

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

General Insurance Rating Organization of Japan (GIROJ) revised Reference Loss Cost Rates<sup>\*1</sup> of the voluntary automobile insurance as below.

\*1 General insurance premium rates, which are the basis for general insurance premium, are composed of the “pure premium rates” and “expense Loading.” “Pure premium rates” correspond to the portion of rates allocated for future claims payments by insurers. GIROJ calculates advisory rates (Reference Loss Cost Rates) for this portion and provides them for the member insurers. Please refer to page 8 for the details.

## 1. Outline of revision

**i) Reference Loss Cost Rates of the voluntary automobile insurance are to be decreased by an average of 3.9%.<sup>\*2\*3\*4</sup>**

**ii) Rate differentials (surcharge or discount) between risk classifications are to be revised.<sup>\*2</sup>**

**iii) Reference Loss Cost Rates of the bodily injury indemnity coverage are to be set additionally.<sup>\*5</sup>**

\*2 When each insurer calculates “pure premium rates” for its own insurance products, it can use Reference Loss Cost Rates directly, it can use them with modification, or it can calculate original “pure premium rates” without using them, at its own discretion. Regarding the “expense loading,” which is allocated for insurers’ business expenses and so on, each insurer calculates it independently. Therefore, percentage changes of Reference Loss Cost Rates differ from percentage changes of insurance products that policyholders purchase from insurance companies.

\*3 The percentage change (average decrease of 3.9%) above is an average of the changes for all the contract term combinations (purpose and body type, coverage, etc.) under the bodily injury liability coverage, the property damage liability coverage, and the physical damage coverage. The percentage changes differ in accordance to the contract terms, as shown in the “Section 3 Examples of percentage changes” on page 6.

\*4 Some regions are excluded from calculation.

\*5 The bodily injury indemnity coverage covers actual damages when a policyholder, its family members, or passengers in the insured vehicle are injured or dead by a car accident, regardless of the allocation of fault to other parties in the accident. GIROJ currently calculates Reference Loss Cost Rates of the passengers’ personal accident coverage (fixed-amount of compensation), etc., of the voluntary automobile insurance for such case (shaded area in the chart below). Instead, GIROJ will calculate Reference Loss Cost Rates for the bodily injury indemnity coverage of the voluntary automobile insurance.

### Reference Loss Cost Rates of the voluntary automobile insurance at present

Compensation	Bodily injury	Property damage
Liability	Death or injury caused to another person → <span style="border: 1px solid black; padding: 2px;">Bodily injury liability coverage</span>	Damage caused to another person’s property → <span style="border: 1px solid black; padding: 2px;">Property damage liability coverage</span>
For the insured	Death or injury to the insured or passengers caused in the insured vehicle	Damage caused to insured vehicle → <span style="border: 1px solid black; padding: 2px;">Physical damage coverage</span>



Covered by the passengers’ personal accident coverage thus far

Fixed amount compensation for damages in an accident caused in the insured vehicle



Covered by the bodily injury indemnity coverage after this revision

Compensate the actual damages in an accident caused in the insured vehicle

\* Compensate the damages in car accident other than the accident caused in the insured vehicle, or compensate by a fixed amount, depending on the insurance policies

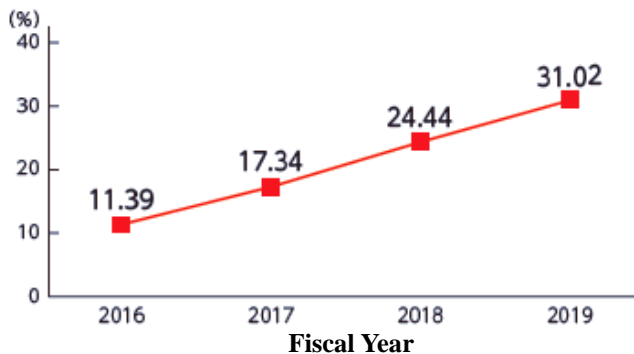
## 2. Key background factors for revision

**Reference Loss Cost Rates of the voluntary automobile insurance are to be decreased by an average of 3.9%.**

**The number of traffic accidents has been reduced by the promotion of advanced driver-assistance technologies, etc.**

The number of automobiles equipped with systems, such as autonomous emergency braking (AEB) system, which help support safe driving (Safety Support Car), is increasing<sup>\*6</sup>, and as a result, the number of traffic accidents has reduced<sup>\*7</sup>. Reference Loss Cost Rates will be able to reduce based on the latest insurance statistics (up to the 2019 fiscal year).

