is user-friendly and actionable. Insurance products are already daunting for consumers to understand, and the use of ECDIS and AIS for pricing or underwriting only adds to the potential complexity and confusion that consumers may face. Providing such information without carefully considering how it is presented and framed to consumers will limit its practical use and helpfulness.

At a minimum, information in adverse action notices should be provided in a user-friendly manner using plain language and explanations where necessary. Ideally, adverse action notices should include action-oriented language on what specific steps a consumer can take to achieve a better result.

For example, the Monetary Authority of Singapore (MAS)'s Principles to Promote Fairness, Ethics, Accountability and Transparency (FEAT) in the Use of Artificial Intelligence and Data Analytics in Singapore's Financial Sector highlight transparency as a core principle and include accompanying materials on how to assess key principles. The assessment methodology on transparency notes that consumers/data subjects ideally require a combination of general explanations for the decision along with information on actions they can take to change a model's behavior, particularly highlighting the benefit of providing counterfactuals to demonstrate how a decision could be improved by a change in the consumer's behavior. |

Financial institutions should ensure they have the answers to the following questions in their explanations:

- How the decision was made
- What were the top reasons behind the decision (both positive and negative factors)
- What actions could have enabled a more favorable outcome for the consumer
- How did the AIS decision impact the consumer, and
- What redress options are available to the consumer.

In addition to more actionable adverse action notices, consumers should have the right to request human review of AI-driven decisions, i.e. not to be subject only to automated decision-making. Such a right is clearly established in the EU's General Data Protection Regulation (GDPR) as well as in MAS's FEAT Guidelines. Establishing this right in the US may take considerable time given the disproportionate influence of the insurance industry in state and federal policymaking, but we think consumers deserve this protection and don't understand why US consumers should have fewer protections than consumers

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https://advocacy.consumerreports.org/press_release/consucr-supports-new-york-department-of-financial-services-efforts-to-protect-consumers-from-algorithmic-discrimination-in-insurance/

in Europe and Singapore.

AI Use Cases Beyond Pricing and Underwriting

The Department's circular currently applies to AI used for insurance pricing and underwriting and explicitly excludes algorithms and machine learning used for marketing, claims settlement, and fraud monitoring. CR urged the Department to take further action to address algorithmic discrimination that may arise across all stages of the insurance lifecycle. We want to highlight the importance of expanding the types of requirements and safeguards included in the proposed circular to apply to AI use cases beyond pricing and underwriting.

Algorithms and ML models are increasingly being used across the insurance customer lifecycle, from marketing to claims settlement to fraud monitoring. All of these functions can affect the consumer's ability to use and benefit from affordable, accessible insurance coverage, and are every bit as important in some instances as pricing and underwriting. These additional stages are currently explicitly carved out of the proposed circular, yet algorithmic discrimination and disparate impact can arise in all of these instances. In fact, as previously noted, there are already examples of fraud monitoring algorithms used by insurance companies discriminating on the basis of race. Therefore, we would strongly urge the NYDFS and the legislature to investigate ways that algorithmic discrimination that may arise across all stages of the insurance lifecycle, and to craft protections that will ensure consumers do not experience unfair discrimination and bias in these critical areas.

Unfair Use of Socioeconomic Factors for Pricing and Underwriting

Consumer Reports has raised concerns for many years about the use of credit information, and other socioeconomic factors such as education, occupation, and homeowner vs. renter status, in insurance pricing. In 2006, Consumer Reports published *Caution! The secret score behind auto insurance* which alerted consumers that credit-based insurance scores had become as important in determining their annual premiums as their driving record and the neighborhood of residence.[8] The same year, the Consumer Reports' advocacy division published an in-depth white paper entitled *Score Wars: Consumers Caught in the Crossfire--The Case for Banning Credit Information in Insurance Pricing*.[9]

Though we published these reports 19 years ago, our concerns over the use of credit data in insurance underwriting have not abated and the points we made then about the negative public policy ramifications of using credit history remain highly relevant today. These include:

> • secrecy in determining insurance scores, such that consumers cannot reasonably know what goes in them;

> • serious problems with the accuracy of information contained in credit files that underlie insurance scores derived from credit information;

> • the unfavorable impact on low-income and minority communities when credit scores function as proxies for race and income, and

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[8] *Caution! The Secret Score Behind Your Auto Insurance*, Consumer Reports, Aug. 2006, available at https://advocacy.consumerreports.org/wp-content/uploads/2013/04/CR-Aug2006.pdf
[9] Garcia, Norma P., *Score Wars: Consumers Caught in the Crossfire – The Case for Banning the Use of Credit Information in Insurance* (2006), Consumers Union, available at: https://advocacy.consumerreports.org/wp-content/uploads/2013/04/ScoreWars.pdf

> • the insufficiency of current laws to protect against unfair results in states that allow the practice.

