

**NOVA SCOTIA REGULATORY AND APPEALS BOARD**

**IN THE MATTER OF THE INSURANCE ACT**

**- and -**

**IN THE MATTER OF AN APPLICATION** by **INTACT 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:** **INTACT INSURANCE COMPANY**

**FINAL SUBMISSIONS:** July 28, 2025

**DECISION DATE:** **September 9, 2025**

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

## **I INTRODUCTION**

[1] On April 30, 2025, Intact Insurance Company (Intact) applied to the Nova Scotia Regulatory and Appeals Board (Board) to change its rates and risk-classification system for private passenger vehicles.

[2] Intact proposes modifications to its Usage-Based Insurance (UBI) Program. The changes reflect a move to a new version of this program which would maintain discounts for good driving behaviour but will introduce surcharges for poor driving behaviour. Intact will change its eligibility criteria for its activation discount, introduce a new algorithm, change the current discount approach to using a rating relativity, remove mid-term assessments and any associated usage-based Insurance rating updates, and will change the Terms of Use for the program. The new program will be like that used in Ontario and Quebec.

[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 Intact's application meets these requirements and approves the proposed changes to the company's rates and risk-classification system, as modified.

## **II ANALYSIS**

[4] Intact 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, Intact 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 Intact. The company reviewed the report and informed Board staff there was a typographical error. Board staff adopted this correction in the revised version of the Staff Report submitted to the Board. This correction did not impact the recommendations in the report. Board staff examined all aspects of the ratemaking procedure to make the recommendations in the Staff Report and suggested that the Board further review certain issues. During its review, the Board identified some questions that it required Intact to answer. Board staff discussed these issues with the company. The company provided its responses, which the Board considered.

[5] Intact currently offers a Usage-Based Insurance Program, **myDrive**, that provides a discount when a client signs up or enrolls. The program is 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.

[6] The smartphone application allows information to be tied directly to a particular driver so that Intact 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 to maintain the discount.

[7] Intact's Usage-Based Insurance Program came into effect on August 7, 2015, after receiving Board approval (2015 NSUARB 13). The Board approved a change to Intact's Usage-Based Insurance Program on October 16, 2019 (2019 NSUARB 117).

**Changes from Discounts to Rating Relativity including the Potential to Apply Surcharges**

[8] Intact proposes to update its Usage-Based Insurance Program to provide a discount for good driving behaviour or apply a surcharge for poor driving behaviour. As discussed above, the current program only provides discounts for good driving behaviour.

[9] Intact explained the switch from a discount only approach to the use of relativities, including surcharge potential and provided adequate support for the use of the proposed relativities, which will produce the equivalents of both surcharges and discounts.

[10] Intact examined experience under its Usage-Based Insurance Program from Ontario and Quebec, where the company has had the current form in place for some time. That experience demonstrated the appropriateness of using a relativity approach providing discounts and surcharges based on driving behaviour. This approach conforms with a goal of assigning premiums in relation to the risk posed by the driver. Intact's experience suggested the surcharges that should apply are higher than those included in the proposed program. As noted above, the company will continue to use a smartphone application for the collection of data.

[11] Board staff recommend the Board approve the switch to the use of rating relativities, including the potential for surcharges. The Board agrees.

**Change to Activation Discount Eligibility**

[12] Intact currently applies a discount when a client enrolls in the Usage-Based Insurance Program, whether that client is new or a renewing client. Intact proposes to limit the eligibility to the enrollment or activation discount to new business clients only.

The discount will only apply after one completed trip and would apply for the entire new business policy term until renewal. At that first renewal, the data collected would be used to determine the relativity to apply, and the enrollment discount would be removed. This change aligns Nova Scotia with how Intact applies this discount in Ontario and Quebec. Board staff recommend this element of the new program. The Board agrees.

### **Updates to the Predictive Model and Modelling Methodology**

[13] Intact explained its algorithm, and Board staff is satisfied that the algorithm does not include any of the prohibited risk factors in the *Matters Considered in Automobile Insurance Rates and Risk-Classification Systems Regulations*. As with the current program, the data collected on driving behaviour will be converted into a driving score. The algorithm then modifies the score by overlaying the distracted driving score algorithm to achieve the client score. This score is then used to determine the client's rating relativity, which could be a discount or surcharge. The program requires continuous monitoring to maintain the discount. The company reassesses the driving behaviour at regular set intervals to determine a new rating relativity, which may increase or decrease as a result. Intact explained that driving behaviour can change over time and locking in a discount may be inappropriate.

[14] While Intact will reassess the driving behaviour periodically to assign the new relativity, the client has continuous access to the impact of the driving behaviour on the relativity within the smartphone application. The client can use this information as motivation to maintain or improve driving behaviour.

[15] The proposed Usage-Based Insurance Program predictive model is an improved version of the current model with updates to the data evaluation period and use

of new provider data in the modelling process. Intact 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, whose data provides larger sample size, the use of that data seems appropriate.

