

## Sompo Insurance Singapore Pte. Ltd.

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# Sompo Insurance Singapore Pte. Ltd.

## Major Rating Factor

- Highly strategic subsidiary of Japan-based Sompo group, resulting in likely group support.

<b>Operating Company Covered By This Report</b>
<b>Financial Strength Rating</b>
<i>Local Currency</i>
A/Stable/--

## Rationale

Our ratings on Sompo Insurance Singapore Pte. Ltd. (Sompo Singapore) reflect the highly strategic role the insurer plays in supporting the Sompo group's business strategy in Asia. Therefore, we expect Sompo Singapore to receive strong support from the Japanese insurance group and rate the insurer one notch below the 'a+' group credit profile of the group.

The Singapore-based subsidiary shares its parent's brand name and benefits from long-term commitment of parental support. This is evident from the provision of a net worth maintenance agreement and a track record of capital injections when required (such as after the major floods in Thailand). The parent also supports Sompo Singapore in areas such as business referral, underwriting, investment and risk management governance.

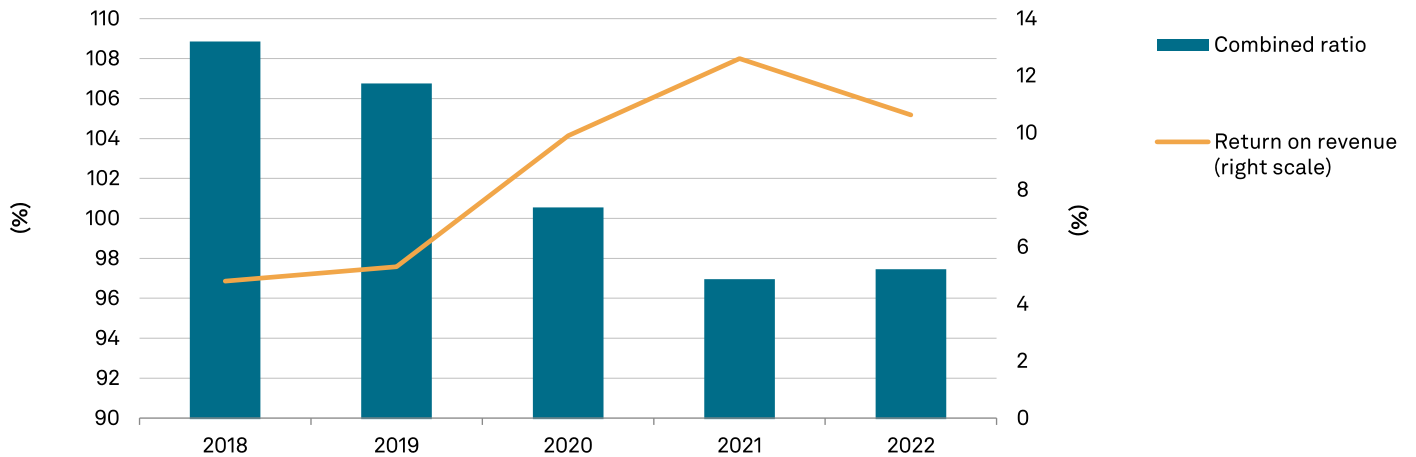
The Sompo group is highly unlikely to sell its interest in Sompo Singapore given the Singapore-based insurer's role of supporting the group's regional strategy. The insurer plays an important role in supporting its parent in servicing and cross selling to Japanese clients while growing the local market. Additionally, under the group's expansion plan in commercial and specialty lines business across the Asia-Pacific region over the next five years, Sompo Singapore will play an important role as a business hub. That said, Sompo Singapore has a relatively small contribution of about 0.7% to the group's capital and earnings.

In our view, Sompo Singapore's underwriting performance will continue to benefit from its focus on risk selection, data-driven fraud detection, and improving operation efficiency. As of June 2023, the insurer had reported a combined ratio of about 90.3%.

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 remains active in revising its underwriting guidelines and reinsurance structure to optimize reinsurance arrangements that are commensurate with its claims experience. For 2023, Sompo Singapore's reinsurance arrangement remains unchanged.

Chart 1

## Sompo Singapore remains profitable



Source: S&P Global Ratings.

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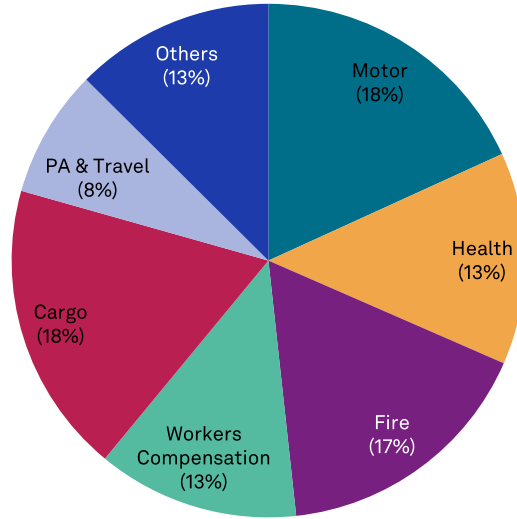
Sompo Singapore is likely to maintain its moderate presence within the competitive Singapore market, underpinned by its niche position in servicing Japanese corporate accounts. In our view, the insurer will sustain profitability through its stable Japanese accounts, while expanding its Singapore portfolio and regional commercial lines. The insurer's size (in terms of premium income) remains modest in Singapore, generating 2.8% of total non-life insurance premiums as of 2022.

The diversity in Sompo Singapore's portfolio will further increase (see chart 2), given the group's ambitions to grow in both the regional commercial lines and the Singapore market. We expect the insurer to focus on building a team with strong underwriting expertise and cautiously grow the commercial and specialty lines across Southeast Asia while monitoring the costs involved and maintain efficiencies. We believe 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 premium written in first-half 2023



Source: Sompo Insurance Singapore Pte. Ltd.  
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We expect Sompo Singapore's capitalization to remain strong over the next two years, reflecting sound capital management and manageable risk exposures despite its modest capital size of Singapore dollar (S\$) 155 million as of the end of 2022. We expect the insurer's regulatory solvency ratio to remain healthy despite its ongoing capital repatriation plans over the next one year. As of June 30, 2023, the regulatory solvency ratio was about 283% 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 core to the group. We consider this to be unlikely over the next two years as we do not expect the company's contribution to the group to increase materially.

## Key Metrics

### Sompo Insurance Singapore Pte. Ltd.--Key metrics

(Mil. S\$)	--Year ended Dec. 31--				
	2022	2021	2020	2019	2018
Gross premiums written	157.3	141.5	136.3	144.7	139.3
Net income (attributable to all shareholders)	11.7	10.7	9.8	1.8	5.3
Return on shareholders' equity (%)	5.4	3.8	3.4	0.6	1.8
Net investment yield (%)	1.7	1.9	2.0	2.5	2.3
Net combined ratio (%)	97.4	97.0	100.5	106.7	108.8
Return on revenue (%)	10.6	12.6	10.0	5.3	4.8

S\$--Singapore dollar.

## Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Principles Of Credit Ratings, Feb. 17, 2011

## Related Research

- Sompo Holdings Group's Core Subsidiaries, June 28, 2023

### Ratings Detail (As Of November 24, 2023)\*

#### 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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