Insurance Credit Scores Are Secret Proprietary Scores, Which Customers Do Not Have Access To

Credit reports were originally developed for "credit-granting purposes," for banks and lenders to make decisions about credit-based products like mortgages, loans and credit cards. But beginning in the 1990s, insurance companies began to use credit history for insurance pricing and underwriting purposes. This represented a significant form of "mission creep" for credit reports, since the data collected were not originally intended or collected for this purpose.

Income and race are prohibited by state laws as insurance ratings factors, yet the use of credit history can serve as a proxy for both. We are highly concerned that the use of credit history has a disparate impact on low- and moderate-income drivers, and drivers of color. Insurance companies in general have turned a deaf ear to the concerns of consumer and civil rights organizations about these issues and show little concern for the negative impacts of these nondriving ratings factors on their customers, which drives up costs for low and moderate-income drivers and makes it more difficult to accumulate assets and attain homeownership.

Insurance scores are based on complex mathematical algorithms that analyze data from your credit reports to assess your driving and accident risk. To prepare insurance credit scores, insurance companies buy data from credit reporting agencies, and cherry-pick particular variables and measures to create proprietary, secret algorithms for calculating an insurance credit score that is unique to that company. The credit history used is derived from credit reports, but it is not the same as the more common FICO and consumer-reporting agency scores that consumers can obtain for a fee. This secretive insurance industry practice means consumers are being judged on measures that are not visible and transparent, that vary from company to company.

While insurance companies are required in some cases to provide adverse action notices if a decision is made to reject customers or raise their rates, customers cannot reasonably know how the insurance company is calculating the score, and the specific information they are relying on to make their pricing and underwriting determinations.

AI and Big Data offer new tools for potentially making credit scores more accurate, but also creates a wide open field for such models to further discriminate against low income consumers and consumers or color.   Therefore, while industry witnesses may argue that use of credit history is well-established and authoritative, they have never answered the concerns of advocates who point out that credit scores "bake in" past disparities caused by previous bank and insurance redlining, and discrimination in the education and labor markets.[10] Further, they ignore serious problems with data accuracy that plague credit reports, which have not been solved over many years, despite repeated exposes and reports from regulators and advocacy groups.[11] This all despite the Fair Credit Reporting Act (FCRA), which at least provides consumer with the opportunity to inspect their three credit reports for errors, which does not apply to most other forms of Big Data. Credit reports are notoriously hard to correct and many consumers give up because the process is so frustrating and hard to navigate.
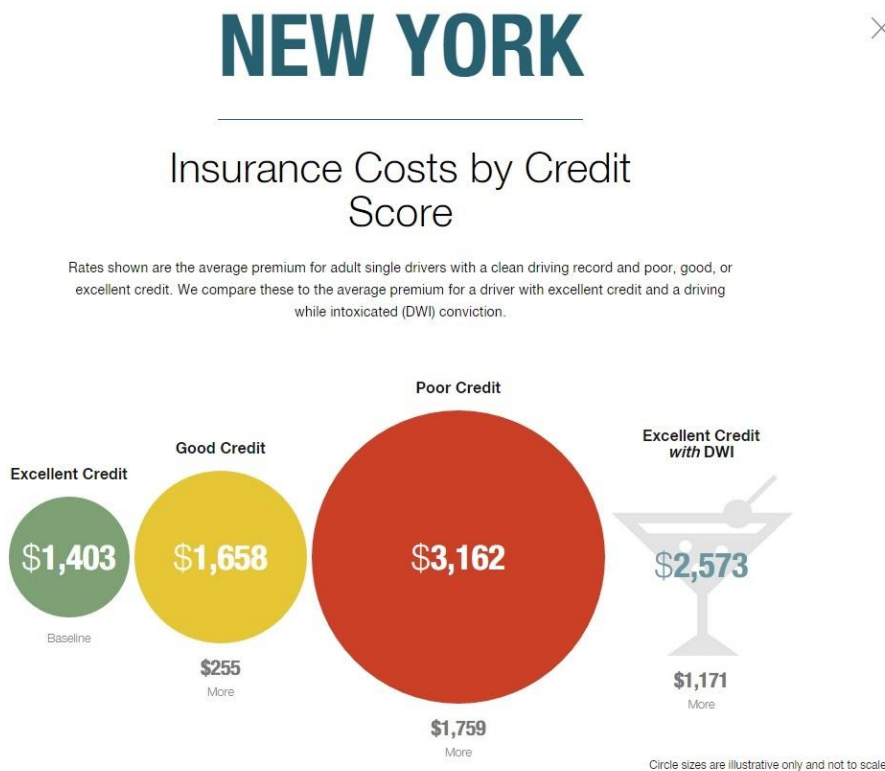
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[10] National Consumer Law Center, *Past Imperfect: How Credit Scores "Bake In" and Perpetuate Discrimination*, updated February 2024, available at: https://www.nclc.org/wp-content/uploads/2016/05/20240227_Issue-Brief_Past-Imperfect.pdf

