

Sompo Insurance Singapore Pte. Ltd.

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Sompo Insurance Singapore Pte. Ltd.

Major Rating Factor

- A highly strategic subsidiary of Japan-based Sompo group, a status that denotes strong support from the group if needed.

**Operating Company Covered
By This Report**

Financial Strength Rating

Local Currency

A/Stable/--

Rationale

The rating on Sompo Insurance Singapore Pte. Ltd. (Sompo Singapore) reflects the insurer's important role of supporting its Japanese parent group's strategy in Asia. Therefore, we view Sompo Singapore as a highly strategic subsidiary of Sompo group and rate the insurer one notch lower than the 'a+' group credit profile of the Sompo group.

Close alignment with the parent's overseas expansion and growth strategy demonstrates Sompo Singapore's strategic importance within the Southeast Asia region. The group has a net worth maintenance agreement in place with a track record of capital injections when required (for example after the Thailand flood crisis). The parent provides additional support in areas such as branding, underwriting, investment, and risk management governance.

The Sompo group is highly unlikely to sell its interest in Sompo Singapore given the Singapore-based insurer's role of supporting the group's regional strategy. This is despite Sompo Singapore's small contribution of about 1.2% to the group's capital and earnings. While the insurer remains focused on growing the local market, it also plays a role in supporting its parent in servicing and cross selling to Japanese clients.

Sompo Singapore also benefits from business referrals from Sompo group. Sompo Singapore also plays a supportive role as the underwriting agent for the Sompo group's subsidiaries across the region. These underwritten risks are then placed directly between the Japan headquarters and the subsidiaries once accepted.

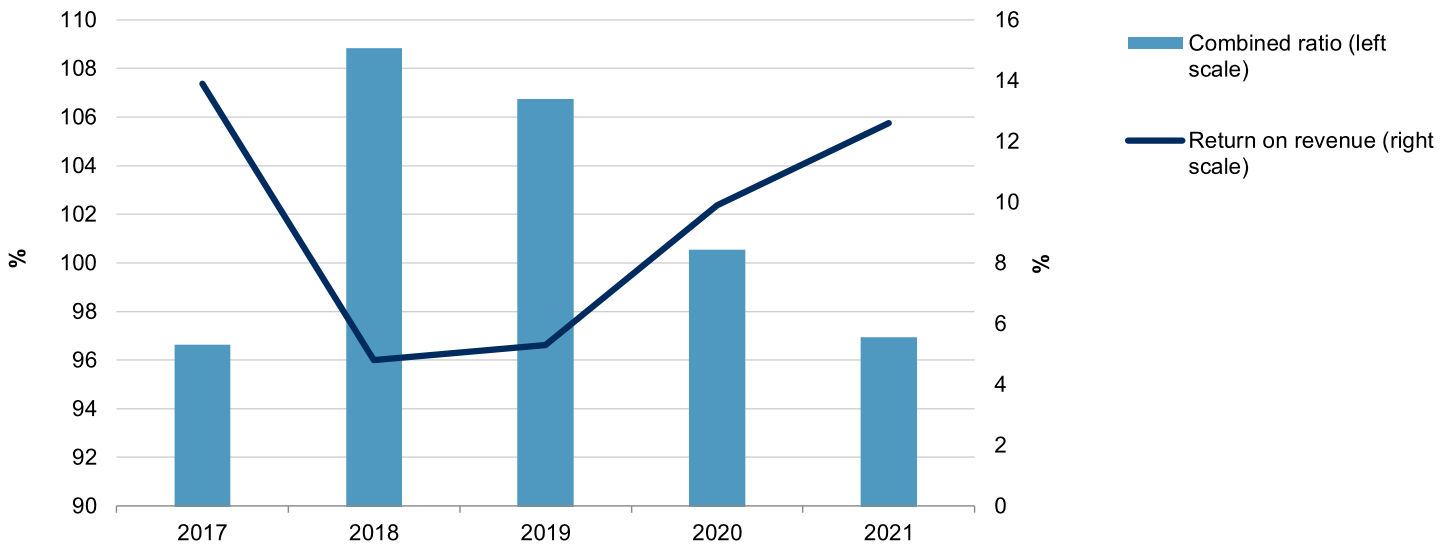
In our view, Sompo Singapore's focused risk selection, updated data-driven fraud detection, and improving operation efficiency will support the insurer to maintain its underwriting profitability over the next two years. As of June 2022, the insurer had reported a combined ratio of about 90.2%. In 2021, the combined ratio improved to 97% from 101% in 2020, mainly driven by lower claims across major lines with some higher losses in the marine and property segments.

That said, slowing economic growth and inflationary pressures within Singapore's competitive property and casualty (P/C) market could add some volatility to Sompo Singapore's earnings in the near term.

While Sompo Singapore's overall reinsurance program is streamlined with the group's, the insurer continues to have flexibility to manage coverage limits and structure. Sompo Singapore has been active in revising its underwriting guidelines and reinsurance structure in order to manage reinsurance costs while tailoring reinsurance arrangements that best suit its claims experience. For 2022, Sompo Singapore increased its share on the personal accidents line, while maintaining its whole account surplus treaty and low retentions in its medical lines.

