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   - Specific System to support the claim handling
   - SC “CREDO” for the Customer Satisfaction
AUTOMOBILE INSURANCE MARKET IN JAPAN
1. AUTOMOBILE INSURANCE MARKET IN JAPAN

Number of Automobile & Accidents

- The Number of Automobiles in use has increased about 24 times of the number in 1960.
- The Number of injuries by the traffic accident has increased.
- The Number of fatalities have decreased to half the number of 1960.
# 1. Automobile Insurance Market in Japan

Automobile Insurance is the most major insurance in Japanese Insurance Market.

<table>
<thead>
<tr>
<th>Insurance Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Voluntary Auto</td>
<td>48.4%</td>
</tr>
<tr>
<td>Compulsory Auto</td>
<td>12.8%</td>
</tr>
<tr>
<td>Fire</td>
<td>14.8%</td>
</tr>
<tr>
<td>Personal Accident</td>
<td>8.8%</td>
</tr>
<tr>
<td>Marine</td>
<td>2.5%</td>
</tr>
<tr>
<td>Inland Transit</td>
<td>0.8%</td>
</tr>
<tr>
<td>Others</td>
<td>11.9%</td>
</tr>
</tbody>
</table>

61.2%

![Pie chart showing the distribution of insurance types](chart.png)

* Data from "The General Insurance Association of Japan, figure of 2013"
OUTLINE OF AUTOMOBILE INSURANCE IN JAPAN
2. OUTLINE OF AUTOMOBILE INSURANCE IN JAPAN

Compulsory Insurance and Voluntary Insurance

Voluntary Automobile Insurance

Compulsory Liability Automobile Insurance

<table>
<thead>
<tr>
<th>Bodily Injury Liability</th>
<th>Property Damage Liability</th>
<th>Damage of Own Vehicle</th>
<th>Own Bodily Injury</th>
<th>Other Special Covers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Injury</td>
<td>1,200,000 JPY (around 9,000€)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Permanent disability</td>
<td>750,000 JPY ~ 40,000,000 JPY (5,500€ ~ 300,000€)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Death</td>
<td>30,000,000 JPY (220,000€)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* EUR = 135 JPY
SJNK has 4 types of Automobile Insurance in Japan.
Classification of 4 main coverage based on their functions

- **Bodily Injury Liability**: Compensation for in case if the Policyholder is liable for another person’s injury/death caused by the accident.

- **Property Damage Liability**: Compensation for in case if the Policyholder is liable for damaging another person’s property.

- **Harm to Person**: Compensation for in case if the Policyholder had injured/dead by the accident.

- **Damages for Car and other Property**: Compensation for the damage on Policyholder’s own vehicle.

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2. OUTLINE OF AUTOMOBILE INSURANCE IN JAPAN

We have various kind of Special coverages.
Customer are able to decide to purchase these coverage by their own choice.

- **Driving other vehicle Clause**
  Compensation while driving a borrowed automobile.

- **Legal Fee Special Clause**
  Compensation for the fees for Lawyers or other legal consultation.

- **On-vehicle personal property Cause**
  Compensation for the damage of properties loaded in/on the vehicle caused by accident.

- **New Car Replacement Clause**
  Policy holder can replace the vehicle to New Car in case if the repair cost exceeds 50% of the vehicle’s replacement value.

- **Motorbike accident Clause**
  Compensation for accidents while named insured or his/her family is driving small motorbike (under 125cc).

- **Earthquake, Eruption, Tsunami Clause**
  This Clause will pay 500,000 JPY in case if the vehicle damaged by Earthquake, Eruption, and Tsunami.

*Please note that these explanation is only the summary of the clause. Please refer to the policy wording etc. for the precise details.*
We also provide the “Roadside Assistance” as a service to the customers.

In case where the insured vehicle can no longer be driven due to an accident or malfunction, our “Roadside Assistance Desk” will arrange helpful services for the drivers.

- **Towing Service**: “Roadside Assistance Desk” will arrange repair crews to be immediately dispatched to the site so that the vehicle insured is towed.

- **Emergency Repairs Service**: “Roadside Assistance Desk” will arrange repair crews to be immediately dispatched to the site and conduct emergency repairs which can be completed within about 30 minutes at the site.

- **Refueling Service**: If the insured vehicle is unable to be driven due to running out of fuel, we deliver fuel to it. No charge up to 10 liters.
UNDERWRITING OF AUTOMOBILE INSURANCE
- Underwriting approach for Voluntary Automobile Insurance -
3. UNDERWRITING OF AUTOMOBILE INSURANCE

Basic approach of Underwriting

<1> Classify the customer by several factors

- Type of vehicle
- Age of vehicle
- Driver’s Age
- Purpose of use
- Loss History (Driver Rating System)
- Driving History (Color of Driver’s license)
- Number of owned Car
- Safety devices etc.

