

# Announcement on the Revision of the Reference Loss Cost Rates for Voluntary Automobile Insurance

(GIROJ filed the revision with the Commissioner of the Financial Services Agency on May 11, 2017, and was notified of the result of the conformance examination on May 30, 2017.)

## 1. Outline of the revision

- (1) The Reference Loss Cost Rates for voluntary automobile insurance will decrease by 8.0% on average<sup>\*1 \*2</sup>.**
- (2) Rate differentials among rating classifications, which are set to reflect individual risks, will be reassessed for some rating factors.**

\*1 The revision rate of the premium charged to each contract will be different from the percentage noted above for the following reasons:

- ① The revision rate noted above represents the average for overall contracts. The revision rate will differ, depending on the conditions of individual contracts such as use and type of automobile, coverage, and insured amount. As such, the premium of a certain contract may increase.
- ② The Reference Loss Cost Rates are the advisory rates for the portion of premium rates that are allocated for future claim payments by insurers. When a member insurer of GIROJ calculates own premium rates, it can refer to the Reference Loss Cost Rates and modify these if necessary, depending on its underwriting result or product characteristics. Furthermore, it can calculate premium rates independently.
- ③ Premiums charged to policyholders include expense loading, which is allocated for insurers' business expenses, etc. This portion is calculated by insurers themselves.

\*2 Certain areas are excluded

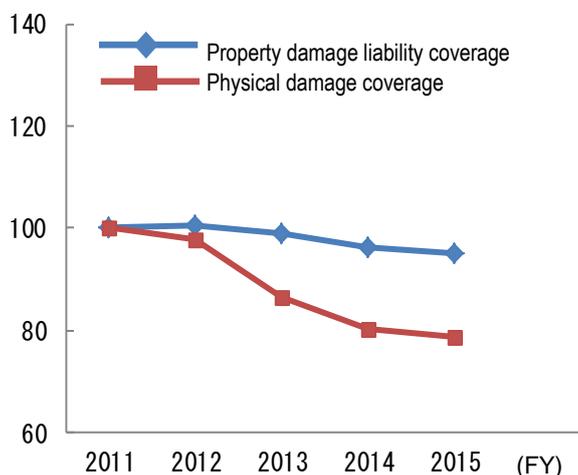
## 2. Background of the revision

### Key fact about (1): Decrease in claims paid per insured automobile

Recently, the claims paid per insured automobile under the coverage for property damage liability and physical damage have decreased. The diffusion of advanced safety vehicle (ASV), i.e. automobiles equipped with the safe driving support systems such as an autonomous emergency braking system, is said to contribute to this trend.

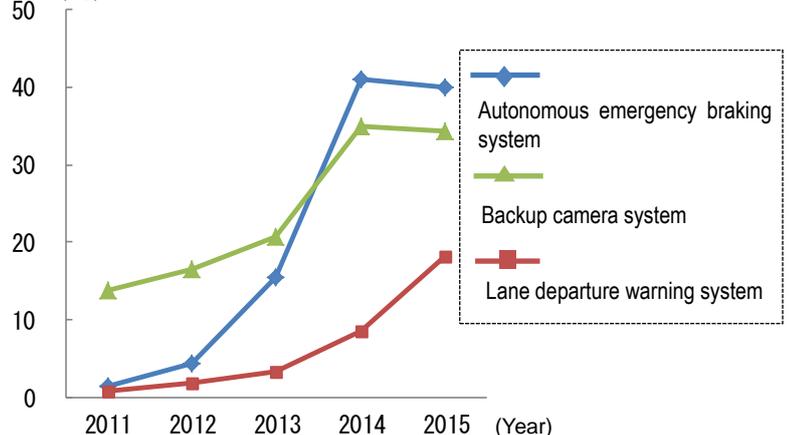
**Trend in claims paid per insured automobile**

(100 represents the value in fiscal year 2011)



**Trend in the percentage of automobiles equipped with ASV technology among the total number of automobiles manufactured**

(%)



(Note 1) Based on the "Survey on Prevalence of ASV Technology" issued by the MLIT

(Note 2) Percentages are calculated by dividing "the number of automobiles equipped with ASV technology" by "the total number of automobiles manufactured"

**Key fact about (2): Update of underlying data and improvement of reasonableness of risk classification**

In terms of the following rating factors, the rate differentials are reassessed based on the updated underlying data. Furthermore, classification schemes are restructured with the aim to improve the reasonableness of the classification.