\*6 Percentage of automobiles equipped with AEB systems (Bodily injury liability coverage) (Fiscal year)



Figures for the “private standard- and small-size passenger automobile” and the “private light four-wheeled passenger automobile” covered by voluntary automobile insurance

\*7 Revised Reference Loss Cost Rates will be calculated to restore the balance between income and expenditures until after 2022. Socio-economic conditions affected by COVID-19 are expected to recover at the time. Therefore, unlike the decreasing trend of the number of traffic accidents, the impact of COVID-19 will not be reflected in the rates as another factor.

**Rate differentials (surcharge or discount in various categories) between risk classifications are to be revised.**

**Latest insurance statistics, etc., will be reflected in risk differentials.**

The rate differentials (surcharge or discount) between risk classifications are revised based on the latest insurance statistics to reflect risk differentials individually. The major revisions are as follows:

i) Discount by the length of time after initial registration of the vehicle

When the month in which the policy starts is “within 25 months” after initial registration<sup>\*8</sup> of the insured vehicle, the vehicle is eligible for the discount under the current system. After the revision, the eligible period will be extended, and when the month in which the policy starts is “after 25 months and within 49 months” from initial registration, the vehicle will be eligible for the discount. Additionally, eligible vehicle category (purpose and body type) will be expanded, and “private light four-wheeled passenger automobile” will be added to the category. Moreover, the rate differentials are to be revised based on the latest insurance statistics. The rate differentials between discounted vehicle and the vehicle without any discount are approximately 1.10 times in each coverage<sup>\*9</sup> uniformly before the revision. However, the differentials will vary depending on the vehicle category and the coverage after the revision. The rate differentials will be approximately 1.08 to 1.20 times among the “private standard- and small-size passenger automobile,” and approximately 1.05 to 1.22 times among the “private light four-wheeled passenger automobile.”

**[Before revision]**

		Months after initial registration	
		Within 25 months	Over 25 months (No discount)
Private standard- and small-size passenger automobile	Bodily injury liability coverage	←————→	
	Property damage liability coverage	Approximately 1.10 times rate differentials (uniformly)	
	Passengers' personal accident coverage		

**[After revision]**

		Months after initial registration			The eligible period will be extended.
		Within 25 months	Over 25 months and within 49 months	Over 49 months (No discount)	
Private standard- and small-size passenger automobile	Bodily injury liability coverage	←————→			
	Property damage liability coverage	Approximately 1.08 to 1.20 times rate differentials (depending on the coverage)			
	Bodily injury indemnity coverage				
Private light four-wheeled passenger automobile	Bodily injury liability coverage	←————→			The eligible vehicle category will be expanded.
	Property damage liability coverage	Approximately 1.05 to 1.22 times rate differentials (depending on the coverage)			
	Bodily injury indemnity coverage				

\*8 Initial vehicle inspection, in case of “private light four-wheeled passenger automobile” (the same applies below)

\*9 Three types of compensation: “bodily injury liability coverage,” “the property damage liability coverage,” and “passengers’ personal accident coverage,” before the revision, and three types of compensation: “bodily injury liability coverage,” “property damage liability coverage,” and “bodily injury indemnity coverage,” after the revision (The “bodily injury indemnity coverage” will be added instead of “passengers’ personal accident coverage.”)

ii) Surcharge or discount rates of each grade in non-fleet contract

Surcharge or discount rates of each grade, which are set according to claim-free years and number of past claims, are to be revised. Mainly, the discount rates of the 9th to the 19th grade in the claim-free period will increase, and for other grades, the discount rates will decrease, or the surcharge rates will increase. The discount rate of the 20th grade in the clam-free period, to which most insured vehicles are applicable, will not change.

