

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

General Insurance Rating Organization of Japan (GIROJ) revised Reference Loss Cost Rates for Voluntary Automobile Insurance as follows.

General Insurance premium rates are composed of “pure premium rates” (the portion of rates allocated for future claims payments by insurers) and “expense loading” (the portion of rates allocated for insurers’ business and other expenses). GIROJ calculates Reference Loss Cost Rates (advisory rates) for this pure premium rate portion based on statistics and other factors and provides them to member insurers (refer to page 6 for details).

## 1. Outline of revision

- (1) Reference Loss Cost Rates for voluntary automobile insurance increase by 5.7% on average<sup>\*1\*2\*3</sup>.**
- (2) Rate differentials (e.g., surcharges or discount rates) in risk classifications have been revised, and the discount rate for new cars has been expanded<sup>\*1</sup>.**
- (3) An “Endorsement for Victim Relief Expense” has been established to address the expected spread of self-driving cars in the future<sup>\*1</sup>.**
- (4) The rate for “specified small motorized bicycle” has been established<sup>\*1</sup>.**

\*1. Insurers can use Reference Loss Cost Rates as is, with modification, or calculate pure premium rates on their own without using them, at their own discretion. Furthermore, insurers calculate “expense loading” that is allocated to business and other expenses themselves. Therefore, the percentage changes described in this document may differ from those applied in the voluntary automobile insurance purchased by policyholders in practice.

\*2. The abovementioned percentage change (5.7% increase on average) is the mean value of the percentage changes of all policy conditions (e.g., purpose, vehicle type, coverage type) when purchasing insurance coverage for bodily injury liability, property damage liability, bodily injury indemnity, and physical damage to the automobile itself (hereinafter “physical damage”), in which the automobiles used in Okinawa Prefecture are not applicable. Therefore, percentage changes in individual policies may differ depending on policy conditions and the region where the automobile is used.

\*3. This was calculated reflecting the impact (0.11%) on Reference Loss Cost Rates for voluntary automobile insurance from fraudulent claims by BIGMOTOR Co., Ltd.

## 2. Background of revision

### Increase of Reference Loss Cost Rates for voluntary automobile insurance (5.7% on average)

- Rise in repair costs due to increased sophistication of automotive technologies
- Rise in repair costs due to recent inflation surge

Repair costs per claim payment for property damage liability coverage and physical damage coverage have increased (Figure 1), and the claim payment per automobile is on an upward trend. This is mainly due to higher repair costs resulting from increasingly sophisticated automotive technologies—such as the installation of sensors (Figure 2)—and the impact of the recent inflation surge in prices for parts, paint, and other materials. The percentage increase reflects the recent change in prices.

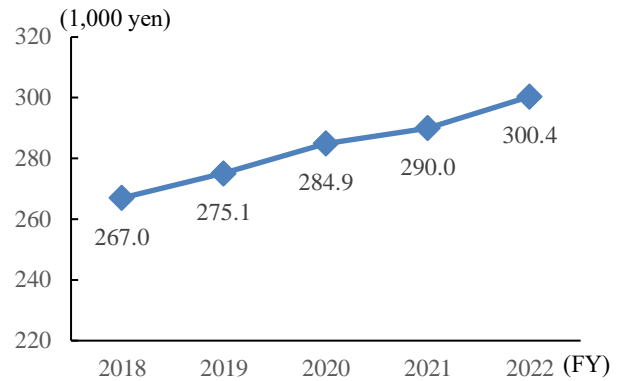


Figure 1. Changes in repair costs per claim (property damage liability coverage)

Figure 2. Examples of increased sophistication of automotive parts and average repair costs by part

#### Front windshield glass

##### Example of increased technological sophistication:

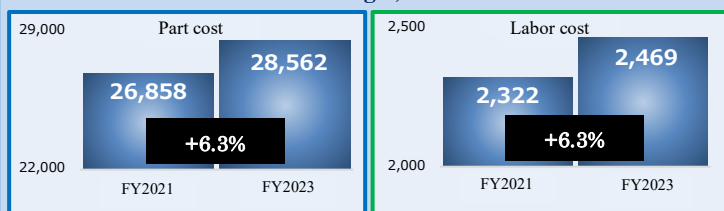
Installation of front sensor cameras, widespread use of functional glass with features such as UV protection, thermal insulation, and sound insulation



