

# The Chinese vehicle question

What 36,000 vehicle-years of exposure tell insurers they need to know.



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## The question every underwriter is asking

Chinese-manufactured vehicles now represent a growing share of the insured fleet in the UAE, up from a negligible presence five years ago. The growth trajectory is steep: brands like **JAC, MG, Changan, Geely, Haval, BYD, and Jetour** are gaining dealer networks, consumer awareness, and fleet contracts across the Emirates.

Insurers are responding with the same question, asked in different ways depending on the meeting room: "How do I price Chinese vehicles?" from the actuary, "What's the claims risk?" from the underwriter, "Do they break more?" from the claims manager. The market's working assumption, in the absence of granular data, has generally been one of two extremes: either treat them like any other mass-market vehicle, or apply a blanket loading because the brand is unfamiliar.

Both approaches are wrong, and this paper uses 36,217 vehicle-years of Chinese vehicle exposure and 10,818 claims to explain why. The data tells a more interesting story than either the optimists or the pessimists expect, and it carries a practical implication that matters for any insurer whose motor book is acquiring Chinese vehicles at pace.

### A NOTE ON METHODOLOGY

The dataset covers approximately 1.26 million vehicle-years of earned exposure and 315,712 claims across UAE-licensed motor insurers, representing one of the most comprehensive actuarial views of the UAE motor market available today. Chinese vehicles are drawn from a dedicated dataset of 36,217 vehicle-years of exposure across 52 manufacturers, analysed alongside the non-Chinese fleet (1,221,500 vehicle-years) for comparison. Both agency (authorised dealer workshop) and non-agency (independent workshop) repair channels are included, and the agency/non-agency split is analysed separately where it reveals distinct patterns. In the UAE motor market, "agency" refers to repairs carried out at the vehicle brand's authorised importer workshop, while "non-agency" refers to repairs at independent workshops – a distinction that directly affects parts sourcing, labour rates, and overall claims cost.

All analysis uses annual earned exposure (vehicle-years) as the base metric, not raw vehicle counts, because exposure reflects the actual insured risk period and produces the correct frequency calculation. Metrics are: severity (average incurred claim cost, including allocated loss adjustment expenses), frequency (claims per vehicle-year of exposure), and burning cost (the weighted-average pure risk cost per vehicle-year). Burning cost figures in all tables are calculated as weighted averages from the underlying make-model data, not as the arithmetic product of the segment-level severity and frequency averages shown alongside them.

The weighted average of individual burning costs will not equal the product of separately weighted severity and frequency averages because the weighting denominators differ. Both representations are actuarially correct; the burning cost figure is the one relevant for pricing. All figures are in AED. Actuarial credibility is assessed using the limited fluctuation method:  $\text{credibility} = \min(1.0, \sqrt{(n / 1,082)})$ , where  $n$  is the claim count. Full credibility (100%) requires 1,082 or more claims at 95% confidence, 5% accuracy.

## The aggregate picture: Not what most expect

At the portfolio level, Chinese vehicles do not behave the way most market assumptions suggest. The aggregate numbers, with full actuarial credibility (10,818 claims against a 1,082 threshold), paint a picture that is neither alarming nor entirely comfortable:

Segment	Exposure (veh-yrs)	Claims	Severity (AED)	Frequency	Burning cost (AED)
Chinese	36,217	10,818	5,913	0.299	1,913
Japanese mass-market	645,217	182,628	4,152	0.283	1,273
Korean	84,413	21,408	4,573	0.254	1,256
American	141,224	28,649	7,707	0.203	1,694
German (incl. VW)	151,521	28,167	12,508	0.186	2,519

The table shows selected segments for comparison. These five segments represent approximately 1,058,600 of the 1,257,717 vehicle-years in the full dataset (84%). The remaining exposure – British, Italian, Swedish, Indian, and other manufacturer origins – is omitted for clarity but included in all fleet-wide calculations.

Chinese vehicle severity (AED5,913) is 42% higher than Japanese mass-market (AED4,152) and 29% higher than Korean (AED4,573), but 23% lower than American (AED7,707) and less than half the German segment (AED12,508). In the severity league table, Chinese vehicles sit between Korean and American.