**[Before revision]**

	Claim free	Claims made
1st grade		+64%
2nd grade		+28%
3rd grade		+12%
4th grade		-2%
5th grade		-13%
6th grade		-19%
7th grade	-30%	-20%
8th grade	-40%	-21%
9th grade	-43%	-22%
10th grade	-45%	-23%
11th grade	-47%	-25%
12th grade	-48%	-27%
13th grade	-49%	-29%
14th grade	-50%	-31%
15th grade	-51%	-33%
16th grade	-52%	-36%
17th grade	-53%	-38%
18th grade	-54%	-40%
19th grade	-55%	-42%
20th grade	-63%	-44%

**[After revision]**

	Claim free	Claims made
1st grade		+108%
2nd grade		+63%
3rd grade		+38%
4th grade		+7%
5th grade		-2%
6th grade		-13%
7th grade	-27%	-14%
8th grade	-38%	-15%
9th grade	-44%	-18%
10th grade	-46%	-19%
11th grade	-48%	-20%
12th grade	-50%	-22%
13th grade	-51%	-24%
14th grade	-52%	-25%
15th grade	-53%	-28%
16th grade	-54%	-32%
17th grade	-55%	-44%
18th grade	-56%	-46%
19th grade	-57%	-50%
20th grade	-63%	-51%

**( New contract )**

6th grade	+4%
7th grade <sup>*10</sup>	-34%

6th grade	+3%
7th grade <sup>*10</sup>	-38%

\*10 An insured vehicle under a new contract, a second or more vehicle for the insured, will be categorized as the 7th grade when certain conditions are met.

iii) Rate differentials by age classification

The rate differentials by age classification, classified by ages of drivers of the insured vehicle and the named insured, are revised. In compensation for the age group over 26 in the bodily injury liability coverage, the maximum rate differential is approximately 1.34 times before the revision. It will be approximately 1.35 times after the revision.

【Before revision】			【After revision】			
All-age coverage			All-age coverage			
Coverage for 21 or older			Coverage for 21 or older			
Coverage for 26 or older	Named insured's age	29 years of age or younger	Rate differentials Approximately 1.34 times (In case of bodily injury liability coverage)	Coverage for 26 or older	Named insured's age	29 years of age or younger
		30-39 years of age				30-39 years of age
		40-49 years of age				40-49 years of age
		50-59 years of age				50-59 years of age
		60-69 years of age				60-69 years of age
		Over 70 years of age				Over 70 years of age
			Rate differentials Approximately 1.35 times (In case of bodily injury liability coverage)			

iv) Rate differentials of limited drivers

Rate differentials between classifications, which are set according to drivers of the insured vehicle, are to be revised. When drivers are limited to the insured and the insured's spouse, rate differentials are equal in each coverage\*11 uniformly before the revision. Rate differentials will differ after the revision reflected the latest insurance statistics. Rate differentials are approximately 1.06 times in each coverage uniformly before the revision, but after the revision, rate differentials will differ according to the coverage and will be approximately 1.05 to 1.11 times.

【Before revision】			【After revision】		
	Limited to insured and insured's spouse	No limitation of the driver		Limited to insured and insured's spouse	No limitation of the driver
Bodily injury liability coverage	←————→		Bodily injury liability coverage	←————→	
Property damage liability coverage	Approximately 1.06 times rate differentials (uniformly)		Property damage liability coverage	Approximately 1.05 to 1.11 times rate differentials (depending on the coverage)	
Passengers' personal accident coverage			Bodily injury indemnity coverage *11		
Physical damage coverage			Physical damage coverage		

\*11 Four types of compensation: "bodily injury liability coverage," "property damage liability coverage," "passengers' personal accident coverage," and "physical damage coverage," before the revision, and four types of compensation: "bodily injury liability coverage," "property damage liability coverage," "bodily injury indemnity coverage," and "physical damage coverage," after the revision (The "bodily injury indemnity coverage" will be added instead of the "passengers' personal accident coverage.")