[11] Gill, Lisa. *More Than a Quarter of People Find Serious Mistakes in Their Credit Reports, Study Shows,* Consumer Reports, April 30, 2024, available at: https://www.consumerreports.org/money/credit-scores-reports/serious-mistakes-found-in-credit-reports-a1061511185/

In September, 2015, Consumer Reports published the results of a two-year investigation into auto insurance pricing that revealed a very serious problem with auto insurance pricing in many states where credit history is allowed. We gathered more than 2 billion price quotes across 33,000+ residential U.S. ZIP codes to understand the factors that raise rates.[12]

Our investigation revealed that how one drives may have little to do with how much one pays, and may depend more heavily on socioeconomic factors, such as education, occupation, gender, marital status and credit history. At the national level, Consumer Reports found that single drivers paid a median of $190 more for merely having "good" credit, compared to consumers with the best credit. That national difference was $1,200 for consumers with "poor" credit scores. However, the differences were even sharper in New York, where a driver with a clean driving record, but only "good" instead of "excellent" credit history would pay $255 more in premiums. A driver with a clean driving record and "poor" credit would pay a whopping $1,759 more – an extra $146 per month.

Perhaps even more shocking, consumers with clean driving records but with poor credit paid considerably more for their auto insurance than drivers with a drunken driving conviction but an excellent credit history. In New York, the top insurers reported an average rate of $3,162 for auto coverage for consumers with a clean driving record and poor credit, compared to an average rate of $2,573 for drivers with a drunken driving conviction and excellent credit.*8* Looking at it another way, this means a driver with a clean driving record – no accidents or traffic violations – but who happens to have poor credit, is being charged $589 more in premiums than the drunk driver with the DUI conviction. (See New York credit score chart, below.)

NEW YORK

Insurance Costs by Credit Score

Rates shown are the average premium for adult single drivers with a clean driving record and poor, good, or excellent credit. We compare these to the average premium for a driver with excellent credit and a driving while intoxicated (DWI) conviction.

Excellent Credit — $1,403 — Baseline

Good Credit — $1,658 — $255 More

Poor Credit — $3,162 — $1,759 More

Excellent Credit with DWI — $2,573 — $1,171 More

Circle sizes are illustrative only and not to scale.

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[12] Consumer Reports, *How a Credit Score Affects Your Rates*, Sept. 2015, available at : https://www.consumerreports.org/cro/car-insurance/credit-scores-affect-auto-insurance-rates/index.htm

In 2023, Consumer Federation of America published a report that summarized credit score-related surcharges for drivers in selected metro areas in New York state. Using auto insurance premium data from August 2020 for every New York ZIP code from ten New York insurers, including the four largest carriers in the state, CFA found that New York drivers pay significantly higher auto insurance premiums if they have fair or poor credit, even if their driving records are perfect. New York drivers with a perfect driving record and excellent credit pay a weighted average annual statewide premium of $730.7 But drivers with the same perfect driving record and fair credit pay an average premium of $1,148, or 57% more. Drivers with poor credit pay $2,097—a 187% increase compared to drivers with excellent credit. That is a $1,367 penalty on safe drivers due to their credit-based insurance score.[13] The results in New York City boroughs and other urban areas were even more pronounced:

