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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

The rating on Chubb Insurance Singapore Ltd. (Chubb Singapore) reflects the important role the property and casualty (P/C) insurer plays in supporting the wider Chubb Ltd. group's strategy in Asia. We view Chubb Singapore as a highly strategic subsidiary of Chubb Group (core operating subsidiaries rated AA/Stable/--) and typically rate highly strategic subsidiaries one notch lower than the core operating subsidiaries of the group.

Chubb Singapore will continue to benefit from the long-term support from the group and regional office. Such support extends to areas including underwriting, reinsurance, product development, investment, and technology. The insurer is likely to maintain satisfactory underwriting margins backed by the group's prudent risk control and strong risk management framework.

We believe Chubb Group is highly unlikely to sell the Singapore subsidiary. Chubb Singapore performs a strategic role in supporting multinational clients in Southeast Asia, while maintaining a modest market position and profitability in Singapore.

Over the years, the group has invested in partnerships and acquisitions in the region that have also benefited its Singapore subsidiary. This includes the ongoing DBS bancassurance partnership, where Chubb Singapore has seen strong premium contributions in recent years.

The group's 2022 acquisition of the renewal rights on DUAL Asia's financial lines portfolios also helped the local insurer expand its financial lines and cyber expertise. Such deals support Chubb Singapore's growth strategy in the consumer and small commercial segments. In our view, the group's continued investments reinforce its commitment to broaden its presence in Asia.

Chubb Singapore is likely to maintain its sound market presence in Singapore's highly competitive and fragmented P/C sector. We expect favorable growth in the insurer's premium income through 2023 as it continues to pursue diversity across customer segments, products and channels. A key segment, personal accident insurance (travel in particular), is also likely to experience strong growth alongside the rebound of travel.

Chubb Singapore's market position over the next two years will continue to benefit from its distribution initiatives, which help to drive growth within targeted customer segments.

The insurer's improving agency and bancassurance contributions as well as collaborations with digital partners such as Grab could further enhance its premiums and business diversity. The local subsidiary has also leveraged on Chubb group's proprietary software, Chubb Studio, to integrate its insurance products within the digital ecosystems of its partners. Such digitalization initiatives help Chubb Singapore to connect with a broader customer base and support revenue contributions from non-traditional distribution channels.

For 2022, Chubb Insurance maintained a 5.6% market share in terms of gross premiums written in Singapore. Its gross premiums rose by about 13% in 2022, driven largely by key lines such as personal accident, property and professional indemnity.

We expect Chubb Singapore's operating performance to be modest with a combined ratio of around 90% through 2024. This reflects the insurer's continued underwriting discipline and efforts to improve operational efficiency, amid normalization of business and travel activities which could lead to higher claims for the wider market.

Chubb Singapore's five-year average net combined ratio was about 91% in 2018-2022, closer to the Singapore P/C industry (at about 93%). A combined ratio below 100% indicates underwriting profitability.

Chubb Singapore's prudent risk selection, pricing and use of intergroup reinsurance limits underwriting volatility. The insurer's combined ratio was 87.7% in 2022, compared with 84.8% in 2021. This reflects a slight uptick in its expenses and claims for several key lines such as property and professional indemnity.

Chubb Singapore is likely to maintain solid capitalization and manageable risk exposures, despite its small capital base of Singapore dollar 223 million. The insurer's conservative investments consist mainly of investment-grade fixed-income securities, limiting its investment risk exposure. As of Dec. 31, 2022, Chubb Singapore's regulatory capital adequacy ratio was 208%, well above the regulatory minimum requirement of 100%.

Chubb Singapore is debt free and has strong liquidity. Its liquidity position is supported by ongoing cash flows from premium receipts and liquid investments including bank deposits and high-quality fixed-income securities.

Chubb Insurance Singapore Ltd.--Key metrics

	--Year ended Dec. 31--				
(Mil. S$)	**2022**	**2021**	**2020**	**2019**	**2018**
Gross premiums written	371.4	329.6	310	313.5	297.7
Net income (attributable to all shareholders)	11.6	15.7	7	21.4	-3.3
Return on shareholders' equity (%)	4.8	6.2	2.6	7.8	-1.2
Net investment yield (%)	1.6	1.4	1.8	2	1.5
Net combined ratio (%)	87.7	84.8	96.5	81.6	106.5
Return on revenue (%)	8.2	11.9	6.1	17.8	1

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 a 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

- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- General Criteria: Group 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
- Criteria | Insurance | General: Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

- Chubb Ltd., May 18, 2023

Ratings Detail (As Of October 5, 2023)*
Operating Company Covered By This Report

Ratings Detail (As Of October 5, 2023)*(cont.)	
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.