

# Outline of Model-Based Group Rating System for Voluntary Automobile Insurance (for policies commencing on and after January 1, 2020)



## What is the model-based group rating system?

### Risk classification factors in voluntary automobile insurance

The frequency and severity of accidents depend on various factors, such as use of automobile (passenger or cargo, private or business, etc.), type of automobile (standard-size, small-size, light-type, etc.), driver's age, and past accident record.

For this reason, various risk classification factors are adopted in voluntary automobile insurance so that premiums differ according to the respective factors, such as use and type of automobile, driver's age, and past accident (claim) record. The model-based group rating system is one of the classification methods.

### Model-based group rating system

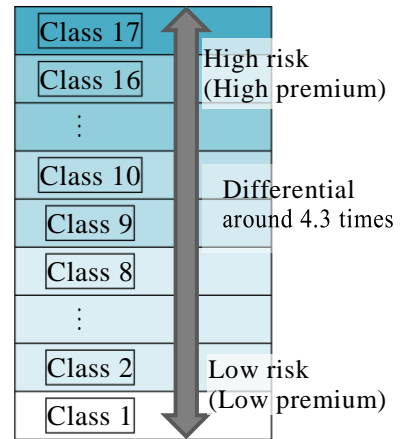
The model-based group rating system is a scheme for classifying automobiles to be insured according to their risks. From the perspective of voluntary automobile insurance, the risk of each automobile varies with its characteristics, such as body style, structure, equipment, and performance, as well as the characteristics of drivers. To reflect the risk differentials in the premiums, risks of automobiles are assessed according to the models, which are divided into several classes.

For private standard- and small-size passenger automobiles and private light four-wheeled passenger automobiles, the classes are set separately for each coverage type, such as bodily injury liability, property damage liability, passengers' personal accident, and physical damage.

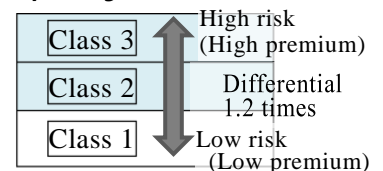
For private standard- and small-size passenger automobiles, their models are divided into 17 classes, Class 1 to Class 17. The premium is the lowest for Class 1 and the highest for Class 17. The differentials of premium rates between two adjacent classes are around 1.1 times. The differential of premium rates between the lowest and the highest class is around 4.3 times.

For private light four-wheeled passenger automobiles, their models are divided into three classes, Class 1 to Class 3. The differentials of premium rates between two adjacent classes are around 1.1 times. The differential of premium rates between the lowest and the highest class is 1.2 times.

(For private standard-and small-size passenger automobiles)



(For private light four-wheeled passenger automobiles)



### Models (Vehicle models)

A model is an official unit of automobiles that classifies them based on their basic structure and other factors. The model is indicated in the vehicle inspection certificate. The "model" mentioned in this document corresponds to a string of characters excluding the identification code regarding automotive exhaust gas regulations and the hyphen (-).

#### < Description of the model on the face of a vehicle inspection certificate (sample for private passenger automobile)>

自動車検査証		平成 年 月 日	東京運輸支局 印
自動車検査証番号又は車両番号/自動車予備検査証番号	懸検年月日/交付年月日	初受登録年月	自動車の種別
平成 年 月 日	平成 年 月 日		用途
車名	乗車定員	最大積載量	車両重量
	人	kg	kg
車台番号	長さ	幅	高さ
		前軸軸重	前軸軸重
		後軸軸重	後軸軸重
型式	型式 (Model)		
所有者の氏名又は名称	DBA-ABC123		
所有者の住所	The "model" mentioned in this document corresponds to the string of characters enclosed by the red line.		
使用者の氏名又は名称			
使用者の住所			
使用の本拠の位置			
有効期限の満了する日	平成 年 月 日	平成 年 月 日	
備考			



**[For private standard- and small-size passenger automobiles]**  
**How does the model-based group rating system function?**  
**How are the classes determined?**

Every year in January, General Insurance Rating Organization of Japan (GIROJ) reviews whether the actual risk of each model, which is assessed from recent insurance data, corresponds to the allocated class, and re-allocates the class if required (i.e., re-classification). If the class allocated to each model corresponds to the most recent actual risk, the class will stay the same. However, if the class does not correspond to the most recent actual risk, the class will go up or go down.

