

## Questions and Answers

### Topic (5-1): Insurance product strategy of automobile insurance

#### Q-1: [From Insurance Company-Underwriting]

As we know, in Japan, risks used to be classified by type, size and engine displacement of the insured vehicle, how do these factors directly affect to the premium rating plan?

#### A-1:

We don't directly use factors like size and engine displacement. However, we do have Vehicle Model Classification (as shown in slide 18 and 26) for each type of vehicle, and it includes the risks of these factors.

### 3. Pricing Structure

Pricing Structure After Deregulation			
Coverage Factors	Historical Factors	Vehicle Factors	Insured Factors
<ul style="list-style-type: none"> <li>• Scope of Drivers</li> <li>• Limit of Liability and Deductible</li> <li>• Disclaimer</li> </ul>	<ul style="list-style-type: none"> <li>• <u>Bonus-Malus system (BMS)</u></li> <li>• Discounts/Surcharges for Fleet Policyholders</li> <li>• Driver's License Color</li> </ul>	<ul style="list-style-type: none"> <li>• Vehicle Type</li> <li>• <u>Vehicle Model Classification</u> (safety devices)</li> <li>• Vehicle's Age</li> <li>• Purpose of Use</li> </ul>	<ul style="list-style-type: none"> <li>• <u>Insured's Age</u></li> <li>• Multi-car Ownership</li> </ul>
<p>Regulation on Differentiated Rates</p> <ul style="list-style-type: none"> <li style="width: 33%;">- Driver's Age (3 times)</li> <li style="width: 33%;">- Purpose of Use</li> <li style="width: 33%;">- Type of Vehicle</li> <li style="width: 33%;">- Driver Gender (1.5 times)</li> <li style="width: 33%;">- Running Ratio (mileage per year)</li> <li style="width: 33%;">- Multi-car Ownership</li> <li style="width: 33%;">- Driving History</li> <li style="width: 33%;">- Area Segregations (1.5 times)</li> <li style="width: 33%;">- Safety Devices</li> </ul>			

### 3. Pricing Structure

#### Vehicle Model Classification

##### Features of Vehicle Model Classification

- Adopted by the General Insurance Rating Organization (Reference Loss Cost Rate)
- For only passenger cars for personal use (17 classes or 3 classes)
- Revised in every January with each vehicle model's historical accident data
- Classes of 3<sup>rd</sup> Party (Bodily Injury)/3<sup>rd</sup> Party (Property Damage)/Bodily Injury Indemnity/Own Vehicle Damage are separately set for each vehicle model



※Small cars which meet certain standards : 3 classes

	3rd Party Bodily Injury	3rd Party Property Damage	Bodily Injury Indemnity	Vehicle Own Damage
Model A	class 7	class 5	class 5	class 7
Model B	class 9	class 5	class 10	class 6
Model C	class 10	class 3	class 6	class 9

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#### Q-2: [From Insurance Company-Loss Adjustment]

In term of self-driving vehicle in Japan, is there any law revised to state the liability of driver? If any, how do Japanese insurance company response?

#### A-2

The Road Traffic Act was revised in April 2020, and some obligations and driving-related customs while self-driving are stipulated (e.g. Drivers can use cellphones while driving!).

Japanese insurance companies and the GIROJ are now sorting out the various legal relationships to establish a prompt compensation regime when accidents occur during self-driving.

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