

EXAM 6 – CANADA, FALL 2015

3. (2 points)

In September 2013, the Financial Services Commission of Ontario (FSCO) published a Usage-Based Insurance Pricing (UBIP) bulletin that outlines additional considerations and requirements for automobile insurance filings that contain a UBIP component.

a. (1 point)

Identify four elements of the bulletin that demonstrate FSCO's emphasis on transparency to the consumer.

b. (1 point)

Describe two ways the bulletin promotes a competitive Usage-Based Insurance marketplace.

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EXAM 6-CANADA SAMPLE ANSWERS AND EXAMINER'S REPORT

QUESTION 3	
TOTAL POINT VALUE: 2	LEARNING OBJECTIVE: A2
SAMPLE ANSWERS	
Part a: 1 point	
<p>Any four of the following received full credit:</p> <ul style="list-style-type: none"> Recorded measure used in pricing process Historical information is trackable by insured Need to explain every time the rating program to the client The customer should know how to be eligible for discount and max min possible and the insurer should give regular feedback The customer should have access to his telematics data The insurer should have consent of use personal data and detail how the personal will be use in the UBIP model Insurer must disclose the purpose of collecting telematics data Insurer must disclose how much discount is given due to usage based pricing Insurers must inform consumers about what personal information is being collected. Insurers must inform consumers about who may have access to personal information/the circumstances under which personal information could be disclosed to other parties. Insurers must inform consumers about how personal information is being used. Insurers must inform consumers about their rights with respect to their personal information. Insurers must inform consumers of any changes to how personal information is collected, used or disclosed. Insurers must clearly communicate the rating model (how to qualify for a discount, maximum/minimum discount, period being measured to calculate the discount) to the consumer at all times, beginning prior to enrollment and continuing through policy renewal. Insurers should provide regular feedback on the driving performance of the consumer. Insurers must disclose the impact of other operators of the vehicle on the calculated UBI discount. Consumers should be able to access the data on which their discount is based, and be given opportunities to correct any inaccuracies. Insurers may be required to make policyholders aware that an affiliated insurer is offering a UBI program with a discount, per UDAP. Must keep track of consent Use and disclosure of the information + which circumstances disclose to 3rd parties For what period data will be used Require proper customer service must be in place to answer questions, take complains 	
Part b: 1 point	
<p>Any two of the following received full credit:</p> <ul style="list-style-type: none"> Insurer must facilitate transfer of an insured's telematics data to another insurer Insurers should, where possible, facilitate drivers using their personal UBIP data for the purposes of entering into a contract with another insurer, including enrolling in another insurer's UBI program. 	

EXAM 6-CANADA SAMPLE ANSWERS AND EXAMINER'S REPORT

- This guideline advocates for the portability of data that is needed for drivers to transfer their UBI data to other insurers in search of a lower premium and/or better value-added services.
- FSCO is willing to review data and the amount of discount charged in other jurisdictions, even if there is no Ontario-specific data to support a filing.
- This guideline reduces barriers to entry for insurers to enter the UBI marketplace, as they do not have to run an Ontario pilot program to gather Ontario data before submitting a filing.
- Insurers are allowed to treat UBIP start-up costs as part of research and development and not specifically allocate them to the determination of UBI rates.
- This guideline allows insurers to keep UBI premiums low to attract new UBIP customers, rather than being mandated to load in additional expenses into UBI premiums.
- If data is not available immediately, proxy data can be used to analyse possible UBI pricing which would increase availability to insurer who lacks data
- Insurers should have the program available in all territories
- No limitations on discount structure and metrics collections resulting in a more competitive marketplace. Allows companies to be creative, innovate or similar.
- Insurers may be required to make policyholders aware that an affiliated insurer is offering a UBI program with a discount, per UDAP.
- Encourage open communication between industry & government body.

EXAMINER'S REPORT

- The candidates are expected to know the FSCO UBI.
- The candidates did well in part a, but had difficulty in part b.
- The candidates need to understand the article to answer the question.

Part a

- The candidate was expected to identify four elements that demonstrate FSCO's emphasis on transparency to the customers.
- Any four elements related to transparency to customers will obtain full credit.
- Elements related to privacy were not accepted as it is not allowed under privacy law.
- Elements related to transparency to FSCO were not accepted as this is what the question is asking.

Part b

- The candidate was expected to describe two ways the bulletin promotes a competitive UBI marketplace.
- Many candidates did not understand "competitive marketplace".
- Some candidates mistook competitive marketplace for competitive pricing.
- "UBI can be used for discount only" was not accepted as UBI is not only offered as a discount.
- "UBI makes pricing more competitive" was not accepted as this is again just repeating the question.