on the basis of anticipated loss recovery, because entry into the Program requires a financial commitment that exists entirely apart from, and logically precedes, any insurance consideration. The capital barrier imposed by a vehicle purchase also constitutes a meaningful "barrier to entry" for fraudulent actors that target new programs. The Company respectfully submits that this eligibility criterion satisfies the New York Article 23 standard that rating classifications are not unfairly discriminatory, as the differential reflects genuine actuarial differences in expected loss rather than a proxy for a prohibited characteristic.

C. Structure of the Monthly Adjustment

As discussed in the Company's pre-filing meetings with the Department, the Program's premium is subject to monthly adjustment based on three objectively measured inputs: (1) annualized mileage, (2) driving characteristics as reflected by the Safety Score, and (3) FSD usage. This structure is consistent with the Company's telematics practice in all states where Tesla Insurance currently operates (except for California, where use of telematics for rating purposes is not currently permitted).

The complete formulaic framework — including the specific telemetry metrics, their mathematical weights, and the applicable premium parameters — is disclosed in the filed Rate Manual and rating algorithm. The consumer receives full disclosure of this framework at policy inception and expressly agrees to it as a condition of coverage. The monthly premium figure is a scheduled, objective output of that agreed-upon formula applied to the consumer's measured driving activity during the prior period.

The Program's monthly premium adjustment is not a change in the rate (the unit price of risk), but instead a change in the measured exposure to which that rate is applied. The rate — comprising the filed Safety Score Model factors, mileage relativities, FSD usage factors, and all other rating algorithm components — is fixed at inception, disclosed to the consumer in full, approved by the Department, and does not change during the policy period. What changes month-to-month is the measured value of the exposure inputs: miles driven, Safety Score produced by such miles, and recorded FSD activity. The filed formula then applies the approved rate to those measured inputs and produces a premium. The monthly fluctuation is an output of arithmetic, not a unilateral insurer decision.[1]

D. Compliance with New York Article 23

The Company submits that the Program, including all rating factor selections and the overall rate level, satisfies New York Article 23 standards requiring that rates be adequate, not excessive, and not unfairly discriminatory.

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[1] This structure is analogous to New York's long approved reporting-form commercial property policy. Under a reporting-form property policy, the insured reports actual values (e.g., as inventory or good fluctuate) on a periodic basis (monthly, in most standard forms), and the premium adjusts accordingly. What changes is the reported value — the exposure — and the premium moves as the mathematical product of the constant rate and the variable exposure. No regulatory approval is required for each monthly adjustment because no rate has changed; only the measurement has.

The same principle governs pay-as-you-go workers' compensation structures, which are widely approved in New York. Under these programs, an employer's workers' compensation premium is calculated and collected based on actual payroll reported each pay period rather than on an estimated annual payroll.