① Rating factor based on the scope of drivers – Limited range of drivers –

**Coverage for “family members only” will be abolished.**

The pre-revised Reference Loss Cost Rates classified the scope of drivers into three groups: “no limitation,” “family members only,” and “insured and his/her spouse only.”

	Scope of drivers (○:Covered; ✕:Uncovered)			
	(i) Insured and his/her spouse	(ii) (i)'s relatives living together	(iii) (i)'s unmarried children not living together	(iv) Friends, etc. (Other than those on the left)
No limitation	○	○	○	○
Family members only <u>Abolished</u>	○	○	○	✕
Insured and his/her spouse only	○	✕	✕	✕

Of these three groups, the risk relativity between “no limitation” and “family members only” had gradually diminished, and it was not observed in the underwriting result for fiscal year 2015. Therefore, the option of limiting the range of drivers to “family members only” is abolished. The following factors are considered as the social background of such situations:

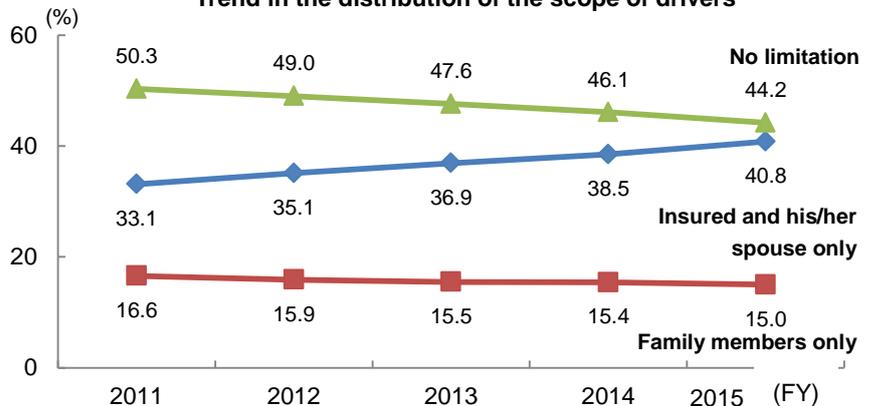
- Shifting of contracts with “family members only” coverage to the “insured and his/her spouse” coverage due to the change in household composition, people’s lifestyles, and so forth.
- Decrease in opportunities to lend an automobile to non-family members such as “friends, etc.” who are not covered by the “family members only” coverage.

**Trend in risk relativity between contracts with “no limitation” and limitation of drivers to “family members only”**

Revision year	Risk relativity
1970 (Installed)	0.90
1998	0.95
2003	0.97
2014	0.99
2017 (This time)	None Classification is abolished

(Note) In 2009, the option of limitation of drivers to “the insured and his/her spouse only” was introduced.

