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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.

**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 insurer plays in supporting the wider group's strategy in Asia. We view Chubb Singapore as a highly strategic subsidiary of Chubb Ltd. (Chubb Group; core operating subsidiaries rated AA/Stable/--). We rate highly strategic subsidiaries one notch lower than core operating subsidiaries.

Chubb Singapore benefits from long-term support provided by the group in the areas of underwriting expertise, reinsurance arrangements, distribution support, investment advisory, data analytics, and technology. The insurer maintains satisfactory underwriting performance backed by the group's prudent risk control. It benefits from the parent group's strong risk management framework, resulting in close alignment between developments in Singapore and those at the regional office and the group level.

We believe Chubb Group is highly unlikely to divest its interest in Chubb Singapore, despite the insurer's small contribution in terms of capital and earnings. The group has invested in a few distribution/digital partnerships within the region that will also benefit its Singapore subsidiary. These include a 15-year distribution arrangement with DBS Bank Ltd. (since 2017), which we anticipate will expand the insurer's access to the bank's large customer base as the partnership evolves. In our view, the group's investments to strengthen distribution highlights its commitment to broaden its presence in Asia.

Chubb Singapore should maintain its sound market presence in Singapore's highly competitive and fragmented property and casualty (P&C) sector. We expect the insurer's premium growth to be moderate through 2021, after contracting in 2020, due to recessionary economic conditions and the impact of the COVID-19 pandemic. Over the next two years, Chubb Singapore's market position will likely benefit from its distribution partnerships, which provide a larger customer base and sizable presence. The insurer ranked fifth in 2019, with a 5.6% market share in terms of gross premiums written. Gross premiums rose by about 5% last year, driven largely by growth in its key segments such as personal accident, fire, and miscellaneous lines.

We expect Chubb Singapore's operating performance to be modest over the next two years, supported by its profitable accident and health, and personal lines. The insurer's five-year average net combined ratio stood at about 90.8% in 2015-2019, outperforming the industry's five-year average of about 95%. We estimate Chubb Singapore will maintain a combined ratio of 90%-95% through 2021. This reflects the insurer's continued focus on underwriting and ability to maintain lower loss ratios similar to that of its legacy books. Its effective use of intergroup reinsurance arrangements limits underwriting volatility. The insurer's combined ratio improved to 81.6% in 2019, from 106% in 2018, mainly due

to normalized expenses. Underwriting results in 2018 were hurt by the high expense ratio stemming from one-off acquisition and administration costs.

Chubb Singapore maintains sound capitalization and manageable risk exposures, despite a small capital base of Singapore dollar 287 million. The insurer's conservative investment strategy, which consists mainly of highly rated fixed-income securities, limits its investment risk exposure. As of Dec. 31, 2019, Chubb Singapore's regulatory capital adequacy ratio of 273% was well above the regulatory minimum requirement of 120%. We expect the insurer to maintain a healthy regulatory solvency ratio under the new risk-based capital regime.

Debt-free Chubb Singapore has strong liquidity, aided by its cash holdings and liquid fixed-income securities to meet short-term needs.

Table 1

Chubb Insurance Singapore Ltd.--Key Metrics

(Mil. S\$)	--Year ended Dec. 31--				
	2019	2018	2017	2016	2015
Gross premiums written	313.5	297.7	254.4	239.8	178.8
Net income (attributable to all shareholders)	21.4	(3.3)	7.1	21.1	7.0
Financial leverage (%)	0.0	0.0	0.0	0.0	0.0
Return on shareholders' equity (%)	7.8	(1.2)	3.4	19.8	11.1
Net investment yield (%)	2.0	1.5	1.3	1.5	1.2
Net combined ratio (%)	81.6	106.5	92.2	82.0	91.9
Return on revenue (%)	17.8	1.0	10.5	27.9	16.1

S\$--Singapore dollar.

Outlook

The stable outlook on Chubb Singapore reflects the rating outlook on core entities of Chubb Group. It also reflects our view that the insurer will remain a highly strategic subsidiary of the group.

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 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 of 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

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

Related Research

- Chubb Ltd., Dec. 27, 2019

Ratings Detail (As Of October 14, 2020)*

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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