#### Radiator grille

##### Example of increased technological sophistication:

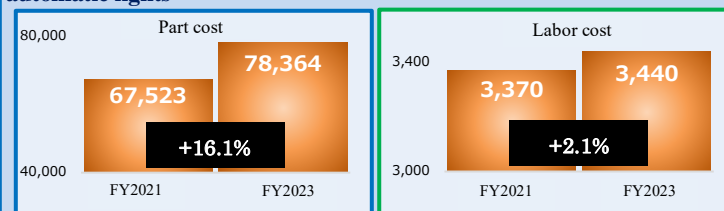
Installation of radar sensors  
(In addition to functional upgrades, there is a trend toward bigger sizes in consideration of visual design.)



#### Headlights

##### Example of increased technological sophistication:

Widespread use of LED lamps and recent legal requirement to install automatic lights

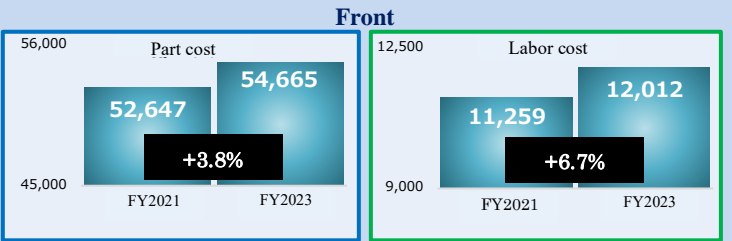
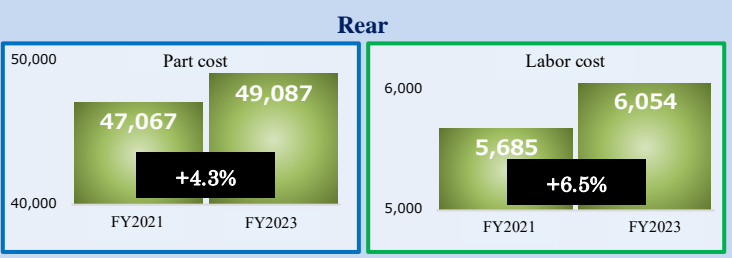


Note: The above graph shows parts cost and repair labor cost for left-side headlight units, which have a high frequency of repair.

#### Bumper

##### Example of increased technological sophistication:

Installation of sonar and radar sensors



Figures on the graphs are based on data for repair estimates in the case of physical damage coverage by “cogniSEVEN+,” a system provided by Cognivision Inc.





- “Part cost” is the mean value of the cost of parts (in yen) when replacing said part (includes impact of inflation)
- “Labor cost” is the mean value of the cost of labor (in yen) when replacing or disassembling and adjusting said part.
- FY2021 figures are for the four months from December to March; FY2023 - 2 - figures are the total for the whole year.

## Revision of rate differentials (e.g., surcharges or discount rates) in risk classifications

### —Reflection of actual risks in recent insurance statistics

① Discount according to the number of months after initial registration (new car discount)

The rate differentials for discounts (discount rate) based on the number of months after initial registration of insured automobiles (months after initial inspection for private light four-wheeled passenger automobiles) have been revised to reflect the actual risks in recent insurance statistics. In addition, a new discount has been established in physical damage coverage for private light four-wheeled passenger automobiles.

Before revision					After revision				
		Months after initial registration					Months after initial registration		
		Within 25 months	Over 25 months and within 49 months	Over 49 months (No discount)			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				Private standard- and small-size passenger automobile	Bodily injury liability coverage			
	Property damage liability coverage	Differential: approx. 1.08 –1.20 times (It differs depending on coverage type.)				Property damage liability coverage	Differential: approx. 1.10 –1.43 times (It differs depending on coverage type.)		
	Bodily injury indemnity coverage					Bodily injury indemnity coverage			
Private light four-wheeled passenger automobile	Bodily injury liability coverage				Private light four-wheeled passenger automobile	Bodily injury liability coverage			
	Property damage liability coverage	Differential: approx. 1.05 –1.22 times (It differs depending on coverage type.)				Property damage liability coverage	Differential: approx. 1.05 –1.35 times (It differs depending on coverage type.)		
	Bodily injury indemnity coverage					Bodily injury indemnity coverage			
						Physical damage coverage			

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② Rate differentials in age classification

Rate differentials corresponding to the ages of drivers and the named insured reflect the actual risks in recent insurance statistics. In addition, the 60-and-older category has been subdivided to make the burden of premium payment fairer.

