

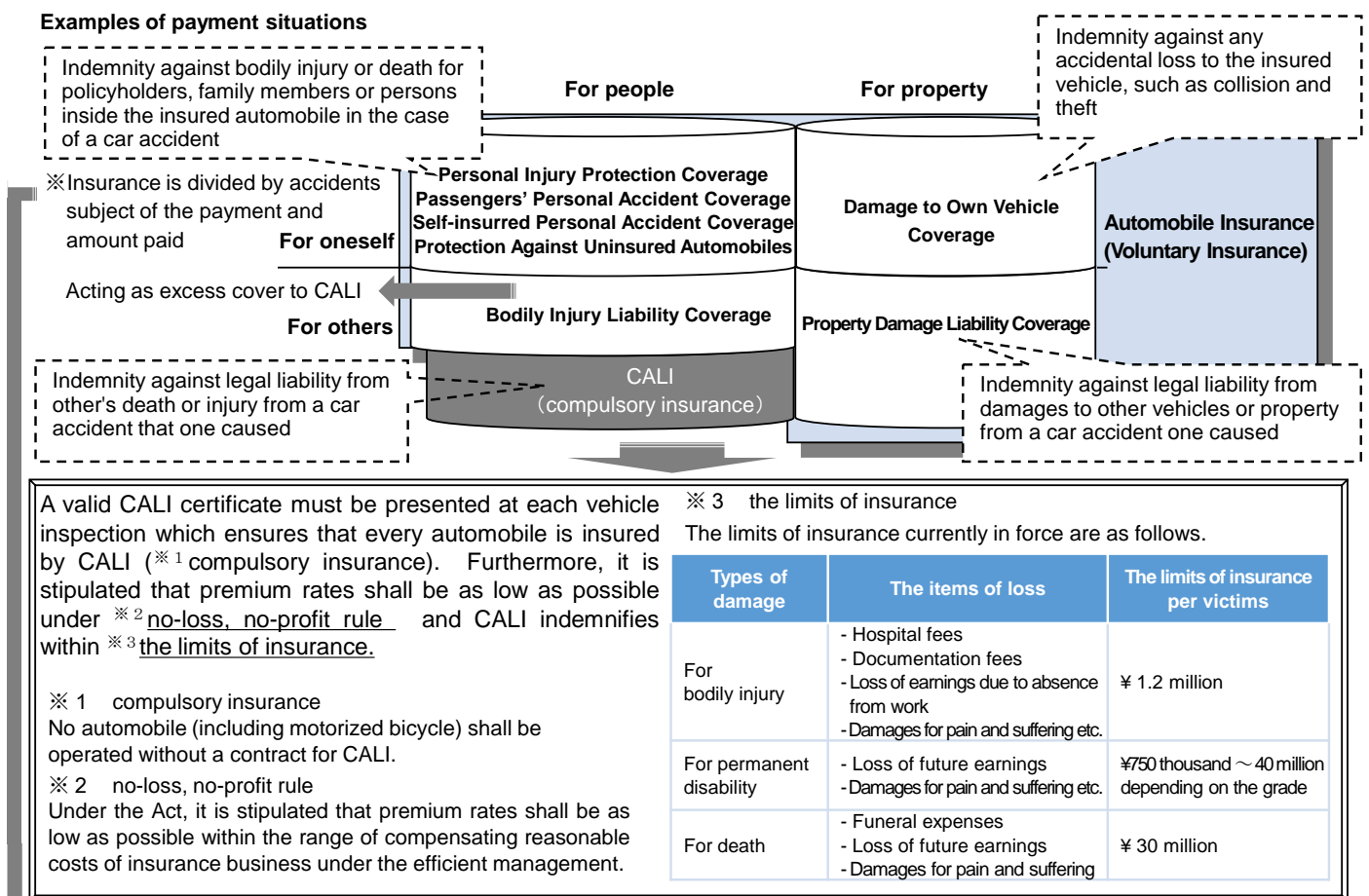
2-2 Automobile Insurance System In Japan

General Insurance Rating Organization of Japan
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There are two main indemnifications in the Japanese automobile insurance system, which are Compulsory Automobile Liability Insurance (CALI) and Voluntary Automobile Insurance. CALI provides basic indemnification for victims. When the amount of loss is more than the limits of CALI, Voluntary Automobile Insurance will be paid additionally. It is an excess cover to CALI. In order to charge premiums fairly between policyholders, voluntary automobile insurance has more classifications than CALI and premium sets adequately.

