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## Advancing on all fronts

**Sompo Global Weather continues to expand its offering with timely, tailored weather risk solutions designed to service a growing global audience and diversification into new sectors supplying responsive solutions**



Delivering ‘white glove service’ and innovative products is the key to continued success within the weather risk management sector, according to Martin Malinow, president of Sompo Global Weather. The business was voted top weather dealer for the third year running and top weather data and analytics provider in the 2018 *Energy Risk Commodity Rankings*. “When we identify a significant weather-driven event or a change in market dynamics that creates a major weather challenge for our clients, we respond with an actionable strategy and product. We then discuss options with our clients, incorporate their feedback and present revised pricing within 24 hours,” Malinow says. “This soup-to-nuts approach enables us to deliver true win-wins by providing cutting-edge and meaningful products to our clients while creating a diversified portfolio that’s consistent with our internal risk profile.”

For example, following a spate of blackouts in the Australian power market in late 2016 and 2017, Sompo Global Weather adapted its strategy to allocate more capital to the country’s wholesale electricity market. While Malinow cannot reveal exact figures, he calls the allocation “significant”.

“If you want to have an impact, you need to show up with the right product that has the right structure – the payout, the inner workings – as well as the right pricing and meaningful size,” he adds. “You can have the best product in the world but, without enough capacity, it’s not going to help your clients.”

In this instance, the right product was Sompo Global Weather’s PowerFlex<sup>®</sup>, which incorporates the complex relationship between a client’s key revenue components via multiple triggers, including extreme temperature, wind capacity, power demand and power price – customised products that assist clients in managing their specific exposures. “In a situation where there is extreme demand driven by heat, capacity shortfalls driven by low wind and high spot-market prices driven by market participants trying to stay reliable or cover their short positions on a half-hourly basis, there is the potential for absolute mayhem,” Malinow says. Indeed, both new and existing clients used the product to buy excess coverage in 2017, which in the Australian

electricity market typically starts with protection against simultaneous extremes in demand and price.

The acquisition of Endurance Specialty Holdings (Endurance) by Sompo Holdings (Sompo) in March 2017, which established Sompo International, has also enabled the company's weather business to expand its geographic footprint via the Japanese parent organisation's established international presence. "As part of a larger insurance organisation, we now have access to resources that would have been hard to build from scratch at Endurance," Malinow says. "Licensing is a key example. Sompo has extensive non-Japanese licensing around the world to service large Japanese industrials that conduct business outside of Japan. That licensing allows Sompo International, including Sompo Global Weather, to enter markets that, as Endurance, would not have been readily accessible to us."

Malinow adds that operating under the auspices of a major Japanese insurer also allows the business to plug a weather market origination hole that has existed in Asia for some time. "The market has generally been very good at addressing risk in North America (mainly the US), western Europe and Australia, but it has encountered challenges in risk originating from Asian countries, including Japan, China and parts of South-east Asia," he explains. "As part of a Japanese parent company that has extensive operations throughout Asia, we immediately saw origination from that part of the world when we began collaborating with our co-workers there. This brings more scale and diversification to our business and to our portfolio."

Sompo Global Weather has also expanded its sector coverage in recent years, diversifying outside of energy into construction and agriculture. The former generally involves project-specific insurance designed to alleviate damage or delays in building energy assets such as pipelines. "That market will only grow for us as we continue working together with our clients to identify their needs and devise responsive solutions," Malinow says.

And for the other key growth market in weather risk management, Sompo International has developed AgriSompo to offer risk management solutions to its agriculture partners. Launched in October 2017, this global platform is designed to be a 'centre of excellence' for the agribusiness sector, utilising a consistent underwriting approach, shared expertise and market-leading technology to provide cutting-edge agricultural insurance, reinsurance and weather index products to clients worldwide. "We believed an integrated agricultural platform like AgriSompo would not only resonate with our (re)insurance client base, but also with other companies throughout the agricultural value chain, and the initial response has been more than encouraging," Malinow says. "Since launching AgriSompo, we have completed transactions with some of the most significant players in the industry and this, in turn, has attracted other opportunities for us. AgriSompo has enabled us to provide the same collaborative approach and superior service to our agricultural clients as we have delivered over the past decade to our energy clients."