

Office of the Superintendent of Insurance

Bulletin 2-2022

Property and Casualty Insurance Companies operating in Nova Scotia

Elimination of Best Terms Pricing Practices

June 15, 2022

The Office of the Superintendent of Insurance (OSI) in Nova Scotia is a member of the Canadian Council of Insurance Regulators (CCIR). CCIR is an inter-jurisdictional association of insurance regulators working to serve the public interest and to promote a fair, efficient regulatory system and to develop solutions to common regulatory issues in Canada.

In a news release dated December 2, 2020, the CCIR indicated the membership would review the use of Best Terms Pricing (BTP) in the commercial insurance market space. The review was based in part on the prior work of British Columbia and Alberta surrounding the impact of BTP on the strata/condominium subscription policies.

To understand the use and impact of BTP in the marketplace, a CCIR working group was established and engaged with industry. CCIR concluded BTP was being used in the broader commercial marketplace and while many insurers and brokers do not use BTP, we understand and encourage those who are in the process of moving away from the practice.

Under the practice of BTP in subscription policies, the premium payable is established based on the highest quote provided by any participating insurer. Therefore, the rate or risk allocation may not be reflective on an individual basis. This pricing mechanism can cause adverse premium inflation, is not transparent, and does not support the fair treatment of customers.

In December 2021, the CCIR issued a news release advising industry of regulators' position on best terms pricing. It was concluded that the use of BTP should cease to ensure fair and transparent pricing in the marketplace.

The OSI expects insurers to discontinue the practice of using BTP by January 2023.

Should you have any questions or concerns regarding the use of BTP please contact Jennifer Calder by email at Jennifer.Calder@NovaScotia.ca.