Figure 1 Compulsory Automobile Liability Insurance (CALI) and Voluntary Automobile Insurance

■ There are Compulsory Automobile Liability Insurance(CALI) which indemnifies for victims against an accident resulting in injury or death, and Voluntary Automobile Insurance which acts as excess cover to CALI in Automobile Insurance system. Various products are offered by putting together the coverage of Voluntary Automobile Insurance below.



	Accidents subject of the payment		Amount paid
	Accidents while being inside the automobile	Other accidents	
Personal Injury Protection Coverage	○*		Actual amount of damage (calculate according to the standards under policy conditions)
Passengers' Personal Accident Coverage	○	×	Insured amount irrespective of actual amount of damage
Self-insured Personal Accident Coverage	○ (only self-insured personal accident)	×	Amount under policy conditions irrespective of actual amount of damage
Protection Against Uninsured Automobiles	○* Will be paid only if -insured is killed or has sustained permanent disability -an automobile is not insured against bodily injury liability etc.		Amount in excess of CALI and Bodily Injury Liability Coverage within legal liability for an accident

* Only "accidents while being inside the insured automobile" can be the subject of the payment depending on the contents of the contract.

Figure 2 Risk Classification for CALI and Voluntary Automobile Insurance

■ There are two types of risk classification. One is depending on characteristics and another is depending on coverage.

[CALI]	
Classification	
Characteristics	Area (Ex. mainland, Okinawa, etc.)
	Vehicle Use & Type (Ex. passenger car, freight car, private car, business car, etc.)
Coverage	Term (Ex. 5 days, 1-37 months, 48 or 60 months depending on term of automobile inspection)
[Voluntary automobile insurance]	
Classification (Example *)	
Characteristics	Vehicle Use & Type (Ex. passenger car, freight car, private car, business car, etc.)
	Vehicle Model Code (17 classification depending on model code)
	New vehicle/ Old vehicle
	With AEB(Autonomous Emergency Braking)/ No AEB
	Main Driver's Age (Can be classified only when 26 years old or over)
Coverage	Bonus-Malus (20 grades according to claim history, the number of accidents, whether there was a contract previously Grade from 7 to 20 are divided into two, claim free and claim made)
	Insured Amount, Deductible
	All ages / 21 years or over / 26 years or over (3 classifications depending on indemnified drivers' age) ※ 4
	the insured, and spouse / All drivers (2 classifications depending on the extent of indemnified drivers)

* It shows main classification of Reference Loss Cost Rates above, and insurance companies set their own classifications.

※ 4 Premium change depending on the age as it shows below. Premium for person of advanced age is quite high. The smaller coverage is, the lower premium is. Also, over 90% of drivers is 26 years or over.

Main driver's age	Indemnified driver's age	Premium Level
All ages	All ages	High
Over 21	21 years or over	Medium-High
26-29	26 years or over	Medium
30's	26 years or over	Medium-Low
40's	26 years or over	Low-Medium
50's	26 years or over	Low
60's	26 years or over	Low
Over 70	26 years or over	High

Table 1 Examples of Judicial Precedent for Large Amount of Compensation by Car Accident

■ Almost every policyholder set their insured amount of Liability Coverage to no limit because there are some judicial precedents more than 100 million yens. The % of insured amount to no limit for Bodily Injury Liability Coverage is 99.6%, and for Property Damage Liability Coverage is 95.0%.

