RF-1: Supplemental Explanatory Memorandum

Tesla Property & Casualty, Inc. New York Private Passenger Automobile Program

This Supplemental Explanatory Memorandum (Memorandum) is submitted in support of Tesla Property & Casualty, Inc.'s (Company) new private passenger automobile insurance program filing for eligible Tesla vehicles in New York (Program). This Memorandum supplements the Actuarial Memorandum (RF-2) and is intended to provide a summary of the Program's structure, rating methodology, and legal basis.

The Program is a new, telematics-based private passenger auto program uniquely designed for Tesla vehicles. The Company does not have an existing New York book for the Program; accordingly, the filing is supported by a new-program indication drawing on Company experience, HLDI vehicle loss data, ISO severity and frequency benchmarks, competitor information, and actuarial judgment, as more fully described in RF-2. The filing reflects the following key structural elements:

- A telematics-based rating structure that directly measures actual driving behavior via Tesla vehicle data, including Safety Score and Full-Self Driving (Supervised) (FSD) usage, in lieu of traditional proxy variables such as violations and accidents.
- A monthly premium adjustment mechanism tied to annualized mileage, Safety Score, and FSD usage, consistent with the Company's telematics practice in all currently operating states (except for CA).
- An initial eligibility restriction to qualified vehicles, defined as deliveries directly from Tesla, Inc., with household Tesla vehicles eligible for addition to the policy.

Coverage modules supported include BI, PD, PIP, COMP, COLL, UMSUMBI, RA, and RR. The Rate Manual contains the final filed values, and the support workbook provides numerical support for all rating factors, including territory, vehicle, annual mileage, Safety Score Model, mandatory discounts, group rate, multi-car, GAP, fees, and minimum premium.

A. <u>Program Structure</u>

At initial launch, the Program is restricted to qualified vehicles, defined as Tesla vehicles delivered directly from Tesla, Inc. (i.e., vehicle OEM deliveries). Additional Tesla vehicles already in the household may be added to the same policy. This eligibility structure has been approved in the Company's most recently launched jurisdictions within the past year, with the expectation that eligibility will expand as experience develops.

B. <u>Actuarial Basis for the Delivery Requirement</u>

The Company's data demonstrates a pure premium difference between Tesla vehicles tethered to an OEM Tesla delivery and standalone used Tesla vehicles without a contemporaneous vehicle purchase. This difference is material, consistent across the Company's experience, and supports the eligibility structure as an actuarially justified risk classification. Details of the pure premium data will be emailed to the Department seeking confidential treatment.

The OEM delivery requirement also structurally eliminates a mechanism through which adverse selection enters a new insurance program. A consumer would not have selected the Program primarily