



**Nova Scotia Regulatory  
and Appeals Board**

# **Rate Filing Requirements for Automobile Insurance**

## **Section 155G – UBI Discount Program**

**Effective February 20, 2018**

## **Applicability**

All Usage Based Insurance (UBI) programs must be filed and approved by the Nova Scotia Regulatory and Appeals Board (Board) prior to implementation. Only UBI programs that provide a discount will be authorized for use in Nova Scotia; UBI programs that surcharge or increase premiums will not receive approval.

These simplified guidelines are available for use when a Company is proposing to introduce a UBI discount program or to modify an existing UBI discount program.

A UBI discount program may be introduced or changed as part of a Section 155G Prior Approval filing. There is no requirement, in such a situation, for a separate UBI Discount Program filing. However, the information requested in these filing requirements is expected to be included in such a filing, along with the standard Section 155G Prior Approval requirements. An application to increase the level of an existing UBI discount may be eligible for filing under “Section 155B Overall Decrease” or “Section 155H Expedited Approval” filing requirements.

The Company is also encouraged to contact the Board to review their proposed UBI program prior to submitting a filing.

## **Filing Format**

This application to the Board will be fully electronic or “paperless”. Subject to any technical notes published by the Board, the filing should consist of the following files, each with **no password protection**, containing the information sections as outlined on the following page, in the categories and order outlined below to constitute a complete filing.

### **Part 1: Non-Confidential Information (Format: One PDF File)**

<b>Section</b>	<b>Description</b>
N-1	Certification of Officer & Actuary
N-2	Rating Rule Changes and Revised Manual Pages
N-3	Contact Person Information

### **Part 2: Confidential Information (Format: One PDF File)**

<b>Section</b>	<b>Description</b>
C-1	Support for Introduction of (or Changes to) UBI Discount Program
C-2	Supplementary Information for UBI Discount Programs (at least one year old)

The two required electronic files must be forwarded at the same time to the Board email address **[board@novascotia.ca](mailto:board@novascotia.ca)**.

In lieu of email, the “Send Files to the Board” option under Quick Links on the Board website (<https://nserbt.ca/nsrab/>) can be used.

The confidential sections noted above reflect the Board’s position on the portions of an application which will routinely be kept confidential.

## **Part 1 – Non-Confidential Information**

### **Section N-1: Certificate of Officer & Actuary**

A scan of the original signed certificate of an authorized officer of the Company must accompany each filing. Authorized officers are the President, CEO, COO, CFO, any vice-president, the treasurer, or the corporate secretary or Chief Agent for Canada, for the Company. The signature should be in blue ink so that it can be verified as an original signature.

If the documentation in support of the UBI discount program includes actuarial analysis, a scan of the original signed certificate of a Fellow of the Canadian Institute of Actuaries must also accompany the filing.

A copy of the required forms of the Certificate of Officer and Certificate of Actuary can be found on the Board's website (use file "Appendix B - Certificate of Officer/Actuary" under the Section 155G - UBI Discount filing requirements).

The Certificate of Officer must identify a person authorized by the Company to act as the contact person for the Company for this application.

### **Section N-2: Rating Rule Changes and Revised Manual Pages**

Rating rules are those rules or definitions by which a risk is assigned to a specific rating cell or is assigned a discount or surcharge. Examples include rules by which territory, vehicle use or driving record are assigned. Rating rules are part of a Company's risk classification system and must be filed according to these requirements.

Rate manual pages that describe changes to rules or definitions must be included with the filing. Only those pages where a change is proposed need to be included. These pages should clearly highlight the change being made.

### **Section N-3: Contact Person Information**

The Company must set out the name, title, company name, business address, telephone number, fax number and e-mail address of the individual authorized to act as contact person on behalf of the Company. The named contact person must be prepared to respond to Board questions and accept correspondence from the Board on behalf of the Company relating to this filing. All questions on the filing will be directed to this individual and all questions/replies to the Board dealing with the filing must be channeled through this person.

The contact person must be able to accept and respond to correspondence from or to the Board by email.

## **Part 2 – Confidential Information**

### **General Information**

The Board recognizes that initially there will be little or no Nova Scotia-specific data to provide in a filing. However, the Board is supportive of innovation and is willing to review data and the discounts charged in other jurisdictions. The Company may support their initial UBI discount program filing with any reasonable existing data that is available to the Company.

The Company will be expected, in future mandatory filings, to include Nova Scotia-specific data to support continued inclusion of a UBI discount program once it becomes available (i.e., within two years following the effective date of the program).

UBI-related rates and risk classification system elements must be just, reasonable and meet the statutory standards applicable to all rates and risk classification systems.

There are generally two forms of UBI discount programs:

- The first form uses a telematics device installed in a vehicle for a period of time to determine the UBI discount to assign to the policyholder. Such discount will stay on the policyholder's record unchanged.
- The second form continuously updates the policyholder's UBI discount by monitoring driving behaviour based on an approved calculation method. With this form, the Company must clearly state how the midterm discount adjustments are to be handled. It is not acceptable to remove all or part of a UBI discount midterm.

As more companies launch UBI discount programs, their mix of business and some of the existing rating factors may be impacted (e.g., distance driven). The Company is reminded of their ongoing data reporting obligations through the General Insurance Statistical Agency (GISA) after the approval of their UBI discount program.

