

## **Sompo Embarks on Use of Blockchain Technology for Derivative Products**

Sompo Japan Nipponkoa Holdings, Inc. (Group CEO & President: Kengo Sakurada; hereinafter “Sompo Holdings”) is pleased to announce that, in collaboration with Soramitsu Co., Ltd. (Co-CEOs: Ryu Okada & Makoto Takemiya; hereinafter “Soramitsu”), it has begun trialling the use of blockchain technology<sup>1</sup> for derivative products<sup>2</sup> in September 2016.

### **1. Background**

Japan suffers many natural disasters, including earthquakes, typhoons, and volcanic eruptions, and in readiness for such risks there is a rapidly growing need for products such as climate derivatives. Similar products are also sold overseas in emerging countries, which face natural disaster risks such as drought, especially in the agricultural sector.

In response to the needs of this fast-growing domestic and international market, Sompo Holdings has teamed up with Soramitsu to start developing systems (currently in a beta version for user trials) that utilize blockchain technology to provide customers with highly convenient derivative products and efficient services.

### **2. Outline of Derivative System Using Blockchain Technology (tentative name)**

The Derivative System Using Blockchain Technology (tentative name) that Sompo Holdings and Soramitsu have begun jointly developing aims to create a service that simultaneously shares data such as contract details on the blockchain to accurately and swiftly carry out every step in the insurance process, from managing risk aggregation for derivative products to determining whether or not to pay out on claims and implementing procedures to pay compensation.

Since use of blockchain technology has the potential to enable provision of highly secure financial services and improve service efficiency while controlling system investment costs, Sompo Holdings and Soramitsu will also examine broader application of the technology to new insurance products.

### **3. Future Product Development**

Sompo Holdings will devise and develop products and services that use the latest digital technologies, including blockchain technology, to contribute to the safety, security, and health of our customers.

#### Footnotes:

1. The blockchain is a form of distributed ledger technology. It enables data to be distributed across computers in multiple locations while also synchronizing it to maintain a single ledger.
2. Derivative products assist companies that have suffered reduced earnings or increased expenses due to natural phenomena such as earthquakes, typhoons, and volcanic eruptions by paying out a fixed amount in response to changes in indices of temperature, rainfall, etc. or the occurrence of trigger events including earthquakes and volcanic eruptions.

### About Soramitsu

Established in February 2016, Soramitsu is a blockchain technology start-up that develops identity platforms. The company also contributes to the development of blockchain technology through its participation in the Hyperledger Project, a global open source project established by the Linux Foundation, a non-profit organization.