

Announcement on Revision of Reference Loss Cost Rates for Fire Insurance

(GIROJ filed the revision with the Commissioner of the Financial Services Agency on May 21, 2018 and was notified of the result of the conformance examination on June 15, 2018.)

1. Outline of revision

Reference Loss Cost Rates for Homeowners' Comprehensive Insurance increase by 5.5% on average.*

* This percentage change does not represent those of premiums charged to respective policyholders in practice. The premium applicable to each insurance contract varies depending on whether an insurer adopts Reference Loss Cost Rates and on characteristics of the insurance product (types and contents of coverage, etc.) of the insurer.

<<Notes>>

- ① Reference Loss Cost Rates are advisory rates for the portion of premium rates that are allocated for future claim payments by insurers. When a member insurer of GIROJ calculates its own premium rates, it can refer to Reference Loss Cost Rates and modify these if necessary, depending on its underwriting result or product characteristics. Furthermore, it can calculate premium rates independently. (Refer to <Reference Loss Cost Rates> in this document)
- ② Premiums charged to policyholders include expense loading, which is allocated for insurers' business expenses, etc. This portion is calculated by insurers themselves.
- ③ This percentage change is based on the premise that policy conditions of Homeowners' Comprehensive Insurance are the same before and after the revision.
- ④ This percentage change represents the average for all contracts with various policy conditions (prefecture, construction class, etc.). Therefore, percentage changes of individual contracts vary depending on their policy conditions.

2. Background of revision

Increase in claims related to natural disasters and water damage from plumbing

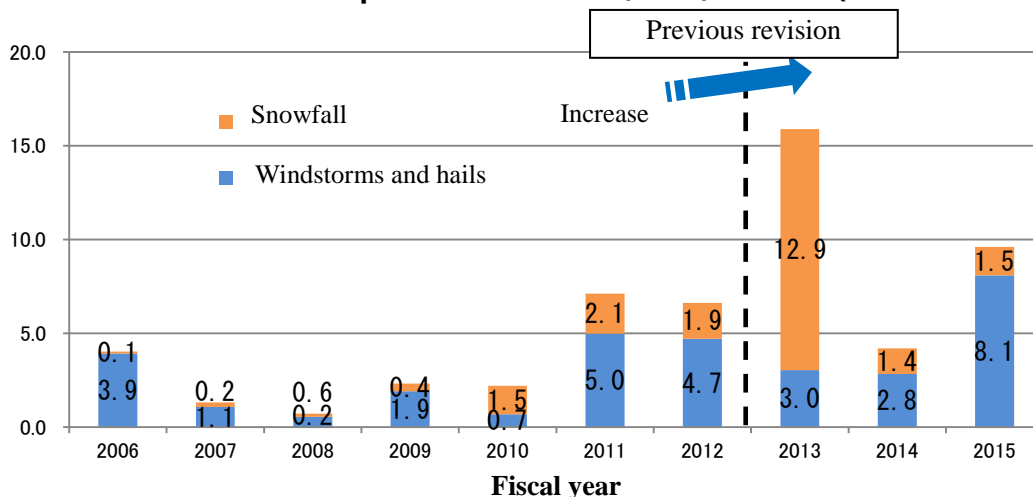
Increase in claims related to natural disasters

Since the previous revision^{*1}, the amount of claims paid^{*2} has been increasing due to large-scale snowfall in fiscal year 2013 (which damaged the Kanto and Koshin areas), Typhoon No.15 (Goni) in 2015 (which damaged the Kyushu area), and other natural disasters.

*1 As for the previous revision, GIROJ filed Reference Loss Cost Rates which was calculated based on historical data up to fiscal year 2012 with the Commissioner of the Financial Services Agency in June, 2014.

*2 The amount of claims paid is based on GIROJ's insurance statistics (the same shall apply to the following).

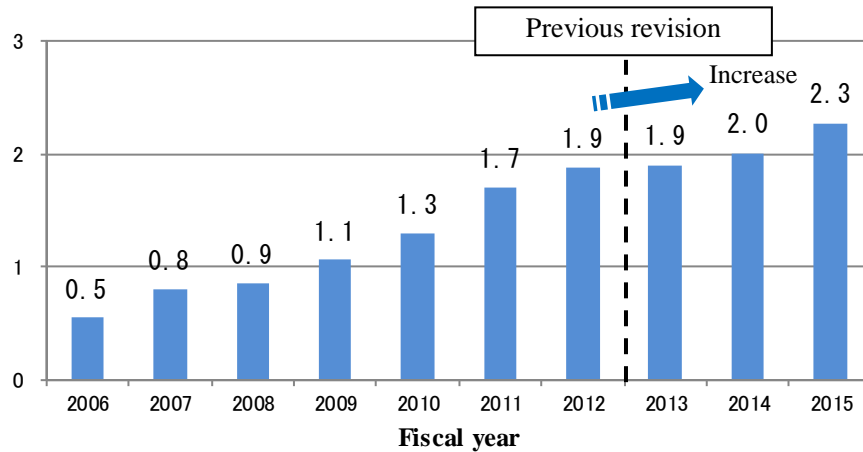
Trend in amount of claims paid for windstorms, hails, snowfall (Unit: Ten billion yen)



Increase in claims related to water damage from plumbing

The amount of claims paid for water damage from plumbing due to accidents in water pipes caused by freezing in winter or deterioration has been increasing.