Chinese vehicle frequency (0.299) runs higher than every other segment in the comparison. This frequency pattern is the most consistent finding across the dataset and is worth paying attention to – claims happen more often on Chinese vehicles than on comparable segments, and the gap is material against Korean (0.254) and American (0.203).

The combined effect is a burning cost of AED1,913, which sits above Korean (AED1,256) and American (AED1,694) but well below German (AED2,519). It is 50% higher than Japanese mass-market. For an underwriter, the practical translation is that Chinese vehicles cost more to insure than a Toyota or Hyundai, but roughly comparable to a Ford or Chevrolet, and far less than a BMW or Mercedes. The blanket loading approach overshoots their risk. The "treat them like Japanese" approach understates it.

## The diversity problem: why "Chinese" is not a segment

The aggregate picture is statistically sound but practically misleading, because it treats 52 manufacturers as a single category. The within-group variance tells a very different story.

The coefficient of variation on burning cost across Chinese brands with material exposure is 53.8%. For comparison, the same metric across Japanese mass-market brands is 18.0%. Chinese vehicles, as a group, are nearly three times as dispersed as Japanese vehicles around their average. The range of outcomes – from under AED900 for some bus and commercial specialists to over AED5,000 for BYD – is enormous.

This variance is the central finding of the paper and the one that matters most for pricing. An insurer that uses a single "Chinese vehicle" factor in its rating algorithm is making a mistake in both directions: overcharging for the well-behaved brands and undercharging for the volatile ones.



## The brands where the data is credible

Only two Chinese brands in the UAE carry full actuarial credibility (1,082+ claims): JAC and MG. A third, Changan, reaches 93% partial credibility. Every other Chinese brand falls below 65%. This means that per-brand pricing conclusions are only defensible for JAC and MG today; everything else is directional.

Brand	Exposure (veh-yrs)	Claims	Credibility	Severity (AED)	Frequency	Burning cost (AED)
JAC	11,652	3,771	100%	5,689	0.324	1,994
MG	7,937	2,246	100%	5,386	0.283	1,651
Changan	2,436	927	93%	7,607	0.381	3,136
Foton	1,103	400	61%	6,116	0.362	2,401
King Long	905	351	57%	4,147	0.388	1,743
Geely	1,280	254	48%	7,824	0.199	1,683
Hongqi	589	225	46%	7,126	0.382	3,046
Jetour	996	180	41%	10,849	0.181	2,227

JAC and MG tell a consistent story. Both sit in the mass-market utility space (commercial vehicles, affordable SUVs, fleet purchases), both show severity around AED5,400-5,700 and frequency around 0.28-0.32, and both produce a burning cost in the AED1,650-2,000 range. These are mass-market profiles – not dramatically different from a Nissan or Mitsubishi, though somewhat more expensive. An insurer comfortable writing Nissan fleet business should be comfortable with JAC and MG, with a modest severity loading.

Changan is a different proposition. Its burning cost of AED3,136 is nearly double MG's, driven primarily by a frequency of 0.381 – one of the highest among any brand with material volume. Whether this reflects driver demographics, vehicle durability, or something else is not determinable from the data alone, but the cost difference is large enough to warrant separate treatment from the JAC/MG tier.

## The agency channel: A different split for Chinese vehicles

One of the more revealing findings in the dataset is how the agency/non-agency split behaves differently for Chinese vehicles compared to the rest of the market.

Segment	Agency BC (AED)	Non-Agency BC (AED)	Agency premium
Full Market	3,171	1,311	+142%
Non-Chinese	3,215	1,310	+145%
Chinese	2,517	1,383	+82%

Across the full market, agency business carries a 142% burning cost premium over non-agency. For non-Chinese vehicles, this gap widens slightly to 145%. But for Chinese vehicles, the agency premium narrows to 82% – still substantial, but notably smaller than the market average.