**GIROJ will additionally calculate Reference Loss Cost Rates of the bodily injury indemnity coverage of the voluntary automobile insurance.**  
**The bodily injury indemnity coverage has prevailed and is well established in the market.**

The penetration rate of the bodily injury indemnity coverage has become almost the same level as the bodily injury liability coverage and property damage liability coverage. The bodily injury indemnity coverage has been well established in the market as a fundamental compensation for personal injury instead of the passengers' personal accident coverage.

The background factor is that the characteristics of the bodily injury indemnity coverage match the needs of the society, for the policyholders can rapidly receive compensation benefits by their policies before the liability of damages is determined, regardless of the allocation of fault to other parties in the accident.

Under the circumstances, GIROJ will calculate Reference Loss Cost Rates of the bodily injury indemnity coverage of the voluntary automobile insurance instead of the Reference Loss Cost Rates of the passengers' personal accident coverage.

\*12 The penetration rate of voluntary automobile insurance (at the end of March 2020)

The ratio of the number of insured vehicles to the registered vehicles (at the end of March 2020) made from “Monthly Report on the Number of Registered Motor Vehicles (at the end of March 2020)” (published by the Automobile Inspection and Registration Information Association)

Bodily injury liability coverage	Property damage liability coverage	Passengers’ personal accident coverage	Physical damage coverage	Bodily injury indemnity coverage
75.0%	75.1%	25.8%	45.7%	70.2%

Claims paid according to the policies

	Cover the damages from accidents caused in the insured vehicle	Cover the damages from car accidents in addition to the case in the left column
Compensate the <u>actual damages</u>	The amount of loss calculated based on the policy’s criteria (to the extent of the insured amount), will be paid. *13	Same as on the left

(Fixed amount compensation can be selected as below:)

<u>Fixed amount compensation</u>	Fixed amounts settled at the time of contract separately to death, permanent disability, or injury will be paid.	Same as on the left
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\*14

\*13 The amount of claim paid by Compulsory Automobile Liability Insurance (CALI) or the bodily injury liability coverage will be deducted, if any.

\*14 The compensation in the dotted frame corresponds to the passengers’ personal accident coverage.

In the “model-based group rating system” in Reference Loss Cost Rates of the voluntary automobile insurance, the groups are set individually in the bodily injury liability coverage, the property damage liability coverage, passengers’ personal accident coverage, and the physical damage coverage before the revision. After the revision, the bodily injury indemnity coverage will be added to the system instead of the passengers’ personal accident coverage.

### 3. Examples of percentage changes

Percentage changes under the policy conditions below are stated in the chart below.

As stated in “\*2” of “1. Outline of revision,” the revised rates that policyholders will pay to insurance companies differ from revised rates of Reference Loss Cost Rates.

In the case of “private standard-size passenger automobile” and “private small-size passenger automobile” \*15

Example contracts	Age classification		Limited drivers		
	Age group	Age of the named insured	Limited to insured and insured’s spouse	No limitation of the driver	
Combined contracts of bodily injury liability coverage and property damage liability coverage	All-age coverage	—	- 5.8%	- 6.1%	
	Coverage for 21 or older	—	- 5.3%	- 5.6%	
	Coverage for 26 or older	29 years of age or younger		- 6.4%	- 6.7%
		30-39 years of age		- 4.8%	- 5.0%
		40-49 years of age		- 5.5%	- 5.8%
		50-59 years of age		- 5.8%	- 6.1%
		60-69 years of age		- 6.6%	- 6.9%
Over 70 years of age		- 5.3%	- 5.6%		

Combined contracts of bodily injury liability coverage, property damage liability coverage, and physical damage coverage	All-age coverage	—	- 3.2%	- 4.0%	
	Coverage for 21 or older	—	- 1.5%	- 2.2%	
	Coverage for 26 or older	29 years of age or younger		- 2.5%	- 3.2%
		30-39 years of age		+ 0.2%	- 0.5%
		40-49 years of age		- 1.2%	- 1.9%
		50-59 years of age		- 1.2%	- 1.9%
		60-69 years of age		- 1.4%	- 2.1%
Over 70 years of age		- 0.9%	- 1.6%		

