

Chubb Insurance Singapore Ltd.

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Chubb Insurance Singapore Ltd.

Major Rating Factor

- Highly strategic subsidiary of Chubb Group, resulting in likely group support.

**Operating Company Covered
By This Report**

Financial Strength Rating

Local Currency

AA-/Stable/--

Rationale

Our ratings on Chubb Insurance Singapore Ltd. (Chubb Singapore) reflect the highly strategic role that the insurer plays in supporting the regional growth of Chubb group (core operating subsidiaries rated AA/Stable/--). We typically rate highly strategic subsidiaries one notch lower than the core entities of the group.

In our view, Chubb Group is highly unlikely to divest the Singapore subsidiary. Chubb Singapore performs an important role in supporting multinational clients in Southeast Asia, while maintaining a modest market position and profitability in Singapore.

Chubb Group's continued investments reinforce its commitment to expand its presence in Asia. This includes an ongoing DBS bancassurance partnership, acquisition of renewal rights on DUAL Asia's financial lines portfolios, and the recent establishment of a regional aviation hub in Singapore. Such investments underscore the group's strategic focus on the Singapore market as well as the wider region.

Chubb Singapore benefits from the group's branding and receives group support in areas such as distribution, reinsurance, investment, and technology. For instance, the insurer uses a group-wide software, Chubb Studio, to distribute products via the platforms of its partners.

The group's prudent underwriting controls and strong risk management framework also influence Chubb Singapore's emphasis on pursuing disciplined growth and managing risks within its appetite.

We expect Chubb Singapore to maintain its sound market presence amid Singapore's highly competitive property and casualty insurance sector. In 2023, the insurer moved upward to fourth rank (from fifth in 2022) as its market share improved to 6.4% (from 5.9% in 2022) in terms of local insurance fund gross premiums. Revenues from partnerships and brokers increased significantly. Ongoing initiatives to further engage its partners, brokers, and agents will allow Chubb Singapore to maintain its market position while enhancing its business diversity.

Chubb Singapore's premiums are likely to grow 6%-10% in 2024. We base this view on steady demand for the insurer's key lines, including property and employers' liability, amid upcoming construction work and major infrastructure projects. That said, growth could be moderated by heightened competition and softening of rates on certain lines such as casualty and cyber insurance.

Disciplined pricing, active risk selection, and use of intergroup reinsurance remain fundamental to Chubb Singapore's strategy. We estimate the insurer's combined ratio at 80%-85% through 2024. A combined ratio below 100% indicates

underwriting profitability.

The combined ratio was 77.3% in 2023, compared with 88.4% in 2022, on IFRS 17 basis. Profitability increased on the back of improved pricing and risk selection. This led to lower claims on a couple of key lines such as property and employers' liability.

We expect Chubb Singapore to maintain healthy capitalization and manageable risk exposures, despite its relatively small capital base of Singapore dollar 252.9 million. The insurer controls its investment risk exposures by investing in mostly investment-grade fixed-income securities. As of Dec. 31, 2023, Chubb Singapore's regulatory capital adequacy ratio was 281%, well above the regulatory minimum requirement of 100%.

Ongoing cash flows from premium receipts and liquid investments including bank deposits and fixed-income securities underpin the insurer's strong liquidity position. Chubb Singapore is also debt free.

Chubb Insurance Singapore Ltd.--Key metrics

(Mil. S\$)	--Year ended Dec. 31--				
	2023	2022	2021	2020	2019
Insurance revenue*	438.4	374.0	329.6	310.0	313.5
Net income	39.5	17.9	15.7	7.0	21.4
Return on shareholders' equity (%)	16.3	7.2	6.2	2.6	7.8
Net investment yield (%)	2.7	1.6	1.4	1.8	2.0
Net combined ratio (%)	77.3	88.4	84.8	96.5	81.6
Return on revenue (%)	8.6	5.7	11.9	6.1	17.8

Chubb Insurance Singapore Ltd. implemented IFRS 17 with effect from Jan. 1, 2023. Data prior to 2022 is based on IFRS 4. *For 2019 to 2021, gross premium written has been presented. IFRS - International Financial Reporting Standards. S\$ - Singapore dollar.

Outlook

The stable outlook on Chubb Singapore reflects the rating outlook on core entities of Chubb Group and our view that the insurer will remain a highly strategic subsidiary of the group over the next two years.

Downside scenario

We could lower the ratings on Chubb Singapore if we lower our assessment of the group credit profile. We could also lower the ratings if the insurer's strategic relationship with Chubb Group weakens. This could happen if Chubb Singapore's operating performance deteriorates or the group's strategic focus changes, both of which we view as unlikely over the next 12–24 months.

Upside scenario

We could upgrade Chubb Singapore if our assessment of the group credit profile improves or we believe the insurer's strategic relationship with the group has strengthened. Chubb Singapore's increased involvement with the group in areas such as product development and strategy, or sustainable growth in the insurer's share in the Singapore market while maintaining underwriting profitability would indicate strengthened involvement. In our view, an upgrade is unlikely over the next 12–24 months.

Related Criteria

- Criteria | Insurance | General: Insurer Risk-Based Capital Adequacy--Methodology And Assumptions, Nov. 15, 2023
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- General Criteria: Guarantee Criteria, Oct. 21, 2016
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Chubb Ltd. Ratings Affirmed Following Revised Capital Model Criteria; Outlook Remains Stable, Jan. 30, 2024

Ratings Detail (As Of July 31, 2024)*

Operating Company Covered By This Report

Chubb Insurance Singapore Ltd.

Financial Strength Rating

Local Currency

AA-/Stable/--

Issuer Credit Rating

Local Currency

AA-/Stable/--

Domicile

Singapore

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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