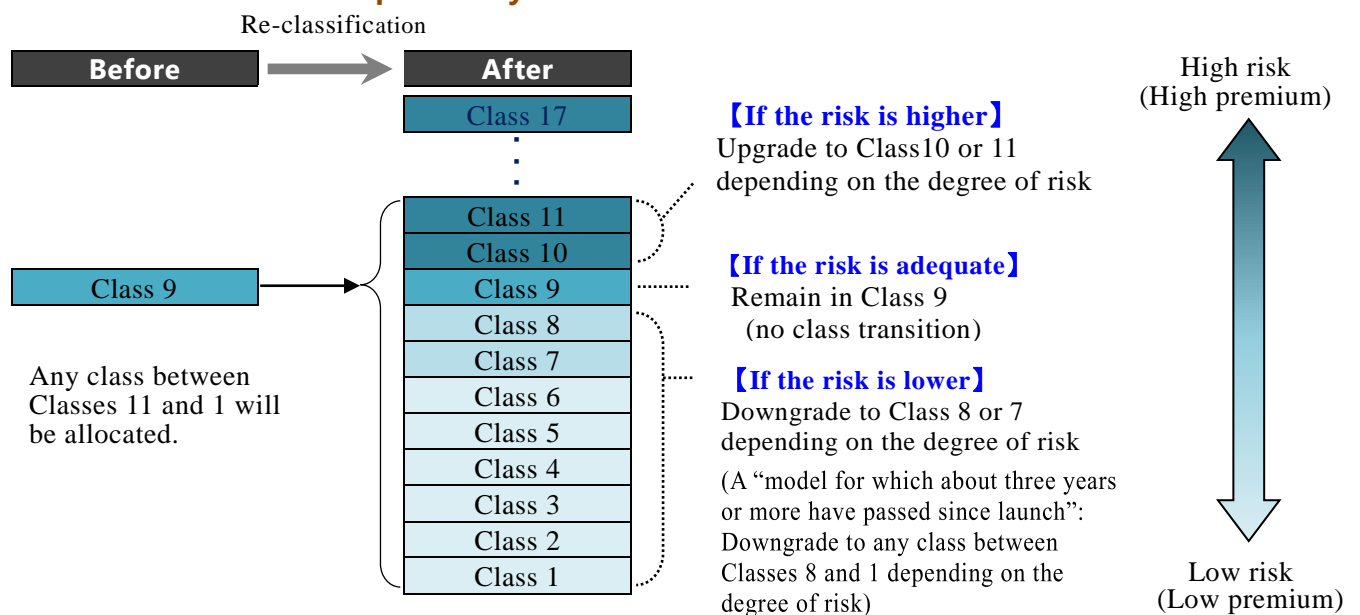
If the actual risk of a model is assessed to be lower (higher), the class will go down (up) one or two grades depending on the degree of risk.

Exceptionally, regarding “models for which about three years or more have passed since launch,” the range of class transition will be differentiated from the other models, in order to promptly adjust premiums. Specifically, if the actual risk of a model is assessed to be lower, the class may go down three grades or more depending on the degree of risk.

As for newly launched models, the class is allocated according to engine displacement, vehicle’s price, and so on. This is because sufficient insurance data have not been accumulated for the models.

**<Examples of class transitions of private standard- and small-size passenger automobiles>**

**■ In case that Class 9 is previously allocated**



\* The model-based group rating system is complemented by other risk classification factors such as “whether vehicles are equipped with autonomous braking system (AEB)” and “whether the vehicles are new.”



**[For private light four-wheeled passenger automobiles]  
How does the model-based group rating system function?  
How are the classes determined?**

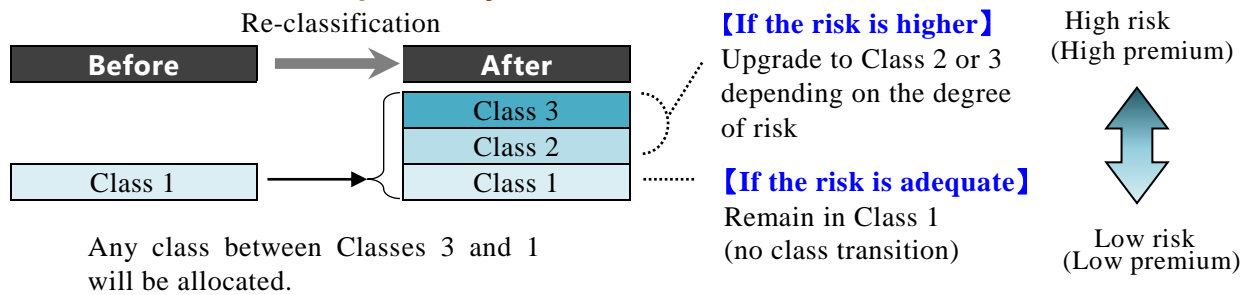
As with private standard- and small-size passenger automobiles, GIROJ reviews whether the actual risk of each model, which is assessed by recent insurance data, corresponds to the allocated class, and re-allocates the class if required (i.e., re-classification). If the class allocated to each model corresponds to the most recent actual risk, the class will stay the same. However, if the class does not correspond to the most recent actual risk, the class will go up or go down.