#### 【Policy conditions】

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li><input type="checkbox"/>Named insured<br/>Personal</li> <li><input type="checkbox"/>Fleet or Non-fleet<br/>Non-fleet contract **1</li> <li><input type="checkbox"/>Vehicle model class<br/>Bodily injury liability coverage: 7<br/>Property damage liability coverage: 7<br/>Physical damage coverage: 7</li> <li><input type="checkbox"/>ASV discount **2<br/>No discount</li> <li><input type="checkbox"/>Months after initial registration<br/>Over 25 months and within 49 months</li> <li><input type="checkbox"/>Grade in non-fleet contract<br/>20th grade<br/>Applicable period of coefficient for claims made **3: 0</li> </ul> | <ul style="list-style-type: none"> <li><input type="checkbox"/>Insured amount / Deductible amount<br/>Bodily injury liability coverage: No limitation<br/>Property damage liability coverage: No limitation (No deductible)<br/>Physical damage coverage: 2 million yen (No deductible)<br/>All risk compensation</li> </ul> <p>**1 Contracts in which the number of insured vehicles is nine or less</p> <p>**2 ASV discount is a discount (9%) for a vehicle model within three years after its release, which is equipped with autonomous emergency braking (AEB) system.</p> <p>**3 “Applicable period of coefficient for claims made” is the period when the “coefficient for claims made” is applicable after the year after an accident under the non-fleet grade system. When the applicable period is “0,” “coefficient for claim-free” will be applied.</p> |
|---|---|

\*15 Some regions are excluded from the figure.

In the case of “private light four-wheeled passenger automobile”<sup>\*16</sup>

Example contracts	Age classification		Limited drivers		
	Age group	Age of the named insured	Limited to insured and insured’s spouse	No limitation of the driver	
Combined contracts of bodily injury liability coverage and property damage liability coverage	All-age coverage	—	- 6.4%	- 6.7%	
	Coverage for 21 or older	—	- 6.0%	- 6.2%	
	Coverage for 26 or older	29 years of age or younger		- 7.1%	- 7.4%
		30-39 years of age		- 5.4%	- 5.7%
		40-49 years of age		- 6.1%	- 6.3%
		50-59 years of age		- 6.4%	- 6.6%
		60-69 years of age		- 7.3%	- 7.5%
Over 70 years of age		- 6.0%	- 6.2%		

Combined contracts of bodily injury liability coverage, property damage liability coverage, and physical damage coverage	All-age coverage	—	- 5.9%	- 6.6%	
	Coverage for 21 or older	—	- 4.3%	- 5.0%	
	Coverage for 26 or older	29 years of age or younger		- 5.3%	- 5.9%
		30-39 years of age		- 2.8%	- 3.5%
		40-49 years of age		- 4.1%	- 4.7%
		50-59 years of age		- 4.1%	- 4.7%
		60-69 years of age		- 4.4%	- 5.1%
Over 70 years of age		- 3.9%	- 4.5%		

Policy conditions】

<input type="checkbox"/> Named insured Personal	Insured amount / Deductible amount Bodily injury liability coverage: No limitation
<input type="checkbox"/> Fleet or Non-fleet Non-fleet contract <sup>**1</sup>	Property damage liability coverage: No limitation (No deductible) Physical damage coverage: 1 million yen (No deductible) All risk compensation
<input type="checkbox"/> Vehicle model class Bodily injury liability coverage: 2 Property damage liability coverage: 2 Physical damage coverage: 2	<sup>**1</sup> Contracts in which the number of insured vehicles is nine or less
<input type="checkbox"/> ASV discount <sup>**2</sup> No discount	<sup>**2</sup> ASV discount is a discount (9%) for a vehicle model within three years after its release, which is equipped with autonomous emergency braking (AEB) system.
<input type="checkbox"/> Months after initial registration Over 25 months and within 49 months	<sup>**3</sup> “Applicable period of coefficient for claims made” is the period when the “coefficient for claims made” is applicable after the year after an accident under the non-fleet grade system. When the applicable period is “0,” “coefficient for claim-free” will be applied.
<input type="checkbox"/> Grade in non-fleet contract 20th grade Applicable period of coefficient for claims made <sup>**3</sup> : 0	

\*16 Some regions are excluded from the figure.



