

UBI-5: “Usage-Based Insurance from a Regulatory Perspective”

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2015 CAS RPM Seminar – March 10, 2015



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Overview

- General tips regarding good filing documentation
- Common regulatory issues
- Other specific UBI-related questions

What makes a good filing?

- Make sure filings comply with applicable state laws and regulations
 - WA requires UBI program to be part of policy
 - Some states require all consumer notices/disclosures to be filed
 - NJ and KS have statutes and/or regulations applicable to PPA territories.

What makes a good filing?

- Provide complete model description including all variables, formulas, weights, etc.
 - Scorecard helps to identify relative significance of variables
 - Filer is responsible for ultimately ensuring all necessary information is provided, even if model is from a 3rd party vendor.
 - Vendor vs. Insurer – who knows what?

What makes a good filing?

- Discuss the data set and analysis used to develop model
 - Is model based on actual driving data?
How much?
 - If not, provide other studies used.
 - Discuss expected timeframes for future data collection and program updates.

What makes a good filing?

- Explain how rating factors were developed
 - How were rating factors selected based on model results?
 - How were confidence intervals determined?
 - How does UBI relate to any existing variables, e.g. mileage or work/pleasure use?
 - Is UBI included in pricing GLM?

Regulatory Issues

- Anticipation of inquiries from consumers or legislators
 - How does the program work?
 - How to enroll / disenroll?
 - Consumer fees
 - Evaluation period
 - Is it optional?

Regulatory Issues

- Anticipation of complaints from consumers or legislators
 - Regulator must be able to state we have reviewed sufficient documentation supporting the proposal, even if trade secret/confidential.

Regulatory Issues

- Fairness
 - UBI does seem more fair than use of socioeconomic factors
 - Do individual variables “make sense” or are they just correlated in the model?

Regulatory Issues

- Consumer rate impacts
 - Discount only?
 - What is expected distribution?
 - Are there off-balances for non-participants?
 - Frequency of score updates – every renewal?
 - What is the range of changes and rate dislocations?

Regulatory Issues

- Privacy
 - Is there a GPS component?
 - Who has access to the data?
 - What are limitations on data uses for insurer and also 3rd parties?
 - Can data be used when there is a claim?
 - Provide copies of consumer notices and program agreements

Regulatory Issues

- Uniformity with Other States
 - Where has the program already been approved and for how long?
 - Helps regulator know who to ask about how issues may have been already addressed and if complaints have been received

Regulatory Issues

- Level playing field
 - If programs already approved for other insurers, subsequent filings are approved quickly if all documentation is provided.
 - Include references to other filings

Other UBI Questions

- Accuracy
 - How accurate are devices?
 - If using GPS, what is source of map data?
 - How is data verified?
 - What happens to “bad” data?

Other UBI Questions

- Territorial Rating Plans
 - Is there also a geographic component, i.e. where driven in addition to how driven?
 - Are any model variables highly correlated with urban drivers? How might this interact with territory rating?
 - Review applicable state laws/regulations

Summary

- PLEASE DO:
 - Visit DOI websites for information regarding filing requirements
 - Review any available competitor filings and regulator correspondence
 - Understand and document how you decided on what is proposed
 - Contact us – Phone, email, in person