The narrower gap for Chinese vehicles appears to be driven by severity rather than frequency. Chinese agency severity (AED6,940) is 45% higher than Chinese non-agency (AED4,782), whereas non-Chinese agency severity (AED10,026) is 97% higher than non-Chinese non-agency (AED5,090). The frequency difference between agency and non-agency repair channels is a consistent +25% in both Chinese and non-Chinese segments – suggesting that the repair channel distinction primarily affects how much each claim costs, not how often claims occur.

At the brand level, the agency/non-agency split reveals distinct patterns:

Brand	Agency BC (AED)	Non-Agency BC (AED)	Agency premium
JAC	2,281	1,457	+57%
MG	2,083	1,378	+51%
Changan	3,404	2,192	+55%
Foton	2,991	1,545	+94%
Hongqi	3,641	1,682	+116%

JAC, MG, and Changan show agency premiums in the 51-57% range – roughly a third of the market-wide 142%. This suggests that for these brands, the cost differential between authorised dealer workshop and independent workshop repairs is substantially narrower than for established manufacturers. The most likely explanation is vehicle value: a JAC repaired at an authorised dealer involves lower-cost OEM parts than a BMW repaired at its authorised dealer, so the absolute markup from the agency channel is smaller even if the relative pricing structure is similar. For insurers, this means the workshop channel is less of a cost driver on Chinese mass-market vehicles than it is on premium brands – a useful input when modelling repair cost containment strategies.

Hongqi, by contrast, shows a 116% agency premium – much closer to the market average. As a premium-positioned Chinese brand, its authorised workshop costs are higher, and the agency/non-agency gap behaves more like BMW or Mercedes than like JAC or MG. Foton sits in between at 94%, possibly reflecting its commercial vehicle mix where dealer workshop repairs carry a heavier parts premium.

## The brands to watch

Several Chinese brands are entering the UAE at pace but do not yet have enough claims history for actuarial conclusions. These are monitoring items, not pricing items:

Jetour (996 vehicle-years of exposure, 180 claims) shows severity of AED10,849 – substantially higher than JAC and MG. If this severity persists as the fleet grows, Jetour could become one of the more expensive Chinese brands to insure. The low credibility means it could also regress toward the mean. Either way, the early signal is worth tracking.

Geely (1,280 vehicle-years, 254 claims) shows an interesting profile: high severity (AED7,824) but low frequency (0.199), producing a burning cost of AED1,683 that is comparable to MG despite the very different path to that number. If Geely's low frequency reflects better-quality vehicle construction or a different buyer demographic, this is a brand that could become a comfortable underwriting proposition as data matures.



## Why the frequency gap exists

The most consistent finding across Chinese brands is higher frequency. At 0.299 against 0.254 for Korean and 0.203 for American vehicles, the gap is persistent. Several factors contribute, and understanding them is essential for anyone pricing or managing claims on this segment.

Vehicle age composition is the first consideration. Chinese vehicles in the UAE are overwhelmingly new – most brands entered the market within the past three to five years. Newer vehicles show different frequency profiles due to unfamiliarity (drivers learning the dimensions and handling characteristics of a new vehicle type) and higher reporting rates (owners of newer vehicles are more likely to claim than owners of older vehicles where the excess exceeds the damage). As the fleet matures, this component of the frequency gap is expected to narrow.

Driver profile is the second factor. Chinese vehicles tend to attract price-sensitive buyers and fleet operators. Fleet vehicles, particularly those used in delivery, ride-hail, and short-term rental, carry structurally higher frequency than personal-use vehicles. The JAC fleet (11,652 vehicle-years of exposure) includes a significant commercial component, and commercial use drives frequency regardless of the brand badge on the vehicle.

The repair network dynamic is the third factor. Fewer specialist workshops for Chinese brands means less competitive pricing pressure on repairs, which can inflate severity. It also means cycle times tend to be longer, compounding the cost per claim. A motor claims TPA with established workshop relationships and cost containment protocols can mitigate both effects – controlling repair pricing through volume-based negotiations and reducing cycle times through active claims management.