Before revision				After revision			
All-ages coverage				All-ages coverage			
Coverage for 21 and older				Coverage for 21 and older			
Coverage for 26 and older	Named insured's age	Under 30	Differential: approx. 1.35 times (for bodily injury liability coverage)	Coverage for 26 and older	Named insured's age	Under 30	Differential: approx. 1.44 times (for bodily injury liability coverage)
		30 to 39				30 to 39	
		40 to 49				40 to 49	
		50 to 59				50 to 59	
		60 to 69				60 to 64	
		70 and older				65 to 69	
						70 to 74	
						75 and older	
							Category subdivided

③ Rate differentials of driver limitations

Rate differentials in classifications of limited drivers of the insured vehicle reflect the actual risks in recent insurance statistics.

Before revision			After revision		
	Limited to insured and their spouse	No limits		Limited to insured and their spouse	No limits
Bodily injury liability coverage	 Differential: approx. 1.05 –1.11 times (It differs depending on coverage type.)		Bodily injury liability coverage	 Differential: approx. 1.02 –1.05 times (It differs depending on coverage type.)	
Property damage liability coverage			Property damage liability coverage		
Bodily injury indemnity coverage			Bodily injury indemnity coverage		
Physical damage coverage			Physical damage coverage		

## Establishment of an Endorsement for Victim Relief Expense

### —Expansion of coverage in consideration of expected spread of self-driving cars in society

As self-driving cars become more widespread, types of accidents may occur that were previously unimagined. Coverage has been expanded to make it possible to aid victims quickly in the event of such accidents.

Specifically, self-driving cars could be involved in accidents caused by hacking from a third party or defects in self-driving or other functions. A victim of such an accident may file a claim for damages to a third party other than the insured (e.g., an auto manufacturer or software company), but since relationships between responsible parties are complex and it would take time to determine the cause of the accident and who bears what share of the responsibility for said accident, the victim may not be able to receive compensation during that time.

Therefore, an “Endorsement for Victim Relief Expense” has been established to aid victims quickly by covering damages suffered by the victim even if the insured does not bear legal responsibility in cases like the above.

## Establishment of the rate for “specified small motorized bicycle”

### — Compliance with the enactment of the Act Partially Amending the Road Traffic Act (Act No. 32 of 2022) and amendment of the Safety Standards of Road Transportation Vehicles (Ministry of Transport Order No. 67 of 1951)

Given that the size and speed limits for specified small motorized bicycles, which include vehicles like electric kick scooters, are set lower than those of general motorized bicycles, and considering that they represent a new type of mobility with different risk characteristics, a new category of Reference Loss Cost Rates for voluntary automobile insurance has been established. (A new Standard Full Rate of Compulsory Automobile Liability Insurance for specified small motorized bicycles was established in the revision of the Standard Full Rate filed on January 17, 2024; the Standard Full Rate for specified small motorized bicycles is applied to insurance policies whose policy periods start on or after April 1, 2024<sup>\*4</sup>.)

Since there are currently no insurance statistics on specified small motorized bicycles in voluntary automobile insurance, the Reference Loss Cost Rate for specified small motorized bicycles in bodily injury liability coverage and property damage liability coverage has been calculated based on the Reference Loss Cost Rate for general motorized bicycles by reflecting the differences in risk characteristics between them, to the extent quantifiable at this time. (For bodily injury indemnity coverage and physical damage coverage, the value has been set the same as the Reference Loss Cost Rate for general motorized bicycles, and the Reference Loss Cost Rate will be calculated based on the actual risks after insurance statistics have been accumulated).

<sup>\*4</sup>. See [Information Update of Revisions in Compulsory Automobile Liability Insurance Standard Full Rates](#).

