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Chubb Insurance Singapore Ltd.

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Table Of Contents

Chubb Insurance Singapore Ltd.

Major Rating Factor

- Highly strategic subsidiary of the 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 insurer's important role to support the wider group's strategy in Asia. We view Chubb Singapore as a highly strategic subsidiary of Chubb group (Chubb Ltd.; 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 areas of underwriting expertise, reinsurance arrangements, distribution support, investment advisory, and technology. The insurer maintains satisfactory underwriting performance backed by the group's prudent risk control. It benefits from its parent group's strong risk management framework. The insurer's risk management developments in Singapore are closely aligned with the regional office and the group.

We believe that the 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. The partnerships include a 15-year distribution arrangement with DBS Bank Ltd. In our view, the group's investments to strengthen distribution highlights its commitment to develop 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. Over the next two years, we expect Chubb Singapore's market position to benefit from its distribution partnerships, which provide a larger customer base and sizable presence. The insurer ranked fifth, with a 5.2% market share in terms of gross premiums written in 2018.

We expect Chubb Singapore to maintain a combined ratio of 90%-95% through 2020, similar to that of the Singapore P&C industry. 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. In 2018, Chubb Singapore's combined ratio deteriorated to 106% (2017: 92%). The weaker underwriting results are mainly attributable to the high expense ratio stemming from one-off acquisition and administration costs in 2018.

Chubb Singapore maintains sound capitalization and manageable risk exposures, despite a small capital base of Singapore dollar 262 million. The insurer's conservative investment strategy, which consists mainly of good quality fixed-income securities limits its investment risk exposure. As of Dec. 31, 2018, Chubb Singapore's regulatory capital adequacy ratio of 232.5% is well above the regulatory minimum requirement of 120%.

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

Table 1

Chubb Insurance Singapore Ltd.--Key Metrics

	--Year ended Dec. 31--				
(Mil. S$)	**2018**	**2017**	**2016**	**2015**	**2014**
Gross premiums written	297.7	254.4	239.8	178.8	168.1
Net income (attributable to all shareholders)	(3.3)	7.1	21.1	7.0	15.3
Financial leverage (%)	0.0	0.0	0.0	0.0	0.0
Return on shareholders' equity (%)	(1.2)	3.4	19.8	11.1	26.5
Net investment yield (%)	1.5	1.3	1.5	1.2	1.1
Net combined ratio (%)	106.4	92.2	82.0	91.9	71.7
Return on revenue (%)	(0.0)	8.9	25.8	14.3	31.9

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 the 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
- Use Of CreditWatch And Outlooks, Sept. 14, 2009

- 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

Related Research

- Chubb Ltd. And Operating Subsidiaries; July 25, 2019

Ratings Detail (As Of December 11, 2019)*	
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.