

DECISION

**2025 NSRAB 81
M12255**

NOVA SCOTIA REGULATORY AND APPEALS BOARD

IN THE MATTER OF THE INSURANCE ACT

- and -

IN THE MATTER OF AN APPLICATION by **BELAIR INSURANCE COMPANY** for approval to change its rates and risk-classification system for private passenger vehicles

BEFORE: M. Kathleen McManus, K.C., Ph.D., Panel Chair
Darlene Willcott, LL.B., Member

APPLICANT: **BELAIR INSURANCE COMPANY**

FINAL SUBMISSIONS: July 28, 2025

DECISION DATE: **September 9, 2025**

DECISION: **Application is approved as modified.**

I INTRODUCTION

[1] On May 2, 2025, Belair Insurance Company (Belair) applied to the Nova Scotia Regulatory and Appeals Board (Board) to change its rates and risk-classification system for private passenger vehicles for belairdirect and Scotia Insurance which are the two brands under Belair. The company proposes to introduce a Usage-Based Insurance Program for private passenger vehicles, named “automerit” for belairdirect and “Smarter Ride” for Scotia Insurance. This program includes discounts for good driving behaviour and surcharges for poor driving behaviour. This program will be like the one used by Belair in Ontario.

[2] Belair also intends to include the relativities, that may potentially apply the equivalent of surcharges for poor driving behaviours and will off balance the expected impact of the program introduction to make it revenue neutral.

[3] The Board must consider whether the proposed rates and risk-classification system are just and reasonable and in compliance with the *Insurance Act (Act)* and its *Regulations*. The Board is satisfied that Belair’s application meets these requirements and approves the company’s proposed rates and risk-classification system, as modified.

II ANALYSIS

[4] Belair applied under the Board’s *Rate Filing Requirements for Automobile Insurance – Section 155G UBI Discount Program (Rate Filing Requirements)*. Since the filing of this application, Belair received and responded to Information Requests from Board staff. Board staff prepared a report to the Board with recommendations on the application (Staff Report). Before providing the Staff Report to the Board, Board staff

shared it with Belair. The company reviewed the report and informed Board staff that it had no further comments.

[5] During its review, the Board identified some questions that it required Belair to answer. Board staff discussed these issues with the company. The company provided its responses, which the Board considered.

Automerit and Smarter Ride Background

[6] Belair's business in Nova Scotia was formed by the merging of Trafalgar Insurance Company and Unifund Assurance Company policies. Both companies were under control by Intact Financial Corporation. Belair writes policies under two brands in Nova Scotia, belairdirect and Scotia Insurance. Scotia Insurance home and auto policies across Canada were underwritten by Unifund Assurance Company since 2018, under a "White Label" arrangement. These policies were converted into Belair when Trafalgar Insurance Company and Unifund Assurance Company policies were converted into Belair.

[7] Despite having a different name for each brand, namely "automerit" for belairdirect and "Smarter Ride" for Scotia Insurance, the pricing for both belairdirect and Scotia Insurance is the same for the Usage-Based Insurance Program. References in this decision to the Usage-Based Insurance Program apply equally to both brands.

[8] The Usage-Based Insurance Program that Belair will introduce is the same as that proposed for use by Intact in a current matter that is before the Board (M12245). As this is the first Usage-Based Insurance Program introduced by Belair, there are no issues or concerns with migrating from earlier versions that were identified for Intact.

Proposed Usage-Based Insurance Program

[9] Intact evolved its Usage-Based Insurance Program in Ontario and Quebec, and Belair will adopt the newer version of the program. The proposed program is not a pure discount program, but rather it will use rating relativities that can provide the equivalent of either a discount for good driving behaviour or a surcharge for poor driving behaviour.

[10] The Usage-Based Insurance Program will be administered through a smartphone application. To be eligible, the client must own a compatible smartphone and maintain a sufficient data plan to collect and communicate the data. The smartphone application allows information to be tied directly to a particular driver so that Belair can identify who is driving the vehicle. It allows the client to audit driving behaviour and potentially act to correct any negative behaviours to improve the discount. The program requires continuous monitoring.