### 3. Examples of percentage changes

The percentage changes of Reference Loss Cost Rates in the following policy conditions are indicated in the table below. Specific revisions of premiums paid by policyholders differ by insurer, as detailed in \*1 of “1. Outline of revision” on page 1.

Example policy	Purpose & vehicle type	Percentage change
<ul style="list-style-type: none"> <li>• <b>Bodily injury liability coverage</b></li> <li>• <b>Property damage liability coverage</b></li> <li>• <b>Bodily injury indemnity coverage</b></li> <li>• <b>Physical damage coverage</b></li> </ul> Policies that include the above	Private standard-size passenger automobile Private small-size passenger automobile	+4.1%
	Private light four-wheeled passenger automobile	+ 4.2%
Policies that include the above <b>except physical damage coverage</b>	Private standard-size passenger automobile Private small-size passenger automobile	+ 7.9%
	Private light four-wheeled passenger automobile	+ 6.3%

Policy conditions: Private standard- and small-size passenger automobile

<input type="checkbox"/> Named insured/age Personal/45 <input type="checkbox"/> Coverage for 26 years of age and older <input type="checkbox"/> Non-fleet or fleet Non-fleet policy (Note:1) <input type="checkbox"/> Vehicle model class Bodily injury liability coverage: 7 Property damage liability coverage: 7 Bodily injury indemnity coverage: 7 Physical damage coverage: 7 <input type="checkbox"/> ASV discount (Note: 2) Discount not applicable <input type="checkbox"/> Months after initial registration Over 49 months (discount not applicable)	<input type="checkbox"/> Insured amount/deductible amount Bodily injury liability coverage: No limit Property damage liability coverage: No limit (no deductible) Bodily injury indemnity coverage: 30 million yen Physical damage coverage: 2 million (no deductible) All-risk coverage <input type="checkbox"/> Non-fleet grade / Applicable period of coefficient for claims made (Note: 3) 20th grade / 0 (coefficient for claim-free) <input type="checkbox"/> Driver limitation No limit <input type="checkbox"/> Region in which automobile is used Any prefecture except Okinawa
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Policy conditions: Private light four-wheeled passenger automobile

<input type="checkbox"/> Named insured/age Personal/45 <input type="checkbox"/> Coverage for 26 years of age and older <input type="checkbox"/> Non-fleet or fleet Non-fleet policy (Note:1) <input type="checkbox"/> Vehicle model class (after being restructured into 7 classes in January 2025) Bodily injury liability coverage: 4 Property damage liability coverage: 4 Bodily injury indemnity coverage: 4 Physical damage coverage: 4 <input type="checkbox"/> ASV discount (Note: 2) Discount not applicable <input type="checkbox"/> Months after initial inspection Over 49 months (discount not applicable)	<input type="checkbox"/> Insured amount/deductible amount Bodily injury liability coverage: No limit Property damage liability coverage: No limit (no deductible) Bodily injury indemnity coverage: 30 million yen Physical damage coverage: 1 million (no deductible) All-risk coverage <input type="checkbox"/> Non-fleet grade / Applicable period of coefficient for claims made (Note: 3) 20th grade / 0 (coefficient for claim-free) <input type="checkbox"/> Driver limitation No limit <input type="checkbox"/> Region in which automobile is used Any prefecture except Okinawa
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Note: 1. Policies in which the number of insured vehicles is nine or less

Note: 2. ASV discount is a discount (9%) for a vehicle model within three years of release that is equipped with an autonomous emergency braking system.

Note: 3. “Applicable period of coefficient for claims made” is the period when the “coefficient for claims made” with a low discount rate is applicable a year after an accident occurs under the non-fleet grade system. When the applicable period is “0,” the “coefficient for claim-free” will be applied.

## Outline of Reference Loss Cost Rates

The premium rate consists of the pure premium rate and expense loading. GIROJ calculates the pure premium rate, which it calls “Reference Loss Cost Rate.”

Any member insurers of GIROJ can use Reference Loss Cost Rates as is. They are 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 calculate pure premium rates on their own without using them). The premium rate paid by policyholders consists of the pure premium rate and expense loading, the latter of which is calculated by the insurer.

The insurer decides whether to adopt the revised Reference Loss Cost Rates or not. Please note that actual premiums are determined at the discretion of the 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.