**Trend in the distribution of the scope of drivers**

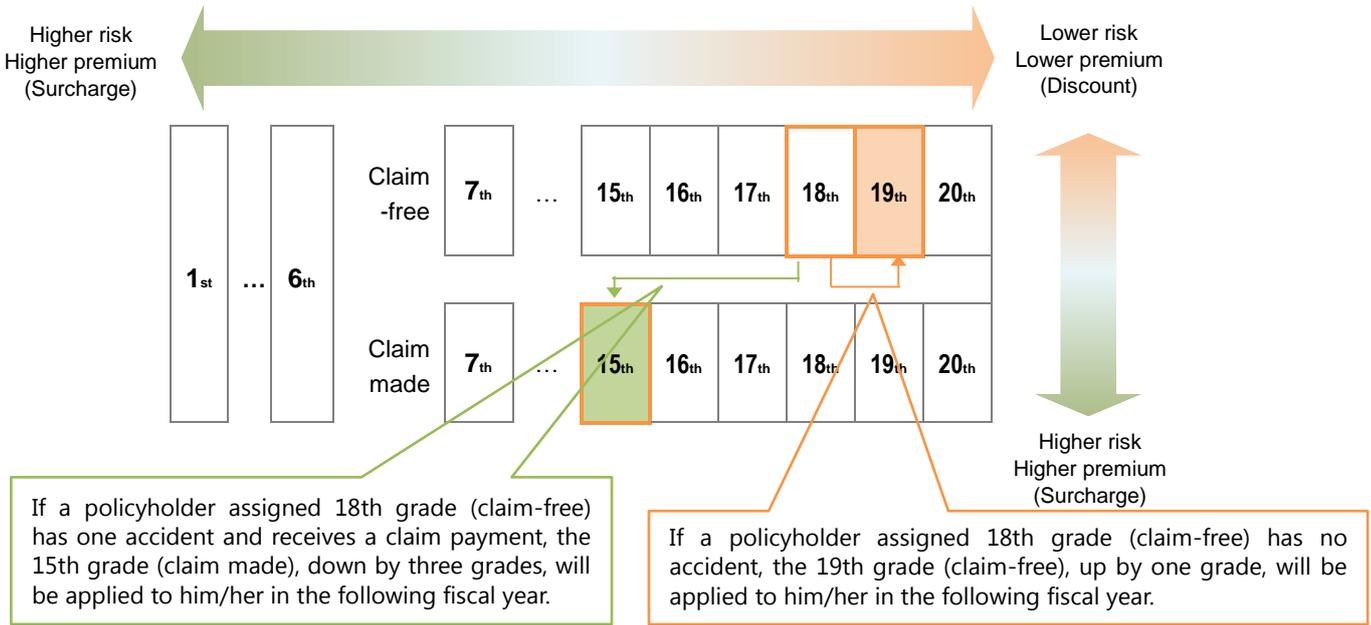


(Note) In the case of bodily injury liability coverage

② Rating factor based on the driver's claim history - no claim discount (NCD) grade for non-fleet contract -

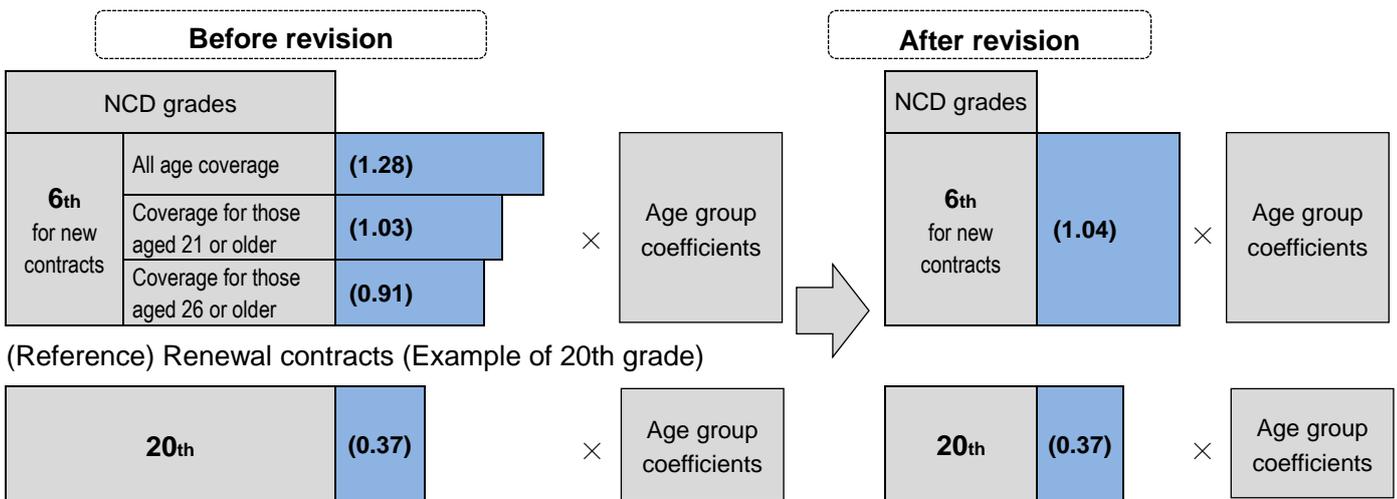
**Age classification applied to new contracts in the NCD grade for non-fleet contract will be abolished.**