## The pricing implication: Three tiers, not one.

The data supports a tiered approach to Chinese vehicle pricing rather than a single-factor treatment. Based on the current evidence:

### **Tier 1: Mass-Market (JAC, MG).**

Fully credible data. Burning cost in the AED1,650-2,000 range. Comparable to the upper end of Japanese mass-market or the lower end of American mass-market. A modest severity loading over Toyota/Nissan equivalents is justified, in the range of 20-35%, but a blanket "Chinese vehicle" surcharge of 50%+ overshoots the actual risk for these brands. The agency/non-agency split is narrower than the market average – insurers routing these brands through authorised dealer workshops face a smaller repair channel premium than expected.

### **Tier 2: Elevated Risk (Changan, Hongqi, Foton).**

Partially credible data. Burning cost in the AED2,400-3,200 range. These brands show meaningfully higher frequency and/or severity than Tier 1 and should not be lumped together with JAC and MG. Separate rating is warranted where portfolio composition allows it. Hongqi's agency premium (116%) suggests it behaves more like a premium brand from a channel-risk perspective.

### **Tier 3: Emerging Brands (Jetour, BYD, GAC, Geely, Haval, And Smaller Brands).**

Early-stage data. Signals range from benign (Geely at AED1,683 with low frequency) to elevated (BYD above AED5,000 on a rapidly growing fleet). A prudent approach for Tier 3 brands is to apply the segment-wide average (AED1,913 burning cost) with a planned review trigger once the brand reaches 500-1,000 claims in the portfolio. Axxion monitors these brands at the make level and can provide early-warning indicators as data volumes build.

## From segment data to portfolio decisions: A sample of what make-model granularity enables

The three-tier framework above gives an insurer a structure for thinking about Chinese vehicles. Implementing it requires something more specific: make-model data that allows an underwriter to price a JAC S2 differently from a Changan CS75, and to adjust that pricing as the claims experience for each variant develops. Segment-level averages identify the problem. Make-model data solves it.

The dataset behind this paper contains brand-model-variant level burning cost data for every Chinese vehicle in the UAE insured fleet, split by agency and non-agency repair channel. The brand-level view already reveals the scale of within-segment variance:

Brand	Burning Cost (AED)	Vs. Japanese Mass-Market Benchmark (AED1,273)	Pricing tier
JAC	1,994	+57%	Tier 1
MG	1,651	+30%	Tier 1
Changan	3,136	+146%	Tier 2
Chinese Segment (Aggregate)	1,913	+50%	

Full dataset continues: 52 manufacturers, 100+ model groups across agency and non-agency channels, with severity, frequency, and exposure detail per make-model variant.

Brand-level burning cost from Axxion's dataset, benchmarked against Japanese mass-market (the most common comparator segment). The full dataset provides make-model-variant level data across both repair channels for every Chinese manufacturer in the UAE insured fleet.

The commercial impact of this granularity becomes concrete with a simple worked example. An insurer writing 3,000 Chinese vehicle policies using a single segment-average burning cost of AED1,913 is pricing correctly for the average – but the average does not exist in any individual policy. The 1,500 JAC and MG policies in that book carry an actual burning cost roughly 15% below the applied rate, making them overpriced and vulnerable to a competitor with better data. The 300 Changan and Hongqi policies carry a burning cost 60-65% above the applied rate, silently accumulating loss. The net effect is a portfolio that loses both ways: shedding the profitable risks to competitors who can undercut on accurately priced mass-market brands, and retaining the mispriced volatile risks where the single-factor approach understates the exposure. Over a 12-month period on a book of this size, the mispricing creates an estimated AED400,000-600,000 in avoidable loss – the gap between a tiered pricing approach and a single-factor one.



Make-model data eliminates this guesswork. It allows the insurer to set Tier 1 rates that are competitive on JAC and MG without subsidizing the Tier 2 volatility, apply appropriate Tier 2 loadings to Changan and Hongqi, and establish monitoring triggers for Tier 3 brands as they approach actuarial credibility thresholds. The pricing becomes a living instrument that adjusts as the fleet evolves, rather than a static assumption that degrades with every quarter of new Chinese vehicle sales.