[16] Board staff recommend the proposed changes to the Usage-Based Insurance Program predictive model and modelling methodology. The Board agrees.

### **Removal of Mid-Term Reassessments**

[17] Currently, Intact reviews the Usage-Based Insurance Program experience at the six-month point and makes a mid-term change to the level of discount provided. Under the proposed program, Intact will only update the Usage-Based Insurance Program rating for a driver once a year at renewal. Also, the activation discount will apply to the entire new business policy term until renewal. The relativity is updated annually at each renewal based on the most recent driving data available. Customers will have access to real time information on their driving safety.

[18] The change simplifies the adjustment process for Intact. The change also necessitates the extension of the activation or enrollment discount for new business throughout the full new business policy term.

[19] The removal of the mid-term assessment will reduce overall costs by eliminating mid-term changes. The Board staff consider this change reasonable and recommend the proposed change. The Board agrees.

### **Transition for Current Usage-Based Insurance Clients**

[20] Intact currently has two types of usage-based Insurance clients. The first category of clients signed up under the initial Intact Usage-Based Insurance Program in 2015. This program relied on a device (i.e., dongle) installed in the vehicle rather than a smartphone application. Those clients will continue to receive their merit-based discounts for as long as they stay enrolled in the program. They will receive the same earned discount until they cancel the policy and will continue to do so after the implementation of the new proposed program.

[21] The second category of clients are the current **my Drive** clients. These clients use their smartphones and receive the reassessments of their experience twice a year, at which point new discounts are determined. Intact intends to reach out to these clients, offering them a chance to transition to the new program. If they opt to move, they will be enrolled in the new version (after agreeing to the new Terms of Use) and will be subject to the terms and relativities associated with the new program. Intact notes the eligibility criteria for both versions are the same, so there should be no difficulty in moving to the new program. The current clients will see their current personalized or earned discount maintained at that level until their next renewal. After which, they will be subject to the relativity arising from the new program.

[22] Should a current client choose not to continue under the new program, the client will be removed from the program and will lose their current earned discount. Intact will disable or discontinue the current program once the transition process is complete. That is, there will be no further access to the current program or its discounts. Intact explained that it will not maintain the discounts for non-transitioning clients because each

Usage-Based Insurance Program must maintain its own infrastructure which is expensive. Board staff recommend this approach. The Board agrees.

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

[23] Intact proposes that clients can leave the proposed Usage-Based Insurance Program in one of two ways. Firstly, the client may select to quit the program, or secondly, Intact may terminate the client's access to the Usage-Based Insurance Program. If the client opts out or their policy is canceled, their access is terminated, and 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).

[24] Intact 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.

[25] The Board in its questions expressed concern about Intact 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". Intact 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.

[26] While the Board appreciates that the UBI score may be predictive for a long time, the Board does not want to leave its use open-ended. The Board finds that Intact can use the UBI score for no more than six years post-unenrollment, after which the rating will exclude the UBI score. This limited usage applies to clients who remain with Intact after leaving the program. It would also apply to a client who leaves Intact but returns before the six-year period expires. This approach allows Intact to protect itself against anti-selection by a client, who exhibited poor driving behaviours and had a surchargeable UBI score, from leaving and returning in an attempt to obtain the unsurcharged rates. The Board notes that if, during its research, Intact collects data that demonstrates the UBI 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 UBI scores.

[27] 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 UBI scores, the current approved Terms of Use do not require amendment.

[28] Board staff recommend allowing Intact to use pre-unenrollment usage-based insurance scores after post-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 the Off-balancing of the Impact**

[29] The company has made the expected impact of the implementation of the proposed Usage-Based Insurance Program revenue-neutral by making assumptions

about the expected uptake of the new version of the **myDrive** program and the expected adjustments relative to the current program.

[30] Due to limited experience in Nova Scotia, Intact relied on observed uptake of the program in Ontario and Quebec. Intact stated that with the introduction of the new version of **myDrive** in those provinces, it implemented broker training on the UBI Program. Intact monitors UBI 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 Intact believes those processes would have similar impact in Nova Scotia, justifying the use of expected uptake based on Ontario and Quebec.

[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. Intact 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 approves them effective November 18, 2025, for new business and December 18, 2025, for renewal business.

[35] The financial information supplied by Intact 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 Intact for private passenger vehicles stays at December 1, 2025.

[37] Board staff reviewed Intact's Automobile Insurance Manual filed with the Board and did not find any instances where the Manual contravened the *Act* and *Regulations*. Intact must file an electronic version of its Manual within 30 days of the issuance of the Order in this matter.

[38] An Order will issue accordingly.

**DATED** at Halifax, Nova Scotia, this 9<sup>th</sup> day of September, 2025.



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M. Kathleen McManus



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Darlene Willcott