NCD grade is assigned based on the claim history of a policyholder, namely, years of no claim and the number of claims.



On the other hand, in the case of a new policyholder who has no claim history, an initial grade of 6<sup>th</sup>\* is uniformly applied. Due to the prominently high risk of new contracts among youths, the initial grade has been subdivided by covered age groups, that is, all ages, those aged 21 or older, and those aged 26 or older. Risk relativities among covered age groups, however, are also observed in the NCD grades other than 6<sup>th</sup> or 7<sup>th</sup> grade for new contracts presently. Considering that the current classification scheme is deemed inappropriate from the viewpoint of fairness between a new contract and the existing one, the subdivision of NCD grades for a new contract by covered age groups is abolished.

**<Risk classification for new contracts>**



(Note) Values shown in ( ) represent NCD grade coefficients.

\*In the case where there are two or more insured automobiles and the other conditions are fulfilled, the initial grade of 7<sup>th</sup> (coefficient: 0.66) is assigned to a new contract for the existing first contract.

### 3. Examples of revision rates\*

The following are the revision rates for certain conditions. Note that all figures in the following table represent the revision rates of the Reference Loss Cost Rates.

The revision rates of the gross premium charged to policyholders will not be equal to them.

#### (Example 1) Private standard / small-sized passenger automobile

Policy package	Driver's age		Limited range of drivers			
	Scope of age covered	Age of named insured	Insured and his/her spouse only	Family members only (⇒No limitation)	No limitation	
<b>Bodily injury liability</b> + <b>Property damage liability</b> + <b>Passenger's personal accident</b>	All-age	—	▲ 8.3%	▲ 8.3%	▲ 9.2%	
	21 or older	—	▲ 9.1%	▲ 9.2%	▲ 10.1%	
	26 or older	29 or younger		▲ 6.4%	▲ 6.2%	▲ 7.1%
		30–39		▲ 7.0%	▲ 6.8%	▲ 7.7%
		40–49		▲ 8.4%	▲ 8.2%	▲ 9.2%
		50–59		▲ 8.7%	▲ 8.5%	▲ 9.4%
		60–69		▲ 13.9%	▲ 13.7%	▲ 14.6%
70 or older		▲ 5.4%	▲ 5.2%	▲ 6.1%		

<b>Bodily injury liability</b> + <b>Property damage liability</b> + <b>Passenger's personal accident</b> + <b>Physical damage</b>	All-age	—	▲ 10.5%	▲ 10.5%	▲ 11.4%	
	21 or older	—	▲ 11.3%	▲ 11.3%	▲ 12.2%	
	26 or older	29 or younger		▲ 10.5%	▲ 10.3%	▲ 11.2%
		30–39		▲ 11.4%	▲ 11.2%	▲ 12.1%
		40–49		▲ 13.1%	▲ 12.9%	▲ 13.8%
		50–59		▲ 13.0%	▲ 12.8%	▲ 13.7%
		60–69		▲ 16.3%	▲ 16.1%	▲ 17.0%
70 or older		▲ 6.1%	▲ 6.0%	▲ 6.9%		

