

January 18, 2013

## **Participation in Pacific Catastrophe Risk Insurance Pilot**

Sompo Japan Insurance Inc. (President and CEO: Kengo Sakurada; hereinafter, “Sompo Japan”) announces that the company has joined the Pacific Catastrophe Risk Insurance Pilot established by the World Bank (President: Jim Yong Kim). The program aims to reduce the natural disaster risks of Pacific Island countries, which are vulnerable to catastrophic damages caused by major cyclones and tsunamis whose frequency is increasing in recent years.

### **1. Background of Sompo Japan’s Participation in Pacific Catastrophe Risk Insurance Pilot**

Major natural disasters, including cyclones and tsunamis, are occurring with greater frequency due to global warming and climate change. In this context, support measures for Pacific Island countries, which are vulnerable to catastrophic damages caused by natural disasters, have been discussed under the leadership of the World Bank.

Meanwhile, to promote climate change adaptation, Sompo Japan has underwritten derivative contracts in Japan and overseas and has striven to accumulate advanced financial technologies and knowhow. In addition, Sompo Japan has been involved in the study project of the Pilot since its proposal at the Pacific Islands Leaders Meeting (PALM) (Tomamu, Shimukappu, Hokkaido) in May 2009 and has actively reviewed the program for its realization. Subsequently, at the IMF-World Bank Annual Meetings (Sendai Dialogue) in October 2012, the Japanese government and the World Bank issued a joint statement regarding international contributions which make use of disaster risk management knowhow and technologies. Based upon this process, the Pacific Catastrophe Risk Insurance Pilot was launched on January 17, 2013.

As a private insurance company, Sompo Japan has led the efforts to launch the Pilot and has joined the program together with several other insurance companies.

### **2. Overview of Pacific Catastrophe Risk Insurance Pilot**

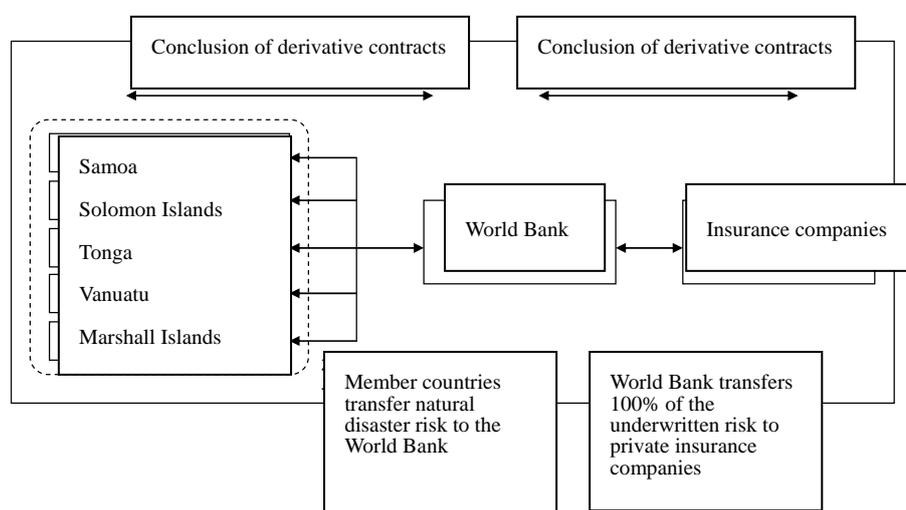
Among the Pacific Island countries, five countries – the Marshall Islands, Samoa, Solomon Islands, Tonga, and Vanuatu – will conclude derivative contracts with the

World Bank. The World Bank will establish a World Bank Trust Fund and make payouts to member countries when a natural disaster above a certain magnitude strikes.

The World Bank, on the other hand, will conclude derivative contracts (Note) with insurance companies and transfer the risk underwritten from Pacific Island countries to private insurance companies.

Note:

- Indemnity period of derivative contract: January 17, 2013 – October 31, 2013
- Entire payout amount of the Pilot: US\$44,875,000 (Approx. 4.0 billion yen)



### 3. Way Forward

Sompo Japan has promoted the development and expanded use of insurance products for climate change adaptation. Since 2010, for example, Sompo Japan has been providing Weather Index Insurance in an effort to mitigate the losses incurred by farmers due to the drought in Northeast Thailand.

Sompo Japan will continue to contribute to the creation of resilient and sustainable society by offering a wide range of solutions, including preventative measures and resolutions in response to social changes and risks.