Table 3: Average Auto Insurance Premiums In New York City Boroughs Based on Credit Information

Borough	Consumers With Excellent Credit	Consumers With Fair Credit	Consumers With Poor Credit
The Bronx	$1,666	$2,694	$5,269
Brooklyn	$1,861	$3,046	$5,971
Manhattan	$1,141	$1,901	$3,743
Queens	$1,600	$2,619	$5,152
Staten Island	$1,253	$2,037	$3,944

Table 4: Discrimination in New York Cities and Regions Based on Credit Information

City/Region	Average Premium Charged to Consumers With Excellent Credit	Average Premium Charged to Consumers With Fair Credit	Average Premium Charged to Consumers With Poor Credit
Albany	$568	$866	$1,486
Buffalo	$826	$1,292	$2,259
Long Island	$1,073	$1,727	$3,350
Plattsburgh	$453	$678	$1,135
Poughkeepsie	$731	$1,140	$2,017
Rochester	$551	$852	$1,445
Syracuse	$594	$918	$1,584

Source: The Thousand Dollar Insurance Penalty, Consumer Federation of America[14]

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[13] Heller, Doug and DeLong, Michael. *The Thousand Dollar Insurance Penalty: How Insurance Companies' Credit Scoring and ZIP Code Rating Push Up Premiums for Safe Drivers in New York*, March 2023, available at: https://consumerfed.org/wp-content/uploads/2023/04/Auto-Insurance-Discrimination-in-New-York-Report.pdf
[14] Heller, Doug and DeLong, Michael. *The Thousand Dollar Insurance Penalty: How Insurance Companies' Credit Scoring and ZIP Code Rating Push Up Premiums for Safe Drivers in New York*, March 2023, available at: https://consumerfed.org/wp-content/uploads/2023/04/Auto-Insurance-Discrimination-in-New-York-Report.pdf

More recent data is available by Zip Code from National Public Radio, which carried out a national investigation in 2025 that had substantially similar findings to the CR investigation.[15] A Zip Code lookup tool on the NPR site shows the results for zip codes across the U.S., including the 10705 Zip Code in Yonkers, NY:

10705 (Yonkers, N.Y.)

COMPANY	EXCELLENT	GOOD	FAIR	POOR	EXCELLENT-POOR DIFFERENCE
GEICO General Ins Co	$2,949	$2,949	$3,099	$3,789	$840 (1.3x)
State Farm Mutl Automobile Ins	$3,145	$4,064	$5,254	$8,832	$5,687 (2.8x)
Allstate F&C Ins Co	$2,770	$3,115	$3,634	$5,550	$2,780 (2.0x)
Chubb National Ins Co	$5,741	$6,573	$7,095	$7,924	$2,183 (1.4x)
Progressive Casualty Ins Co	$1,136	$2,176	$4,368	$20,638	$19,502 (18.2x)

A similar surcharge based on credit history exists for homeowners insurance, where a low credit score can cause premiums to cost 75% more than a good credit score in New York state, according to the Consumer Federation of America.[16] Similar to the auto insurance "surcharge" for drivers with a clean driving record, the homeowners insurance "surcharge" drives up homeowners insurance rates for predominantly low- and moderate income households, including many households of color.

Because of concerns relating to the discriminatory impact of using credit history to set insurance rates in New York state, Consumer Reports and the statewide New Yorkers for Responsible Lending coalition have supported proposed legislation introduced by Assembly Member Crystal Peoples-Stokes (A 1273) and Sen. Kevin Parker (S.6885, 2023-24) to ban the use of socioeconomic data including credit history for auto insurance pricing and underwriting.[17] [18]

Consumer Reports also believes that insurance consumers have a right to know how their premiums are being calculated – including through use of AI, Big Data, and algorithmic scoring -- and how it affects the rates they are asked to pay.   Earlier this year, we developed a Homeowners Insurance Bill of Rights, with

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[15] Benincasa, Robert. Your Credit Score Could Be Costing You More To Drive, National Public Radio, 11/05/25, available at: https://www.npr.org/2025/11/05/nx-s1-5397184/auto-insurance-credit-history-cost