<2> Refer to the Underwriting Guideline for Automobile Insurance

Check if there any specific issue to be concern.

(example) Low Rating account, specific use (circuit, rally), Specific type vehicle (remodelling car),
Some trouble in claim handling in previous year, High limit vehicle and/or coverage, etc.

Jun. 1997
The government established guidelines on how to implement the system of differentiated rates.

[9 underwriting factors under the guideline]
(1) Driver’s age
(2) Driver’s gender
(3) Driving history
(4) Purpose of Use
(5) Running Ratio
(6) Area segregations
(7) Type of vehicle
(8) Multi-car ownership
(9) Safety devices
3. UNDERWRITING OF AUTOMOBILE INSURANCE

**Premium pricing**

<1> Structure of the premium

- **Gross Premium**

  - (a) **Pure Premiums**
    - These premiums are allocated to insurance payment for claims. They are calculated based on the ratio of expected loss. We use “Reference Loss Cost Rates (RLCR)” to calculate this Pure premiums pricing.

  - (b) **Additional Premiums**
    - These premiums are allocated to the management cost of insurance company. They are consist of “Insurance commission to agents”, “employment cost” and “other operating cost”. The expectable profit of the company is of course included in the “other operating cost”.
<2> **Reference Loss Cost Rate (RLCR)**

- The Rate provided by the rating organization named “GIROJ”*.

- GIROJ is only responsible for the calculation of the pure premium rate or a portion of the loss cost.

- Although Insurance companies may use the rates entirely at their discretion, all of them set their original rates based on RLCR in accordance with the examination stance of Financial Services Agency (FSA), therefore the RLCR is often called “Advisory Pure Premium Rates”.

- The RLCR is currently applicable to Voluntary Automobile Insurance as well as Fire Insurance, Personal Accident Insurance and Nursing Care Insurance.

*What is “GIROJ”?

**General Insurance Rating Organization of Japan (GIROJ)** is the rating organization established in accordance with the Act on Non-Life Insurance Rating Organization.
3. UNDERWRITING OF AUTOMOBILE INSURANCE

<3> Premium Rate of Voluntary Automobile Insurance

All Insurance Companies who is the member insurers of a rating organization were required to use same premium rate for their Voluntary Automobile Insurance.

The premium rates calculated by a rating organization were changed to the Reference Loss Cost Rates, so-called “Advisory Pure Premium Rates”

Members of GIROJ (Insurance Companies)

GIROJ
Calculation & Review of Advisory Pure Premium Rates

Financial Services Agency
Examination of rates

Refer for the Approval of Premium Rates

Contracts data
Claims data
Provide (RLCR) rates
Filing of (RLCR) Rates
Result of examination
Result of periodic rates review

July 1,1998
Now!
3. UNDERWRITING OF AUTOMOBILE INSURANCE

Circumstance of the Market

Combined Ratio of Automobile Insurance

- 101.5% (2007)
- 104.0% (2009)
- 104.9% (2010)
- 104.7% (2011)
- 103.1% (2013)
- 96.3% (2014)
- 94.5% (2015)

Composition of Population (1920 and 2010)

The main reason of high Combined Ratio

- Increase of the number of elder driver who tend to have frequent and big accident
- Repair Costs are rising
- Old “Driver Rating System” was not rational etc.

COUNTERMEASURES

- Revision for elderly drivers
- Revision of “Driver Rating System” and Premium rate
- Other countermeasures

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3. UNDERWRITING OF AUTOMOBILE INSURANCE

Revision of elderly drivers

Old time scheme

<table>
<thead>
<tr>
<th>Limit of Driver’s Age</th>
<th>Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Age Cover</td>
<td></td>
</tr>
<tr>
<td>Over 21 years old</td>
<td></td>
</tr>
<tr>
<td>Over 27 years old</td>
<td></td>
</tr>
<tr>
<td>Over 30 years old</td>
<td></td>
</tr>
<tr>
<td>Over 35 years old</td>
<td></td>
</tr>
</tbody>
</table>

NEW scheme

<table>
<thead>
<tr>
<th>All Age Cover</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over 21 years old</td>
</tr>
<tr>
<td>Over 26 years old</td>
</tr>
<tr>
<td>Over 35 years old</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Age of Named Insured</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 30 yrs. old</td>
</tr>
<tr>
<td>30 ~ 40 yrs. old</td>
</tr>
<tr>
<td>40 ~ 50 yrs. old</td>
</tr>
<tr>
<td>50 ~ 60 yrs. old</td>
</tr>
<tr>
<td>60 ~ 70 yrs. old</td>
</tr>
<tr>
<td>Over 70 yrs. old</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
</tr>
<tr>
<td>Low</td>
</tr>
</tbody>
</table>

Limit of Driver’s Age

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3. UNDERWRITING OF AUTOMOBILE INSURANCE

Revision of “Driver Rating System”

WHAT is “Driver Rating System”? This is the “Rating system” to classify the drivers by their loss history in their life time. This is also formed by GIROJ for all Insurer in Japan.