[11] Belair, through Intact, approached Board staff to discuss the use of surcharges, which Intact uses currently in Ontario and Quebec. Belair provided evidence that shows that clients who receive a surcharge from the Usage-Based Insurance Program go on to improve their driving experience (leading to either a reduction or removal of the surcharge, or the replacement of the surcharge with a discount). The surcharge acts as an incentive for the driver to improve their driving behaviour. Some drivers do get worse, leading to a higher surcharge, while some stay at the current level.

Activation Discount

[12] Belair will offer an activation discount when a new business client enrolls in the Usage-Based Insurance Program. The discount applies to new business clients in

their first policy term, and the discount will apply only after one completed trip. This discount would apply for the entire new business policy term until renewal. At that first renewal, usage-based insurance experience collected would be used to determine the relativity to apply, and the activation discount would be removed. This approach to the activation discount aligns Nova Scotia with how Belair and Intact apply this discount in other provinces.

Usage-Based Insurance Predictive Model and Modeling Methodology

[13] The proposed Usage-Based Insurance Program predictive model is an improved version of the model that Intact is currently using with updates to the data evaluation period and the use of newer provider data in the modelling process. The changes also revamp the model algorithm. Belair, through Intact, built models for certain components which assigns several driving behaviour variables. The data collected on driving behaviour will be converted into a driving score.

[14] Intact, and thus Belair, explained how it developed the models and selected the various factors used to determine the overall driving score and relativities that will apply. The information supports the proposal. While the models rely heavily on the Ontario data, given the larger sample size that data provides, the use of that data seems appropriate.

[15] Board staff recommend the approval of the Usage-Based Insurance Program predictive model and modelling methodology. The Board agrees.

Reassessments

[16] Under the Usage-Based Insurance Program, Belair will only update the rating for a driver once a year at renewal. The company notes that clients will have access

to real-time information on their driving behavior and its potential impact on their premium through the smartphone application. This availability allows the driver to adjust or improve behaviour. This approach simplifies the adjustment process for Belair. The change is consistent with having the activation discount for new business apply throughout the full new business policy term.

[17] Board staff consider this approach reasonable. The Board agrees.

Use of Usage-Based Insurance Program Data after Termination or Unenrollment

[18] Belair's clients can leave the Usage-Based Insurance Program in one of two ways. Firstly, the client may select to quit the program, or secondly, Belair may terminate the client's access to the Usage-Based Insurance Program.

[19] If the client opts out or their policy is cancelled, the application stops collecting the driving behaviour data as of the unenrollment date (or the date the application was deleted from the client's smartphone if that was done before the unenrollment date).

[20] Belair notes that any data collected under the Usage-Based Insurance Program before the effective date of termination may be used to provide a premium adjustment at future renewals. For example, a client whose driving behaviour warrants a surcharge may not escape that impact by simply withdrawing from the program. The Terms of Use for the program clearly state this may occur, and the client will be made aware of that possibility before joining the program.

[21] Belair includes the ability to do this to avoid poor drivers opting out to get a lower rate than the program would assign. Based on the collected driving behaviour data, the company knows the risk is poor, and Belair will be able to recognize that result when

assigning premiums. Through this process, the company can avoid the risk of a client adversely selecting against it.

[22] The company notes there is no difference in treatment between clients who are receiving a surcharge or a discount. The client will receive the earned usage-based insurance adjustment following unenrollment, regardless of what that adjustment is. Again, this is clearly stated in the Terms of Use, and the client must agree to this before enrolling into the program.

[23] Belair further noted that the use of “may”, referencing the use of collected data before unenrollment, allows Belair to, in the future, change its rating algorithm and remove the use of this prior collected data. The company explained it has no intention of treating unenrolled clients with a discount differently than those with surcharge.