Trend in amount of claims paid for water damage from plumbing(Unit: Ten billion yen)



3. Examples of percentage changes

The following are percentage changes in Reference Loss Cost Rates^{*1} for each construction class^{*2} in the case where the insured amount is 20 million yen for buildings and 10 million yen for household properties.

This table shows examples of Tokyo, Osaka, and Aichi prefecture (three major metropolitan areas) as well as prefectures with the largest/smallest changes in this revision among the 47 prefectures.

	Class M		Class T		Class H	
	Prefecture	Percentage change (%)	Prefecture	Percentage change (%)	Prefecture	Percentage change (%)
Three major metropolitan areas	Tokyo	+20.4	Tokyo	+ 6.3	Tokyo	+ 6.2
	Osaka	+12.0	Osaka	+ 1.8	Osaka	▲ 2.6
	Aichi	+ 7.2	Aichi	▲ 1.5	Aichi	▲ 9.8
Largest	Kagoshima	+40.1	Kumamoto	+24.4	Kumamoto	+25.9
Smallest	Ehime	+ 4.1	Mie	▲ 8.7	Mie	▲17.3

*1 This table only shows percentage changes in Reference Loss Cost Rates. Therefore, the changes in premiums corresponding to actual contracts are not equal to these changes.

*2 Construction class

Class M : Reinforced concrete apartment buildings

Class T : Fire-resistant buildings (e.g. steel construction)

Class H : Buildings not classified into Class M or T (e.g. wooden construction)

~ Reference ~

Among the fire insurance for which GIROJ calculates Reference Loss Cost Rates, Homeowners' Comprehensive Insurance, which is a type of personal fire insurance, mainly covers the followings.

Fire, lightning, and explosion

- Fire burns the house.
- Lightning with high voltage damages household goods such as televisions and microwave ovens.
- Gas leakage causes an explosion.



Natural disasters

- A typhoon or tornado blows away the roof.
- Hail creates a hole in the roof.
- Heavy snow causes damage to the building.
- Flood from heavy rains inundates the house above the floor level.



Other perils

- Household goods are stolen or a lock or a window is broken by a thief.
(If cash is stolen, compensation is also applied, but there is the upper limit of claim to be paid)
- Leakage from a water pipe floods the floor.
- A car runs into the building.
- Violent acts during a demonstration causes damage to the building.



<Reference Loss Cost Rates>

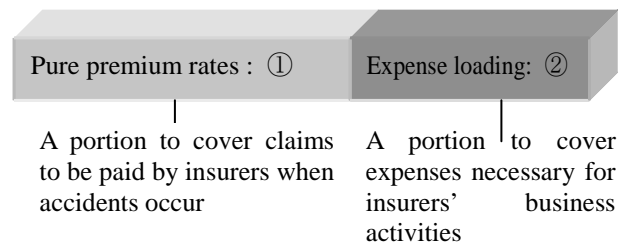
Premium rates for general insurance products consist of “① pure premium rates,” which is a portion to cover claims to be paid by insurers when accidents occur, and “② expense loading,” which is a portion to cover expenses necessary for insurers' business activities.

GIROJ calculates “① pure premium rates” and provides them as Reference Loss Cost Rates to its member insurers.

A member insurer of GIROJ can adopt Reference Loss Cost Rates with modification if necessary, or it can calculate pure premium rates independently.

It is not obligatory for member insurers to adopt Reference Loss Cost Rates, and the decision about the revision of Reference Loss Cost Rates (adoption of the revised rates, timing to adopt the revised rates, etc.) may differ among the insurers.

GIROJ calculates Reference Loss Cost Rates for voluntary automobile insurance, fire insurance, personal accident insurance, and nursing care expenses insurance. GIROJ calculates each Reference Loss Cost Rate using reasonable methods including scientific and engineering approaches as well as actuarial techniques. GIROJ revises the Reference Loss Cost Rates if necessary, considering the necessity of policyholders and the change of social environments.



$$\text{Premium rates} = \text{①} + \text{②}$$

About GIROJ

GIROJ is a legal entity incorporated in accordance with the Act on Non-Life Insurance Rating Organizations. The members of GIROJ are general insurance companies. The main operations of GIROJ are: ① calculation of premium rates and provision to member insurers, ② claim surveys for Compulsory Automobile Liability Insurance, and ③ the data bank function.