<1> Features of “Driver Rating System”

- Purpose: maintenance of fairness of premium payments.
- Premium rates are based on each policy holder’s claim history (rank 1 ~ 20).
- Even if the policyholder changes insurance companies, the person will continue his/her own rank.
- All non-life insurance companies participate in the “information-exchange system” (which enable us to know the rank and number of accidents for contracts in other companies).

<2> Details

- A new policy holder start from rank 6.
- Goes up by one rank per year if the policy holder has no accidents.
- In case where a policy holder has an accident, his rank falls by up to 3 notches in the next year.

| Rank | 1   | 2   | 3   | 4   | 5   | 6   | 7   | 8   | 9   | 10  | 11  | 12  | 13  | 14  | 15  | 16  | 17  | 18  | 19  | 20  |
|------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| Discount(-) or Extra(+) Ratio | +52 | +26 | +10 | -1  | -10 | -17 | -23 | -28 | -33 | -37 | -40 | -44 | -47 | -50 | -52 | -55 | -57 | -59 | -61 | -63 |

(Unit:%)

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3. UNDERWRITING OF AUTOMOBILE INSURANCE

**Old time scheme**

| Rank | 1  | 2  | 3  | 4  | 5  | 6  | 7  | 8  | 9  | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 |
|------|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|

- A new policy holder starts from rank 6.
- Goes up by one rank per year if the policy holder has no accidents.
- In case where a policy holder has an accident, his rank falls by up to 3 notches in the next year.

**NEW scheme**

| Rank | 1  | 2  | 3  | 4  | 5  | 6  | 7  | 8  | 9  | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 |
|------|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|

- A new policy holder starts from rank 6.
- Goes up by one rank per year if the policy holder has no accidents.
- In case where a policy holder has an accident, his rank falls by up to 3 notches in the next year, and he/she must continue to have “accident ratio” for up to 3 years.
CLAIM HANDLING PROCEDURE IN JAPAN
- SOMPO JAPAN NIPPONKOA CASE -
4. CLAIM HANDLING PROCEDURE IN JAPAN

- Number of Claim Service Department: **332** (2015.04)
- Number of expert staff (employees) for Claim Service: **13,100** (2015.04)
- Specific System “CLOVER SUPPORT”

When an accident happened in the customer, Our claim service network can handle the accident quickly and high quality.

HIGH QUALITY SERVICES
4. CLAIM HANDLING PROCEDURE IN JAPAN

**<1> Contact first time within one hour**

We will contact and report the progress of accident to customer within one hour.

- Customer
- Receive accident notification
- Contact first time within one hour
- Claim Service Department
- Repair Garage, hospital, and Insurance Company for the other party

**<2> 24 hours a day, 365 days a year**

- Business hour: The best claim service department for customer respond to accident and is consulted from customer.
- Holiday/Overtime: Call center for accident of holiday and overtime respond to Primary intervention.

**<3> Damage accident negotiation service for settlement**

Even if customer’s responsibility is nil, we provide advice for negotiation and support to make claims to the counterpart and to the corresponding insurance company.

SPEEDY

SUPPORTING

SINCERE
We receive around 2.5 million claims and pay around 550 billion JPY (around 4 billion Euro) every year.
4. CLAIM HANDLING PROCEDURE IN JAPAN

General Procedure & Role of related parties

When car accident occurred, policy holders will contact to (1) Police and (2) Insurance company

Contact points can be either of follows: (1) Agents, (2) Call center, and (3) Claims Department

Both Agents’ system and Call-center system are directly connected to “Clover Support system” (claims handling system).

Based on the interview of the situation of the accident, SJNK conduct negotiation with the opponents’ insurance company

Most of the claims can be resolved by SJNK. However, there are always possibilities for law suites. We need to prepare by gathering all necessary information by means of documents.
Automobile Accidents are often caused by negligence of both drivers. In those cases, the drivers have to compensate each other according to his/her contributory negligence.