[16] Moira Birss, Sharon Cornelissen, PhD, Michael DeLong, Nick Graetz, PhD, Douglas Heller, and Ethan Weiland, *Penalized: The Hidden Cost of Credit Score in Homeowners Insurance Premiums* Consumer Federation of America, available at: https://consumerfed.org/wp-content/uploads/2025/08/Penalized-Final.pdf   See also national county map at: https://consumerfed.org/reports/penalized/

[17] A.1273, available at: https://nyassembly.gov/leg/?default_fld=&leg_video=&bn=A01273&term=2025&Summary=Y&Actions=Y&Committee%26nbspVotes=Y&Floor%26nbspVotes=Y&Memo=Y&Text=Y&LFIN=Y&Chamber%26nbspVideo%2FTranscript=Y

[18] S 6885, available at: https://nyassembly.gov/leg/?bn=S06685&term=2023

input from insurance experts, academics, and homeowners nationwide.[19] The uses of AI for homeowners insurance include the practice of taking photos from aerial surveillance by drones and satellites that are analyzed with the help of AI and algorithms[20], and the use of AI for homeowners for claims settlement practices.[21]

The CR Homeowners Insurance Bill of Rights outlines nine basic protections in addition to affordability that we believe every policyholder should be guaranteed, regardless of where they live, including the rights to:

1. A clear, plain-language explanation of what is and isn't covered—before purchase or renewal.
2. Know which risk factors are used to determine eligibility and set rates.
3. Fair access to coverage based on property risk, not your finances.
4. Adequate notice before cancellations, nonrenewals, or steep premium hikes.
5. Meaningful incentives for homeowners who take steps to harden their homes.
6. Protections against cancellations or non-renewals in the aftermath of declared States of Emergency.
7. Freedom from penalties for inquiries or claims that result in no payout.
8. Prompt, full, and fair claim payments, with accountability for delays.
9. Immediate financial assistance for emergency housing and essential needs after a disaster, with limited paperwork.

Since its release in October, more than 43,000 consumers have signed our petition urging major insurers to adopt these protections and restore fairness to the marketplace.[22]

Auto Insurance Telematics Offers a Potentially Fairer Way To Assess Risk, But is Undermined by the Lack of Transparency About Ratings Factors and Overcollection of Customer Data

Over the past two decades, auto insurers have been increasingly adopting telematics systems to gather consumer-generated driving data via mobile apps and devices, and using this data for insurance pricing. These programs, referred to as telematics or usage-based insurance (UBI), have substantial potential to ensure premiums are accurately based on risk, to encourage safer driving behavior, and to make auto insurance more affordable. The programs rely on vast amounts of customer data collected by mobile phones and other sensing devices, which is analyzed with algorithms and AI.

Telematics holds substantial promise, because it can actually encourage safer driving behavior, and

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[19] Consumer Reports, *Where We Stand: A Homeowners Insurance Bill of Rights*, 10/21/25, available at: https://advocacy.consumerreports.org/research/where-we-stand-a-homeowners-insurance-bill-of-rights/   See Also: Consumer Reports, *Homeowners Are Facing An Insurance Crisis. We Think These 9 Basic Rights Could Help*, available at: https://www.consumerreports.org/money/homeowners-insurance/proposed-homeowners-insurance-protection-rights-a3867354890/

[20] Cahn, Albert Fox. *Through the Roof*, Business Insider, 10/7/24, available at: https://www.businessinsider.com/homeowners-insurance-nightmare-cancellation-surveillance-drone-ai-future-2024-8

[21] Kloczko, Justin. *New Episode of Smoke and Mirrors Reveal How Tech and Algorithms Hurt Policyholders*, Consumer Watchdog, 11/12/25, available at: https://consumerwatchdog.org/insurance/new-episode-of-smoke-mirrors-reveals-how-tech-and-algorithms-hurt-policyholders/

[22] CR Petition to Insurance Company CEOs, 12/02/25, available at: https://advocacy.consumerreports.org/research/cr-petition-to-insurance-company-ceos-submitted-with-the-support-of-44532-consumers/

reduce the amount of crashes and auto insurance claims that drive up costs.   Cambridge Mobile Telematics states that its Drive Well Fusion platform has helped prevent 100,000 crashes worldwide.[23] However, without greater transparency and effective oversight, the unchecked use of telematics can also create additional risks of unfair or exorbitant pricing, racial bias, abuse of consumers' personal information, unfair practices in claims handling, and other unfair or anti-competitive insurance practices.