## What the full dataset includes

The sample above is drawn from Axxion's vehicle data platform, which covers approximately 1.26 million vehicle-years of UAE motor claims exposure at the make-model-variant level, including a dedicated Chinese vehicle segment of 36,217 vehicle-years across 52 manufacturers. The platform provides three tiers of data product: vehicle specification (VS), specification with valuation (VS+VV), and specification with valuation and import status verification (VS+VV+VI). Every output carries a confidence score using a Red/Amber/Green framework (a 0-100 certainty rating with mandatory reason codes that make every data point auditable and decision-ready).

For insurers looking to quantify what this data means for their own Chinese vehicle book, two standing assessments are available. A Missing Premium Leakage Assessment analyzes the insurer's own policy data against the burning cost dataset to identify exactly where current pricing assumptions diverge from observed claims experience – particularly valuable for Chinese vehicles, where the within-segment variance is three times higher than for Japanese mass-market. This assessment is delivered within 10 business days. A Shadow Mode Control Pilot runs the insurer's existing data feed in parallel with Axxion's vehicle data output for two to four weeks, with zero disruption to live operations, producing a side-by-side comparison that quantifies accuracy differences at the make-model level. Both are designed to demonstrate measurable value on the insurer's own data before any commercial commitment.

## What comes next

Chinese vehicle brands are evolving rapidly. Build quality is improving, parts supply chains are localising, and repair network maturity is increasing with every quarter. The claims profiles documented here will shift as these brands mature in the UAE market – and the insurers who track that evolution at the make-model level will price it correctly, while those relying on static assumptions will not.

The central finding is clear: treating Chinese vehicles as a monolithic category is a pricing mistake. The variance within the segment is three times the variance within the Japanese mass-market segment. Any insurer acquiring Chinese vehicle policies at scale needs make-level data, updated regularly, and a tiered approach that reflects the real differences between JAC and Jetour, between MG and BYD. The agency/non-agency split adds a second dimension: for mass-market Chinese brands, the workshop channel premium is smaller than the market average, which matters for insurers modelling repair cost exposure across their agency and non-agency books.

The alternative – a single "Chinese" factor applied across the board – will overprice the safe risks (losing them to competitors with better data), underprice the volatile ones (accumulating loss), and provide no mechanism for detecting which is which until the loss ratio delivers the answer retrospectively.

Axxion tracks Chinese vehicle claims performance at the brand and model level as part of its motor data platform, and this paper will be updated as emerging brands reach credibility thresholds. For insurers looking to refine their Chinese vehicle pricing or to implement claims cost containment strategies tailored to these segments, the Axxion team is available to discuss how make-level data and dedicated motor claims management can close the gap between portfolio assumptions and actual risk.

### ABOUT THE DATA

This analysis is based on actuarial claims cost data aggregated across UAE-licensed motor insurers. The dataset includes approximately 1.26 million vehicle-years of earned exposure and 315,712 claims, with a dedicated Chinese vehicle segment of 36,217 vehicle-years across 52 manufacturers. Metrics follow standard actuarial definitions: severity (average incurred claim cost), frequency (claims per vehicle-year of exposure), and burning cost (weighted-average pure risk cost per vehicle-year). Credibility is assessed using the limited fluctuation method at 95% confidence and 5% accuracy, requiring approximately 1,082 claims for full credibility. All analysis focuses on the claims cost side of the motor equation – the dimension where data-led management creates the most measurable impact.



## ABOUT US

Axxion Claims Settlement Services is a Dubai-based end-to-end motor claims management company and the UAE's first dedicated motor TPA. Axxion manages the full claims lifecycle for insurance partners, from first notification of loss through repair coordination, quality control, and settlement, operating on a six layer claims architecture designed around regulatory compliance, data integrity, and AI-augmented decision-making. Axxion is part of Skelmore group, a diversified automotive and insurance services group founded in Toronto in 1994. The group operates across North America and the Middle East with approximately \$650 million in revenue and 4,000 employees, spanning multi-brand automotive aftermarket services, retail and wholesale distribution, and luxury automotive.

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Axxion is a motor claims and data services company operating as the UAE's first dedicated motor TPA. For more information, contact the team at [info@axxion.ae](mailto:info@axxion.ae)

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