

EXAM 6 – CANADA, SPRING 2018

4. (2.5 points)

a. (1 point)

Provide a rationale for a government to embrace usage-based insurance programs (UBIP), but prohibit the use of personal credit score for personal automobile ratemaking purposes.

b. (0.75 point)

Identify three concerns FSCO has regarding UBIP.

c. (0.75 point)

Briefly describe three pieces of information that need to be clearly communicated to a UBIP consumer in Ontario.

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EXAM 6C SPRING 2018 SAMPLE ANSWERS AND EXAMINER'S REPORT

QUESTION 4	
TOTAL POINT VALUE: 2.5	LEARNING OBJECTIVE(S): A2
SAMPLE ANSWERS	
Part a: 1 point	
<p><u>Sample 1</u> The government allows the use of UBIP because the driver has control over the improvement of his/her driving behaviour. Also, UBIP can lead to fewer accidents and less congested roads. On the other hand, credit score can be largely dependent on one's social and economic status which could be out of the insured's control.</p> <p><u>Sample 2</u> UBIP will provide feedback on driver's driving habits and promote safe driving which can reduce losses. It benefits both the individual and the society; whereas, credit score is considered discriminatory to individuals such as young people and recent immigrants.</p> <p><u>Sample 3</u> UBIP provides discount only therefore it encourages affordability of insurance premium; on the other hand credit score can be used a surcharge or discount. Also, UBI promotes safe driving habits and less congested roads; while credit score can be seen as discriminatory to certain group of individuals.</p> <p><u>Sample 4</u> The relation of UBI information to losses is easily understood by insured and intuitive. Also, it is fair since it's based on insured's driving behaviour. Credit score's relation to losses is not as intuitive to insured and it is unfair to certain groups such as young insured and immigrant.</p>	
Part b: 0.75 point	
<p><u>Sample answers included any three concerns from the below:</u></p> <ul style="list-style-type: none"> • Participant needs to provide consent • The accuracy of the data being captured - Manipulation of UBI device (e.g., selectively turning if off) • Many drivers are using the same car; therefore may not reflect proper driving habit • Privacy and security of UBI data collected – is there invasion of driver's personal information • Storage of data after consumer terminates participation in a UBIP program • UBI can only offered as a discount to the premium • UBI data cannot be used to decline risk • UBI data cannot be used to confirm other rating variables • UBI data cannot be used for claim processing • Portability - how is UBI data transferrable from one insurer to another • Compliance with the Unfair or Deceptive Acts or Practices (UDAP) regulation 	

EXAM 6C SPRING 2018 SAMPLE ANSWERS AND EXAMINER'S REPORT

Part c: 0.75 point

Sample answers included any three pieces of information from below:

- What information is being collected
- What is the process to opt out of the UBIP
- How information are used in calculating the premium
- Who will have access to the data and under what condition will the data be shared with third parties
- How will the data be corrected when data is shown to be inaccurate
- What is the period being measured to calculate the discount
- What is the maximum and minimum discount applied
- Insurer will provide regular feedback on driving habits to the insured
- UBI cannot be used to decline risk
- UBI cannot be used for claim handing purpose
- The impact other driver of the vehicle can have on the premium
- The treatment of data after a policy is expired.
- The cost of the UBI device is covered by the insurer

EXAMINER'S REPORT

Candidates were expected to demonstrate an understanding of UBIP, including its benefits over credit score, potential concerns from FSCO and the necessary communication to consumers.

Part a

Candidates were expected to demonstrate an understanding of UBIP, including its benefits over credit score.

Common error included:

- Identifying the benefits of UBIP but failing to provide detail to support the benefit.
- Failing to provide the reasoning behind government prohibition of credit score.

Part b

Candidates were expected to identify FSCO's concern on UBIP.

A common error was identifying less than three concerns.

Part c

Candidates were expected to describe the information insurer is required to communicate to a UBIP consumer.

A common error included:

- Mentioning the need for a clear consent. The question stated that the insured is already a UBIP consumer so the expectation is that consent has already been provided.