

January 25, 2010
Sompo Japan Insurance Inc.

Weather Index Insurance Launched for Drought Risk in Northeast Thailand **- Provision of adaptation measure for climate change utilizing insurance -**

Effective January 26, 2010, Sompo Japan Insurance (Thailand) Co., Ltd (President: Yuji Kawauchi [hereinafter Sompo Japan Thailand]), the Thai subsidiary of Sompo Japan Insurance Inc. (President and Chief Executive Officer: Masatoshi Sato, [hereinafter Sompo Japan]), will begin selling Weather Index Insurance in an effort to mitigate losses accompanying damage sustained by farmers due to drought in Khon Kaen province in northeast Thailand. The provision of Weather Index Insurance in Thailand for the purpose of dealing with damage caused to rice farmers by drought is a world first.

The sale of this insurance is occurring as part of a trial project being conducted in Thailand by the Sompo Japan Group in cooperation with The Japan Bank for International Cooperation (President and Chief Executive Officer: Hiroshi Watanabe [hereinafter JBIC]) in order to verify the effectiveness of the insurance's functionality as a climate change adaptation measure, for which global expectations are high. We are contemplating the full-scale marketing of this insurance going forward.

1. Product Development Background

Damage caused by abnormal weather greatly impacts agricultural communities where infrastructure improvements and other disaster management measures are insufficient. Effective adaptation measures for climate change, including the mitigation of economic damage caused by abnormal weather, require vast funding. And it suggests that private funding via market mechanisms could play a role, in addition to each nation's public funding. In 2007, JBIC studied the possibility and potential of Weather Index Insurance for Agriculture together with Sompo Japan group and other experts in climate change and insurance products. ("Study on Market-based Adaptation -Weather Index Insurance-", December, 2007). Following this study, Sompo Japan Group implemented an examination of insurance product development.

(Please click on the following link to access the summary of the report produced by the study <http://www.jbic.go.jp/en/about/environment/research/index.html>)

Many of the farmers in Thailand's agricultural regions borrow money from banks prior to commencing farming operations and pay back their loans with the money they raise through the sale of their harvested crops. However, up until now, there has been a serious problem with farmers being unable to repay their loans due to greatly decreased crop yields resulting from drought and other such climate associated challenges.

2. Selecting the Target Region

In developing Weather Index Insurance it was necessary to have reliable metrological data that had been accumulated over a long period of time, however, amongst agricultural regions where infrastructure is not well developed, it was not easy to acquire data that met all the required conditions.

The research group carried out field surveys across all of Southeast Asia regarding the criteria necessary for developing the insurance product and, after considering factors such as whether or not infrastructure for measuring metrological data is in place and the expected effect of introducing insurance, selected Khon Kaen province in northeast Thailand which is the country's principal agricultural region.

3. Insurance Product Outline

1. Compensatory Coverage

Weather Index Insurance will pay out a contractually predetermined insurance payout (equivalent to 15% or 40% of the financing to which the insurance is subject) should the observed result of accumulated precipitation as measured against the Thai Metrological Department accumulated rainfall index fall below a determined value for the three month period from July to September.

2. Insurance Premium Levels

Approximately ¥1,000 - ¥5,000 per farmer

3. Policy Holder

Bank for Agriculture and Agricultural Cooperatives (hereinafter “BAAC”)

4. Insurer

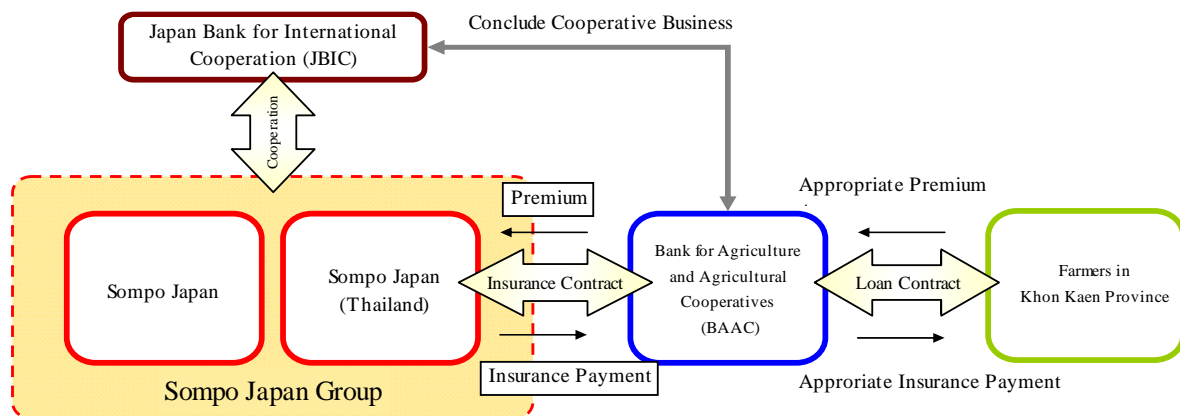
Sompo Japan Insurance (Thailand) Co., Ltd

5. Insurance Application Period

January 26 to May 31, 2010

6. Insurance Sales / Insurance Payment Structure

The sale of this insurance is being carried out by BAAC. Should insurance payments be required due to drought, Sompo Japan will pay such insurance payments to BAAC who will in turn pay the appropriate amount to the farmer.



4. Future Developments

In agreement with BAAC the initial sales period for Weather Index Insurance has been set at two years. For the term following this initial two year period Sompo Japan Group will, based on sales results, broadly consider actions such as revising the product, expanding its availability to other provinces in Thailand, diversifying the type of crops for which it is available, and marketing it in other countries in the Southeast Asian region.

Additionally, we will continue to challenge on developing and providing new products and services utilizing financial/insurance functions that contribute to the sustainable development.