In 2021, a Consumer Reports investigation that found that the rules for telematics programs can be confusing and opaque. CR found that these programs may penalize people driving to or from a late shift — a group disproportionately made up of Black and Latino workers and low-income people. The same data that's used to provide discounts could also be used for marketing, or by a claim adjuster if drivers have an accident. And the programs can unintentionally encourage people to drive more dangerously, CR's auto testing experts say — for instance, to avoid penalties for "hard braking," telematics customers might choose to simply roll through stop signs.[24]   A recent Maryland report on telematics found that most drivers don't realize premium savings when enrolling in telematics programs.[25]

According to the CR investigation:

> Insurers that use telematics tend to gather a lot more information than they need for determining discounts. Even if a company doesn't use speed or phone use in its calculations, for example, it may still be tracking and recording those behaviors. The companies also generally require 24/7 access to your smartphone's location to gather telematics data.
>
> Sometimes that extra information is used to give drivers feedback about risky habits without altering their discounts. That's why an Allstate telematics customer might see red flags in the Drivewise app if they were using their phone while driving, even though the program doesn't currently dock discounts for distracted driving.
>
> Other times, it's not clear what the information is used for. Liberty Mutual, for example, says it may gather data including mobile phone type, ignition status, vehicle diagnostics, and fuel consumption—even though that information doesn't figure into a user's premium pricing or discounts.[26]

Insurers should take steps to make their telematics programs more transparent and accountable. When using these new technologies, companies should reduce auto insurance premiums, safeguard consumer privacy, and operate programs free from unfair discrimination. Such business practices will both benefit drivers and help insurers in the long run by demonstrating their commitment to ethical behavior.

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[23] Cambridge Mobile Telematics, *Cambridge Mobile Telematics Has Helped Prevent Over 100,000 Crashes*, 09/05/25, available at: https://www.cmtelematics.com/news/cambridge-mobile-telematics-has-helped-prevent-over-100000-crashes/

[24] Wadell, Kaveh. *What You're Giving Up When You Let Your Car Insurer Track You In Exchange for Discounts, Consumer Reports*, 10/7/21, available at: https://www.consumerreports.org/money/car-insurance/how-car-insurance-telematics-discounts-really-work-a1549580662/ See also: Heller, Doug and DeLong, Michael. *Watch Where You're Going: What's Needed to Make Auto Insurance Telematics Work for Consumers*, Consumer Federation of America, 05/26/21, available at: https://consumerfed.org/wp-content/uploads/2021/05/Insurance-Auto-Telematics-White-Paper-5-26-21.pdf

[25] *Telematics Survey Report, Auto Insurance Market in Maryland*, July 2025, available at: https://insurance.maryland.gov/Consumer/Appeals%20and%20Grievances%20Reports/Telematics-Survey-Report-2025.pdf See also: DeLong, Michael. *Insurance Companies Claim Telematics Will Save You Money on Auto Insurance. The Truth Is More Complicated,* August 14, 2025, available at: https://consumerfed.org/insurance-companies-claim-telematics-will-save-you-money-on-auto-insurance-the-truth-is-more-complicated/

[26] Ibid.

Specifically, insurers should:

● Make public all the categories of consumer-generated driving data collected by mobile apps and devices—both the information used to calculate premiums and additional information gathered;

● Provide actuarial justification for the specific data factors that are relevant to risk and auto insurance pricing, including information on each individual factor such as hard braking, speed, sharp cornering, and other factors, and limit data collection to only those elements;

● Test their telematics algorithms for unintended bias and disparate impacts, and make the complete results available to elected officials, regulators, and policyholders. If unfair discrimination is found, they should take steps to end it;

● Ensure that data collected from consumers for telematics will not be used for other purposes, including advertising, or be monetized or sold, shared or transferred to other companies; and

● Enact strong privacy, security, and consumer protection standards so that personal information is not revealed or misused.

Conclusion

In conclusion, Consumer Reports strongly supports efforts by the New York State to investigate and address issues relating to use of artificial intelligence, machine learning and big data in insurance, and create public policies that ensure effective market competition and protect consumers against price gouging and unfair discrimination. Given the recent spike in both auto insurance and homeowners insurance rates, there is strong interest from consumers in more transparent and accountable pricing, and new strategies for risk mitigation and cost control. We look forward to working with you to address these issues.

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