If the actual risk of a model is assessed to be lower (higher), the class will go down (up) one or two grades depending on the degree of risk.

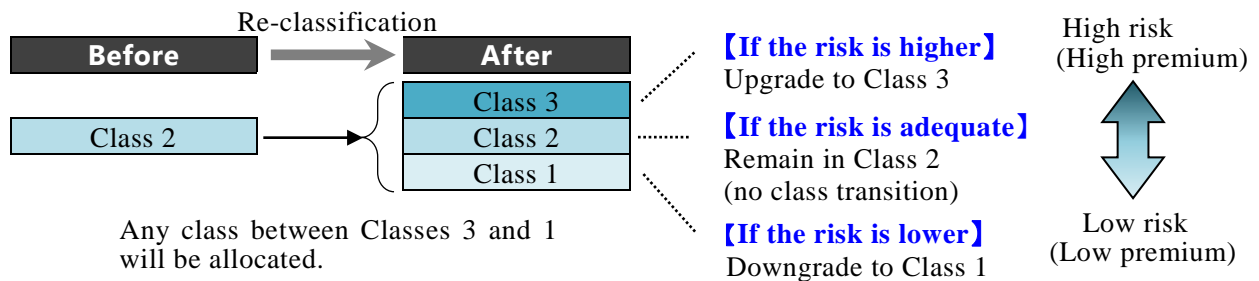
For newly launched models, Class 2 is allocated uniformly.

**<Examples of class transitions of private light-four wheeled passenger automobiles>**

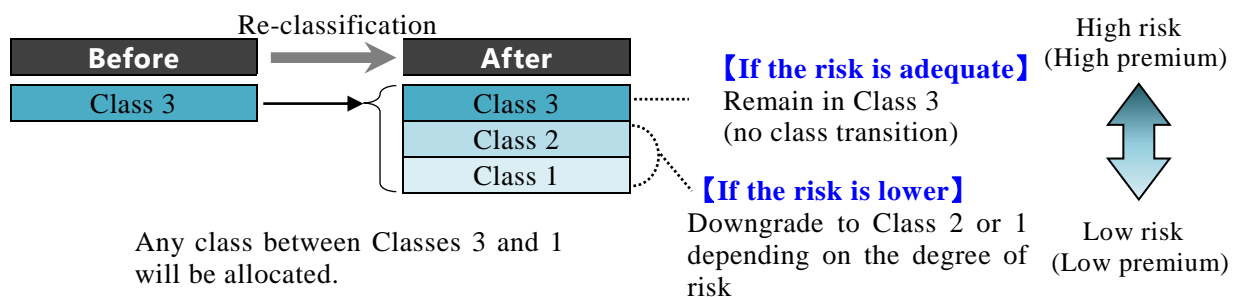
**■ In case that Class 1 is previously allocated**



**■ In case that Class 2 is previously allocated**



**■ In case that Class 3 is previously allocated**



\* The model-based group rating system is complemented by other risk classification factors such as “whether the vehicles are equipped with AEB.”



## Frequently Asked Questions

**Q 1** Do all the insurance companies follow the classes determined by GIROJ?

**A 1** The classes provided by GIROJ are components of Reference Loss Cost Rates. Each insurer is given the discretion to decide whether or not to adopt the classification.

**Q 2** Why is the annual re-classification required?

**A 2** Since the actual risk of each model, which is based on insurance data, changes constantly in accordance with the social environment, the allocated classes do not always remain appropriate. GIROJ reviews and reallocates the classes annually to ensure that the classification reflects the latest trend in the occurrence of accidents and that the policyholders' premium burdens are fairly determined.

**Q 3** Why is the model-based group rating system applied only to private standard- and small-size passenger automobiles and private light four-wheeled passenger automobiles?

**A 3** Such types of automobiles account for a large portion of the automobiles in use. Moreover, their features, such as body style, structure, equipment, and performance, have diversified, so that their risk profiles, determined from insurance data, differ among models.