If the Company determines that any of the criteria initially used to determine prospective UBI discounts needs to be changed, the Company will be required to re-file its UBI discount program with necessary adjustments with the Board. For example, if the majority of participating consumers do not qualify for a discount in premiums in subsequent renewal periods, the Company may need to consider whether the rating factors need to be recalibrated (e.g., rating factors such as speed, acceleration or braking).

In the first and subsequent mandatory filing after the UBI discount program has been in place for one full year, the Company must account for any differences between the actual and the actuarially-projected average UBI discount and, as a result, the average rate level changes that flow from the discount.

## **Section C-1: Support for Introduction of (or Changes to) UBI Discount Program**

The Company is required to provide the following information, in this section:

1. Detailed description of the proposed UBI discount program;
2. Demonstration of the reasonableness of the proposed UBI discounts;
3. Explanation of how the proposed discounts are applied in premium determination; and
4. Description of UBI program costs and the impact on the Company's expenses.

### **C-1.a. Description of the UBI discount program**

The Company must provide a description of the UBI discount program, which includes or covers:

- a) The enrollment process;
- b) The length of time the driver behavior will be monitored;
- c) The criteria for a policyholder to receive a discount;
- d) The frequency of changes to a policyholder's UBI discount;
- e) Information to be provided to insureds before and after they choose to opt into UBI discount program;
- f) The process for handling mid-term changes, such as vehicle replacement;
- g) The cancellation process; and
- h) A declaration that lost revenue due to the proposed UBI discount program will not be off-balanced to base rates.

### **C-1.b. Reasonableness of the proposed UBI discounts**

The Company must demonstrate that the proposed UBI rating factors and discounts are just, reasonable and meet the statutory standards applicable to all rates and risk classification systems.

To that end, this section must clearly identify and present:

- a) What rating factors/driving behaviours (e.g., acceleration or deceleration rates, speed, distance travelled) are being considered in determining the UBI discounts;
- b) How the rating factors/driving behaviours are measured (e.g., frequency, occurrence, relevant thresholds);
- c) How data under the UBI discount program is to be collected, normalized, categorized and used for rating purposes (e.g., total occurrences averaged);
- d) What available data/relevant claim experience (e.g., claim severity, claim frequency, loss costs) was used to support the significance of each rating factor being used in the UBI discount program;
- e) What available data was used to support the proposed discounts, including how UBI-related expenses are considered in developing the proposed discounts; and
- f) How the UBI discounts will be applied (e.g., how the rating factors map into the proposed discounts, the amount of the proposed discounts, the coverages to which the proposed discounts will be applied, frequency of re-calibration of a policyholder's discount, etc.).

**C-1.c. How UBI discounts are applied in premium determination**

The Company must clearly explain how the UBI rating factors lead to the policyholder's UBI discount and how the discount is applied in determining the policyholder's premium.

At each filing, a side-by-side comparison of the Company's current and proposed UBI rating algorithm must be presented, with proposed changes highlighted.

**C-1.d. UBI discount program costs and the impact on the Company expenses**

The Company's expenses are an important component in rate determination. The Company must clearly demonstrate the up-front or start-up costs associated with developing and introducing a UBI discount program, as well as all ongoing maintenance and other expenses associated with offering the program, including but not limited to:

- all costs associated with the UBI device,
- data transfer and analysis,
- marketing, and
- any third party provider contracts.

The Company must include the expense information in a filing regardless of whether or not the Company has factored this cost into the expense provision assumptions. The Company may treat start-up costs as part of research and development and not specifically allocate them. It is expected that over time, the on-going operational costs will be borne only by those enrolled in the UBI discount program.

The Board will be sensitive to the allocation of these expenses and the issue of UBI discount program costs being borne by policyholders not participating in the program.

**Section C-2: Supplementary Information for UBI Discount Programs at least one year old**

This section must be provided when a change is being made to an existing UBI discount program and that program has been effective for more than one year.

This information will also be required in future Section 155G Prior Approval mandatory filings, where the UBI discount program has been in place for one full year or more.

The following information is to be included in this section:

- a. Enrollment or adoption rates for new business - total policies written in the period, total policies enrolled in the UBI discount program, take-up rate as a percent and quarterly change as a percent from quarter to quarter (approximately every three months);
- b. Renewal business - total policies renewed in the period, total policies enrolled in the UBI discount program, take-up rate as a percent and quarterly change as a percent from quarter to quarter (approximately every three months);
- c. Distribution of discounts earned and average overall discount earned by policyholders (%) (including scores for each variable/driving characteristic (e.g., time, braking, kilometers driven if available)) in the reporting period;
- d. Number of named insureds who opted out of or exited the program during the reporting period;
- e. A report on expenses and costs associated with the UBI discount program in the reporting period;
- f. A report on any technical issues encountered with devices or data management, transmission or storage in the reporting period; and
- g. An account of the annual changes in the average discount for the UBI discount program and, as a result, the average rate level changes flowing from the discount, at each one year anniversary of the introduction of the discount.

Given that usage based insurance is in its infancy in Nova Scotia, the Board would appreciate receiving, to the extent they are available, the following:

- i. Any observations with respect to the educational effectiveness of the insurer's UBI discount program, including any changes or improvements in driving behavior; and
- ii. Any observations with respect to the performance of UBI variables and any corresponding impact on claims experience for those variables.