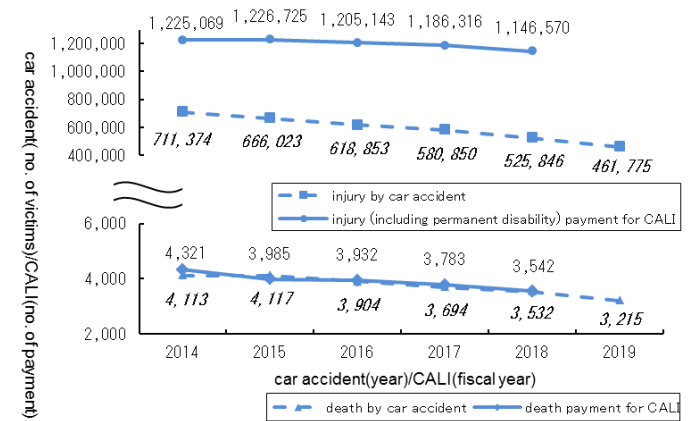
Injury or death		Property damage	
Amount of damages	Date of judgment	Amount of damages	Date of judgment
¥528.53	1/11/2011	¥261.35	19/7/1994
¥453.81	30/3/2016	¥134.50	17/7/1996
¥453.75	18/7/2017	¥120.36	18/7/1980

(Million yen)

Source: [Disclosure document from General Insurance Rating Organization of Japan](#)

Figure 3 Change in Number of Death and Injuries by Car Accidents and the Number of Payments for CALI

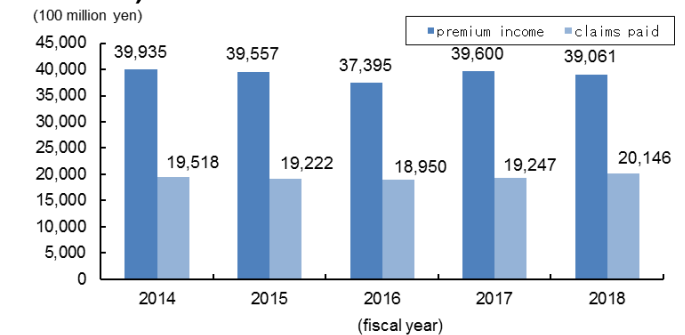
■ The number of death and injury by car accident, and payment for CALI decrease.



• Fiscal year represents the period starting on April 1 of the year and ending on March 31 of the following year

Source: [Disclosure document from General Insurance Rating Organization of Japan](#) and [National Police Agency](#)

Figure 4 The Change of the Premium Income and Claims Paid for Automobile Insurance (Voluntary Insurance)

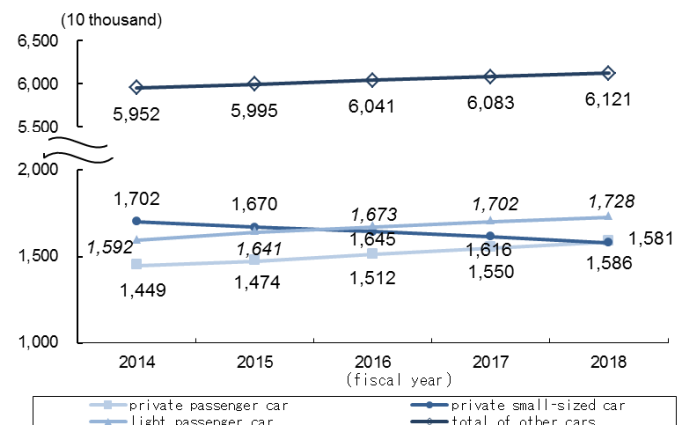


• Including expense loading in premium income

Source: [Disclosure document from General Insurance Rating Organization of Japan](#)

Figure 5 Change of the Number of Insured Cars for Voluntary Automobile Insurance (Bodily Injury Liability Coverage)

■ While the number of cars owned increases, especially the number of light passenger cars insured increases.



• Total of other cars include taxi and freight etc.

Source: [Disclosure document from General Insurance Rating Organization of Japan](#)