Chart 1

Sompo Singapore's Results Have Improved



Source: S&P Global Ratings.

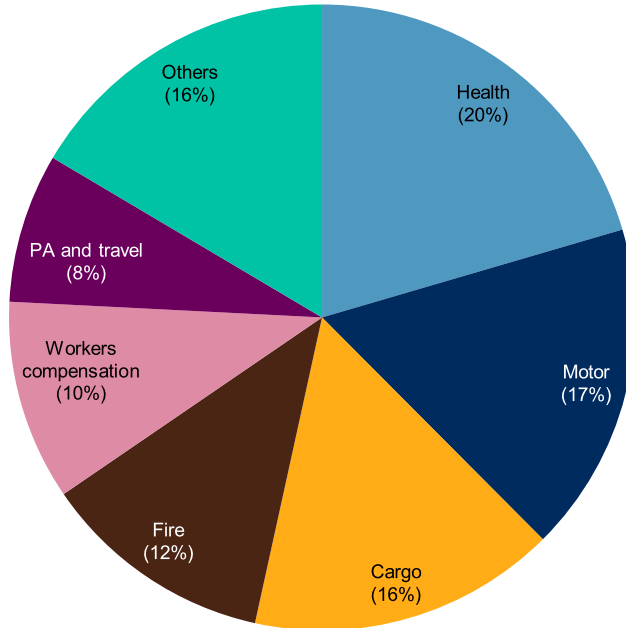
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Sompo Singapore is likely to maintain its moderate presence within the competitive Singapore P/C market, underpinned by its niche position in servicing Japanese corporate accounts. We expect the insurer to maintain sustainable profits through its stable Japanese accounts, while expanding its Singapore portfolio. The insurer's size (in terms of premium income) remains modest in Singapore, generating 2.7% of total non-life insurance premiums for 2021.

In our view, Sompo Singapore will maintain a balanced portfolio through diversifying across various business lines as the insurer grows within the domestic market. We expect the insurer to focus on cost monitoring and to enhance its underwriting and system capabilities to improve efficiency. Sompo Singapore will also ensure that its risk management practices are consistent with its parent's standards.

Chart 2

Sompo Singapore's Business Mix Is Diversified
Gross premiums written in 1H 2022



1H--First half. Source: Sompo Insurance Singapore Pte. Ltd.

We expect Sompo Singapore's capitalization to remain strong over the next two years, supported by its sound capital management and manageable risk exposures, despite its modest capital size. As of end-2021, the insurer's capital stood at Singapore dollar (S\$) 280 million. We believe the insurer will maintain a healthy regulatory solvency ratio despite its ongoing capital repatriation plans over the next year. As of June 30, 2022, the regulatory solvency ratio was about 501% under Singapore's Risk-Based Capital 2 (RBC2) framework.

Outlook

The stable outlook on Sompo Singapore reflects the stable outlook on the core entities of Sompo group. The outlook also reflects our expectation that the company will remain a highly strategic subsidiary of the group.

Downside scenario

We could downgrade Sompo Singapore if we lower our 'a+' group credit profile for Sompo group. We could also downgrade Sompo Singapore if its importance to Sompo group diminishes substantially, which we believe is unlikely in the next two years.

Upside scenario

We could upgrade Sompo Singapore if we raise our group credit profile for Sompo group. We also may raise the rating if Sompo Singapore's importance to Sompo group improves considerably such that the company becomes a core entity for the group. We consider this to be unlikely over the next two years because we do not expect the company to contribute materially to the group.

Key Metrics

Sompo Insurance Singapore Pte. Ltd.--Key Metrics

| (Mil. S\$) | --Year-ended Dec. 31-- | | | | |
|-----------------------------------------------|------------------------|-------|-------|-------|-------|
| | 2021 | 2020 | 2019 | 2018 | 2017 |
| Gross premiums written | 141.5 | 136.3 | 144.7 | 139.3 | 125.8 |
| Net income (attributable to all shareholders) | 10.7 | 9.8 | 1.8 | 5.3 | 13.9 |
| Return on shareholders' equity (%) | 3.8 | 3.4 | 0.6 | 1.8 | 4.8 |
| Net investment yield (%) | 1.9 | 2.0 | 2.5 | 2.3 | 1.8 |
| Net combined ratio (%) | 97.0 | 100.5 | 106.7 | 108.8 | 96.6 |
| Return on revenue (%) | 12.6 | 10.0 | 5.3 | 4.8 | 13.9 |

S\$--Singapore dollar.

Related Criteria

- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- General Criteria: Group Rating Methodology, July 1, 2019
- 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

- Sompo Holdings Group's Core Subsidiaries, June 21, 2022

Ratings Detail (As Of November 30, 2022)*

Operating Company Covered By This Report

Sompo Insurance Singapore Pte. Ltd.

Financial Strength Rating

Local Currency

A/Stable/--

Issuer Credit Rating

Local Currency

A/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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