#### [Conditions]

##### □ Fleet / Non-fleet

Non-fleet contract <sup>(Note1)</sup>

##### □ Model-based group rating class

- Bodily injury liability: 4
- Property damage liability: 4
- Passenger's personal accident: 4
- Physical damage: 4

##### □ Autonomous emergency braking system

Not equipped

##### □ New automobile or others

Others

##### □ NCD grade for non-fleet contract

- 20th
- Duration of claim-made coefficients <sup>(Note 2)</sup>: 0

##### □ Insured amount / deductible

- Bodily injury liability: Unlimited
  - Property damage liability: Unlimited (no deductible)
  - Passenger's personal accident:
    - [Death / Permanent disability] JPY 10 million
    - [Hospitalization] JPY 10,000/day
    - [Outpatient] JPY 5,000/day
  - Physical damage: JPY 1.5 million (no deductible)
- All-risk coverage

(Note 1) The number of insured automobiles is 9 or less

(Note 2) Under the NCD grade system for non-fleet contracts, if a policyholder receives a claim payment, claim-made coefficients that have smaller discount will be applied to his/her succeeding contract. If the duration of claim-made coefficients is 0, claim-free coefficients are applied.

\* Figures in this document are not applied to a certain territory (area)

**(Example 2) Private light four-wheeled passenger automobile**

Policy package	Driver's age		Limited range of drivers			
	Scope of age covered	Age of named insured	Insured and his/her spouse only	Family members only (⇒No limitation)	No limitation	
<b>Bodily injury liability</b> + <b>Property damage liability</b> + <b>Passenger's personal accident</b>	All-age	—	+7.3%	+7.3%	+6.2%	
	21 or older	—	+5.5%	+5.4%	+4.3%	
	26 or older	29 or younger		+8.3%	+8.6%	+7.5%
		30–39		+7.1%	+7.3%	+6.3%
		40–49		+5.1%	+5.3%	+4.3%
		50–59		+5.0%	+5.2%	+4.1%
		60–69		▲0.6%	▲0.4%	▲1.4%
		70 or older		+9.2%	+9.4%	+8.3%

<b>Bodily injury liability</b> + <b>Property damage liability</b> + <b>Passenger's personal accident</b> + <b>Physical damage</b>	All-age	—	+0.9%	+0.9%	▲0.2%	
	21 or older	—	▲0.2%	▲0.3%	▲1.3%	
	26 or older	29 or younger		+0.9%	+1.0%	+0.0%
		30–39		▲0.3%	▲0.2%	▲1.2%
		40–49		▲2.4%	▲2.2%	▲3.2%
		50–59		▲2.3%	▲2.1%	▲3.1%
		60–69		▲6.0%	▲5.9%	▲6.8%
		70 or older		+5.1%	+5.3%	+4.2%

**[Conditions]**

□ **Fleet / Non-fleet**

Non-fleet contract <sup>(Note1)</sup>

□ **Autonomous emergency braking system**

Not equipped

□ **Insured amount / deductible**

- Bodily injury liability: Unlimited
- Property damage liability: Unlimited (no deductible)
- Passenger's personal accident:
  - [Death / permanent disability] JPY 10 million
  - [Hospitalization] JPY 10,000/day
  - [Outpatient] JPY 5,000/day
- Physical damage: JPY 0.75 million (no deductible)

All-risk coverage

□ **NCD grade for non-fleet contract**

- 20th
- Duration of claim-made coefficients <sup>(Note 2)</sup>: 0

(Note 1) The number of insured automobiles is 9 or less

(Note 2) Under the NCD grade system for non-fleet contracts, if a policyholder receives a claim payment, claim-made coefficients that have smaller discount will be applied to his/her succeeding contract. If the duration of claim-made coefficients is 0, claim-free coefficients are applied.

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