[24] The Board in its questions expressed concern about Belair using the usage-based insurance scores, and whether they would result in a discount or a surcharge in perpetuity post unenrollment. The Board asked the company if a limit on the use of this data should apply, often referred to as a “sunset clause”. Belair expressed a preference for no such limit on how long it could use the data. The company believes the score will be predictive for a long time and is collecting data to assess how long that score is predictive.

[25] While the Board appreciates that the usage-based insurance score may be predictive for a long time, the Board does not want to leave its use open-ended. The Board finds that Belair can use the usage-based insurance score for no more than six years post-unenrollment, after which the rating will exclude the usage-based insurance score. This limited usage applies to clients who remain with Belair after leaving the

program. It would also apply to a client who leaves Belair but returns before the six-year period expires. This approach allows Belair to protect itself against anti-selection by a client, who exhibited poor driving behaviours and had a surchargeable usage-based insurance score, from leaving and returning in an attempt to obtain the unsurcharged rates. The Board notes that if during its research Belair collects data that demonstrates the usage-based insurance scores remain predictive beyond six years post-unenrollment, then the company can in a future filing ask the Board to extend the time for use of the usage-based insurance scores.

[26] The client will be fully aware of the use of the prior collected data to assign a premium adjustment post unenrollment under the agreed upon Terms of Use for the program. While the Board is requiring a “sunset clause” for the use of the usage-based insurance scores, the current approved Terms of Use do not require amendment.

[27] Board staff recommend allowing Belair to use pre-unenrollment usage-based insurance scores after unenrollment to better match premiums to the risk but only for up to six years. The Board agrees.

Projected Uptake of the Usage-Based Insurance Program and Off-balancing of the Impact

[28] To make the expected impact of the implementation of the Usage-Based Insurance Program revenue-neutral, Belair had to make assumptions about the expected uptake of the program. Due to the limited experience in Nova Scotia, Belair relied on Intact's observed uptake of the program in Ontario and Quebec. In those provinces, Intact implemented processes with the introduction of the new Usage-Based Insurance Program that have proven successful in raising the uptake level.

[29] Intact implemented broker training on the Usage-Based Insurance Program. Intact also monitors take-up rates and follows up with brokers with lagging take-up results to ensure all clients have equal awareness of the program. The uptake rose significantly with these measures and Belair believes those processes would have similar impact here, as well.

[30] Based on that observation coupled with the limited exposures in Nova Scotia, Belair believes the Nova Scotia uptake levels would not be reasonable to use in the off-balancing calculation and, instead, Belair will use the average of the Ontario and Quebec uptake levels for the off-balancing.

[31] Board staff recommend the Board accept the expected uptake levels and the off-balancing calculations as proposed. The Board agrees.

Superintendent Review

[32] Under section 108 of the *Act* customer agreements must be approved by the Superintendent of Insurance. Belair received approval for its customer agreement for the new Usage-Based Insurance Program entitled “Terms of Use” from the Superintendent of Insurance. The company provided this information as a courtesy to the Board as it has no role in approving customer agreements.

III SUMMARY

[33] The Board finds that the application follows the *Act* and *Regulations*, as well as the *Rate Filing Requirements*.

[34] The Board finds the proposed rates and risk-classification system, as modified, are just and reasonable, and it approves them effective October 19, 2025, for new business and December 18, 2025, for renewal business.

[35] The financial information supplied by Belair satisfies the Board, under Section 155l(1)(c) of the *Act*, that the proposed changes, as modified, are unlikely to impair the solvency of the company.

[36] The application does not qualify to set a new mandatory filing date under the *Mandatory Filing of Automobile Insurance Rates Regulations*. The mandatory filing date for Belair for private passenger vehicles stays at November 1, 2026.

[37] Board staff reviewed Belair's Automobile Insurance Manual filed with the Board and did not find any instances where the Manual contravened the *Act* and *Regulations*. The company must file an electronic version of its Manual, updated for the changes approved in this decision, within 30 days of the issuance of the order in this matter.

[38] An Order will issue accordingly.

DATED at Halifax, Nova Scotia, this 9th day of September, 2025.



M. Kathleen McManus



Darlene Willcott