**Q 4** Are vehicles of different models but with similar performance levels given the same class?

**A 4** All the classes are determined by the actual risk of each model based on insurance data. Differences in terms of safety performance and other standards as well as user groups affect the actual risks. Therefore, even if two vehicles have similar performance levels, their classes may differ. For example, the models of OEM vehicles (those produced by a manufacturer and sold by others under their brands) vary from one manufacturer to another, and different classes may be allocated to them according to factors, such as user group differences among the models.

**Q 5**

**Why does my vehicle’s class go up even though I haven’t caused an accident?**

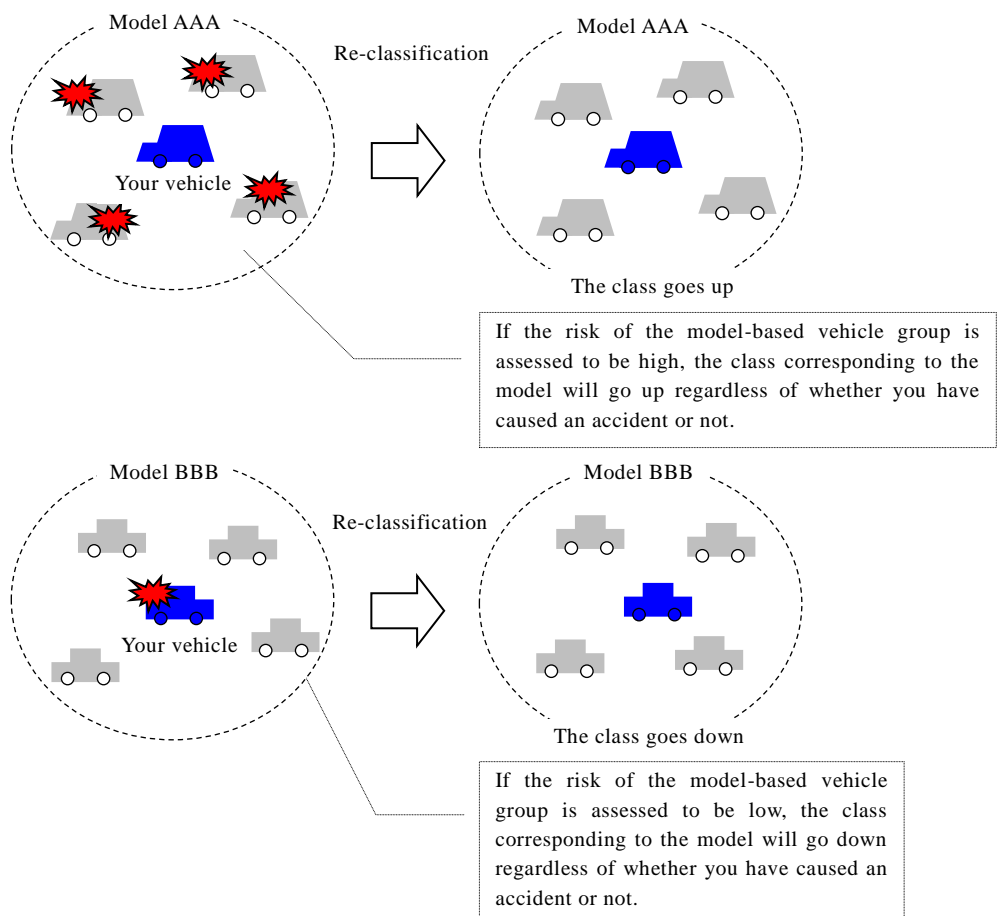
**A 5**

The premium differs between high- and low-risk groups in this system, which aims to ensure that the policyholders’ premium burdens are fairly determined. If the risk could be assessed individually for each policyholder, the premium would of course be fairer. However, it would not be possible to collect the required data, nor would the insurance system work properly.

For this reason, policies are classified in accordance with several factors, such as vehicle use/type, driver’s age, and past accident (claim) record, and premiums are differentiated for the respective classes. However, even if such factors are adopted for classification, risks still differ among vehicle models, and vehicles of the same model are considered to be similar in terms of body style, structure, equipment, and performance based on the user’s purpose and needs.

Therefore, “models” are adopted as a risk classification factor for premium rates for voluntary automobile insurance.

If the risk of a model-based vehicle group is assessed to be high (low), the class corresponding to the model will go up (down) regardless of the occurrence of accidents involving individual vehicles.



**Q 6**

**Are vehicles with higher classes dangerous?**

**A 6**

The classes are determined by the actual risk based on historical insurance data, and risks are affected by human factors, such as user groups. Allocating a high class to a vehicle does not necessarily mean that the vehicle is dangerous.