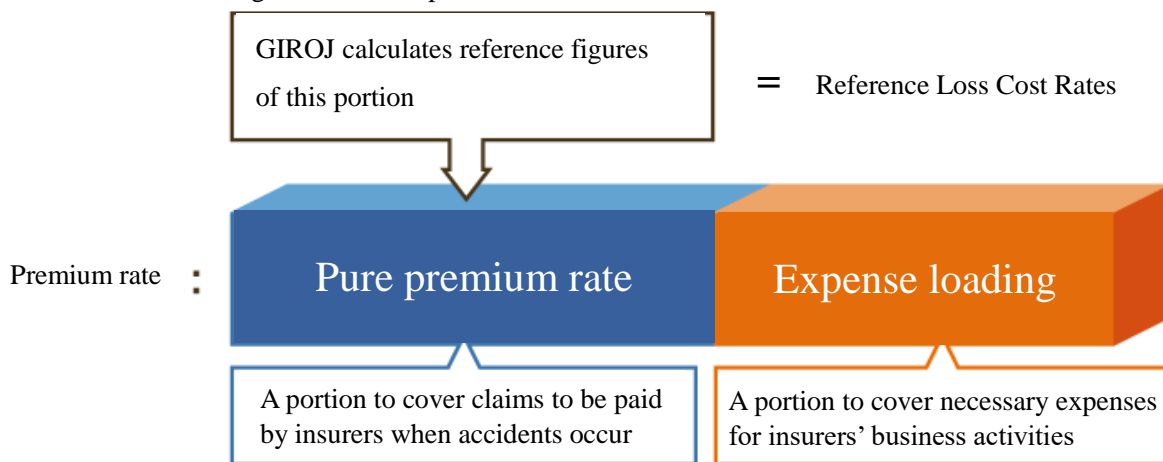
**<Outline of Reference Loss Cost Rates >**

The premium rate consists of the pure premium rate and expense loading. The pure premium rates that GIROJ calculates are called Reference Loss Cost Rates.

Any member insurers of GIROJ can use Reference Loss Cost Rates directly. They are also allowed to use the rates with some modification corresponding to the characteristics of their own products (Reference Loss Cost Rates are only reference figures with no obligation to be used, and insurers are allowed to set their own pure premium rates without using them.). The premium rate that applies to each policy consists of the pure premium rate and expense loading, which is calculated by an insurer.

The insurer decides whether it adopts the revised Reference Loss Cost Rates. Please note that actual premiums are determined at the discretion of an insurer.




When the insurer decides to use Reference Loss Cost Rates for their own insurance products, it is at the insurers' discretion when to start selling the insurance products.



**<Outline of GIROJ>**

GIROJ is a legal entity incorporated under the Act on Non-Life Insurance Rating Organizations.

The members of GIROJ are general insurance companies. The three main operations of GIROJ are the following:

<p><b>Calculation and provision of premium rates</b></p>	<p><b>Claim surveys for Compulsory Automobile Liability Insurance (CALI)</b></p>	<p><b>Databank</b></p>
		
<p>GIROJ calculates Standard Full Rates and Reference Loss Cost Rates* that are “reasonable, adequate and not unfairly discriminatory,” and provides them for the insurers.</p>	<p>GIROJ conducts a “fair, quick and considerate” claims survey for CALI.</p>	<p>GIROJ summarizes a large amount of data on insurance, and provides the results for insurers and other parties. GIROJ also issues publications for consumers.</p>

\* GIROJ calculates Reference Loss Cost Rates of voluntary automobile insurance, fire insurance, personal accident insurance, etc.; and Standard Full Rates of CALI and earthquake insurance.