It is called “Comparative Negligence” to determine the ratio of contributory negligence between more than two persons who caused an accident.

Comparative Negligence is a partial legal defense that reduces the amount of damages that a driver can recover in a negligence-based claim based upon the degree to which the driver’s own negligence contributed to cause the injury or the damage.
4. CLAIM HANDLING PROCEDURE IN JAPAN

Subrogation between the Insurance Companies

In Japan, insurance companies are able to subrogate their customer to negotiate with counterparty (insurance company).

Especially for the “Comparative Negligence”, this is one of the most important issues to settle the claim. However, the most of the customers are not a professional of negotiation, and they do not have knowledge about liability.

Therefore we will support our customers not to suffer from those kinds of negotiation by our direct negotiation with counterparties.

Up until 1974, there were no official settlement system except court. People usually do not have knowledge about liability and there were troubles regarding insurance payment as well as illegal negotiators involvement.

In 1974, Ministry of Finance (predecessor of FSA) allowed insurance companies to sell automobile insurance with a representative function of policy holders for car accidents’ settlement.

Applied “Direct claim clause for victims” and establish “settlement committee” to resolve disputes between victims and insurance companies.
5. OTHER UNIQUE REFERENCE

Against the illegal claims

Fraud
- After Loss Contract
- Intentional loss
- Disguised loss etc.

Anti social forces often involve.

In 2012, there were 177 Claims, Total amount of 526M JPY (3.9M EUR, EUR=135JPY) had occurred.

This is just the number which identified by the police, i.e. Much more potential illegal claims exist.

*Information from 2013 “Keisatsu-Hakushyo”

Countermeasures

There is no “Perfect” countermeasures to avoid the illegal claims.
However in Japan, all members of Insurance Market are working together to reduce the number of illegal claims.

- Survey on customers/consumers
- Poster, Handbill, booklet to notice the anti social force
- Gather the data of all insurance companies
- Management of “Fraud Prevention System” etc.

Fraud Prevention System

< Purpose >
- To share the information, a case between insurance companies.
- To investigate the tendency and way of illegal Claims

<Management>
Managed by “The General Insurance Association of Japan” and the members of Insurance Companies.

<Result of 2013>
8,000 Reported Claims, 4,000 Referrals
*Including “suspecting” illegal claims
5. OTHER UNIQUE REFERENCE

Reference: DRS - Direct Repair Service

BACKGROUND: Increase of high repair cost leads to high loss ratio.

We needed to find some solution to change the situation.
5. OTHER UNIQUE REFERENCE

FORMER SITUATION OF REPAIR GARAGE SELECTION:

- Customer
- Agent
- Individual Repair Garage

NEW SCHEME - DRS (DIRECT REPAIR SERVICE):

- The service to arrange repairing with high quality Tie-upped Repair Garages to the customer.
- Customer
- Agent
- SJNK
- Specific Repair Garage
5. OTHER UNIQUE REFERENCE

**FOR CUSTOMERS:**
- Improve “Customer Satisfaction” by providing High Quality and speedy repair services.
- Given priority over other customers and earlier repair

**FOR AGENT (CAR DEALER):**
- Retain the customer by high “CS”
- Improve “Agent Loss Ratio”

**FOR TIE-UPPED REPAIR GARAGE:**
- Sustainable revenue
- Opportunity to acquire new customers
- Efficient operation without adjustment

**FOR SOMPO JAPAN NIPPONKOAb:**
- Reduce the unnecessary “repair cost” and “Substitute vehicle rental cost”
- Reduce “Cost and time of loss adjustment”

---

**WIN - WIN - WIN - WIN - WIN**

![Diagram](image)
Specific System to support the claim handling

“Clover Support System”

- Clover Support System: Claim handling IT system of SJNK in Japan
- We can confirm progress report of all accidents of SJNK
- Connected with Agent/Dealer System
- Efficient to exchange data regarding claim (Pictures, invoice, etc.)
- Calculation of personal injury
- Speedy agreement by using mobile information exchange system
5. OTHER UNIQUE REFERENCE

(1) Request to confirm damage
Claim service department of damage survey

(2) Download information of accident to mobile

(3) On-site survey at workshop

(4) Agreement
Technical adjustor

(5) Send agreement information

Speedy agreement and payment
Sompo Japan Nipponkoa has “SC [Service Centre] CREDO” to provide the BEST service to our customers. This is a philosophy and base of our claim handling activity, and we share this CREDO with all Claim Handling related employee to provide the same level, High Quality Service in anywhere in Japan.

Complaints from Customer

Introducing CREDO

Customer Satisfaction Ratio

Introducing CREDO
To be the BEST Service provider to the Client