

July 11, 2014

Sompo Japan Insurance Inc.

## **PGA Sompo Japan Insurance Inc. Launches “Typhoon Guard (Insurance)” in the Philippines**

Starting August 1, 2014, PGA Sompo Japan Insurance Inc. (CEO: Robert Coyuito Jr., hereinafter referred to as “PGA Sompo Japan”), a subsidiary of Sompo Japan Insurance Inc. (President: Kengo Sakurada, hereinafter referred to as “Sompo Japan”) in the Philippines, will start selling “Typhoon Guard (Insurance)”, an insurance product for agricultural producers in the island of Mindanao in southern Philippines to mitigate damages caused by typhoons, after successful acquisition of approval.

“Typhoon Guard (Insurance)” is an index insurance (\*) which pays the insured the predetermined insured amount if the center of a typhoon passes through the predetermined area of coverage. It is the first time in the Philippine insurance industry to provide a weather index insurance that uses typhoon as the trigger for the payment of insured amount.

\* Index Insurance ... An insurance product that pays insured amount to the insured when an index, such as observed values of specific weather, meets predetermined conditions.

### **1. Background of the Development of “Typhoon Guard (Insurance)”**

Mindanao is an island located at southern part of the Philippines. Although rainfall is high throughout the year, it is rare for Mindanao to be hit by typhoons. Being less prone to typhoon-related disaster than other regions of the Philippines makes Mindanao an ideal place for agricultural activities. Various agricultural products, such as bananas and pineapples, are grown in large-scale plantation farms and sold in both local and international markets.

However, the situation has changed when the region was hit by strong typhoons for two consecutive years in 2011 and 2012. These typhoons caused severe damage to its agricultural sector and needs for insurance to mitigate typhoon-related damages emerged among agricultural producers in Mindanao and financial institutions that provide funds to them.

In response to such emerging needs, PGA Sompo Japan, started examining new insurance product development in 2013. During the development of the new product, we made the best use of our technology and experience gained in the development of “Typhoon Guard (Weather Derivative)”, which was already being offered in Japan. Sompo Japan Nipponkoa Risk Management Inc., one of our group companies, developed Probability Typhoon Model (\*) and pricing tool while Sompo Japan designed the insurance product.

\* Probability Typhoon Model ... A model that assesses the uncertainty (scattering) of a frequency of

passage of typhoons by generating numerous events, which include rarely-occurred typhoons as well as typhoons with unprecedented route and intensity, through random simulation.

## **2. Outline of “Typhoon Guard (Insurance)”**

(1) Insurer

PGA Sampo Japan

(2) Insured

Agricultural producers in Mindanao

(3) Period of Insurance

One (1) year

(4) Coverage

Insured amount predetermined in the contract shall be paid to the insured when the center of a typhoon has passed through the predetermined area of coverage. Area of coverage shall be defined as the circular area with the radius of 100km, 150km, or 200km from the center of major cities on Mindanao island. The subscriber shall select both city and radius upon contract.

## **3. Future Plans**

PGA Sampo Japan plans to offer the product to banana producers in Mindanao first and then to examine expansion to other agricultural producers in Mindanao and also to other geographical areas of the Philippines. Furthermore, Sampo Japan will also examine developing new insurance products to be offered in other countries as well.

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