DriveAbility® Score 3.0 Actuarial Memorandum

The purpose of this filing is to describe and support Octo's DriveAbility® Score 3.0. All subscribing insurers of DriveAbility provide the driving data and insurance claims associated with their usage-based insurance (UBI) program participants to Octo. Octo hosts, stores, and analyzes this data for all subscribers in our DriveAbility database.

This filing includes the algorithm and support for DriveAbility Score 3.0. Pricing and product decisions are determined by each subscribing insurer. As such, all information pertaining to the application of the DriveAbility score and UBI product will be contained in the subscribing insurers filing including, but not limited to,

- premium discounts and surcharges,
- type and method of driving feedback to driver, and
- inclusion of any value-added services.

The DriveAbility Score is based on decades of experience in turning telematics data into insurance knowledge and has therefore been held confidential in all states. DriveAbility Score 1.0 was introduced in 2011, followed by Score 2.0 in 2014. There are two versions of the Score 1.0 and 2.0 scoring algorithms dependent on whether an insurer utilizes a device with GPS capabilities: GPS and non-GPS. These scores allowed DriveAbility subscribing insurance clients to immediately offer a discount to their UBI insureds. Score 1.0 is approved in over 25 states and Score 2.0 is approved in over 35 states. Analysis on the pool of data is ongoing.

With the introduction of Score 3.0, the score measurements take on customizable components which provide more flexibility to the marketplace. Score 3.0 is constructed in a way that any of the components can be included or removed from the calculations of the risk index and consumer score for each DriveAbility client's account. As with Score 1.0 and 2.0, the options of a GPS or Non-GPS configuration are available, enabling a client to upgrade from Score 1.0 or 2.0 to Score 3.0 and maintain a comparable score configuration (e.g., GPS or non-GPS) going forward.

The DriveAbility Score rewards risk-adverse driving behavior such as low annual mileage, stable and passive driving, and avoidance of high-risk travel times. With Score 3.0, additional segmentation was incorporated as supported by the DriveAbility database. These enhancements support new choices in using the score components to meet the needs of clients and their insureds.

Please note that while DriveAbility Score 3.0 is a successor to Score 1.0 and 2.0, it is not a replacement. All score versions will remain available to our subscribing clients, for as long as they are utilizing the scores in rating.