

## Sompo Insurance Singapore Pte. Ltd.

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### Table Of Contents

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Major Rating Factor

Rationale

Outlook

Related Criteria

Related Research

# Sompo Insurance Singapore Pte. Ltd.

## Major Rating Factor

- Implicit support from Japan-based Sompo group under almost all circumstances, as a highly strategic subsidiary.

**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 in supporting the Japan-based Sompo group's strategy in Asia-Pacific. 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.

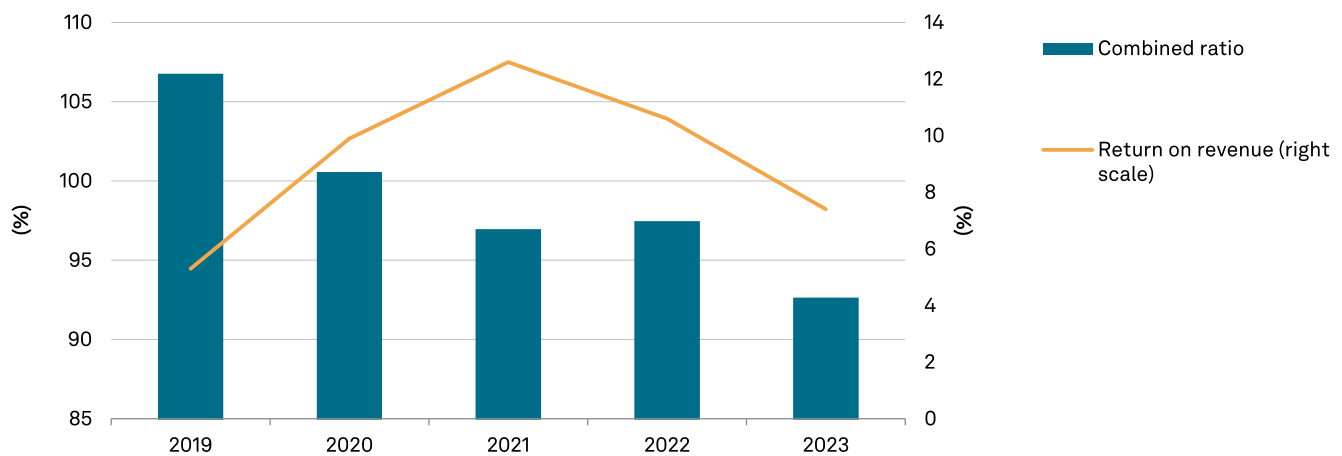
The Singapore-based subsidiary shares its parent's brand name and benefits from long-term commitment of parental support. This is evident from the provision of a net worth maintenance agreement and a record of capital injections when required (such as after the 2011 major floods in Thailand). Additionally, Sompo Singapore receives group support in areas such as business referral, underwriting, investment, and risk management governance.

We believe Sompo Group is highly unlikely to sell its interest in Sompo Singapore. The Singapore subsidiary provides support to its parent in servicing and cross selling to Japanese clients while growing the local market. Additionally, we expect Sompo Singapore to play a central role as the business hub for expansion of the group's commercial and specialty lines business across Asia-Pacific over the next five years. That said, currently, Sompo Singapore has a relatively small contribution of about 1.0% to the group's capital and earnings.

Sompo Singapore maintained its good underwriting performance in 2023. Its net combined ratio was 92.6% during the year on an IFRS 17 basis. This reflected lower claims across business lines such as fire, marine and, workers compensation.

Sompo Singapore is likely to face sustained pressure on its underwriting performance, with a combined ratio of 103%-108% through 2024. This is given the initial phase of the insurer's Asia commercial business. Sompo Singapore had a combined ratio of about 104.6% for the first half of the year. A combined ratio above 100% indicates underwriting losses.

We believe Sompo Singapore's combined ratio will start normalizing from 2025 because the insurer will benefit from economies of scale in building its Asia commercial business.

**Chart 1****Sompo Singapore maintains its profitability**

Note: Sompo Insurance Singapore Pte. Ltd. implemented IFRS 17 with effect from Jan. 1, 2023. Data prior to 2023 is based on IFRS 4. Source: S&P Global Ratings.

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While Sompo Singapore's overall reinsurance program is streamlined with the group's, the insurer will continue 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 insurance risk profile. In 2024, the insurer added new reinsurance arrangements to support the parent group's commercial lines strategy across Asia-Pacific.

Sompo Singapore is likely to maintain its moderate presence within the competitive Singapore market. We believe the insurer will sustain profitability through its stable Japanese accounts and prudently managed local accounts, while expanding in regional commercial lines. The insurer's size (in terms of gross premium income) remains modest in Singapore. It generated 2.3% of total non-life insurance premiums within the Singapore insurance market in 2023.

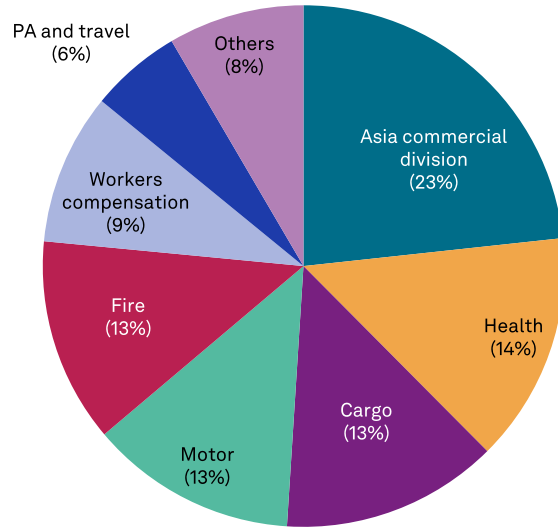
In our view, the diversity in Sompo Singapore's portfolio will continue to increase as it grows its local business while supporting the parent group's ambitions to grow in commercial lines in the region.

We expect the insurer to maintain strong underwriting expertise and prudently grow its commercial and specialty lines across Asia-Pacific while balancing related costs. Sompo Singapore's risk management practices remain in line with its parent's standards.

**Chart 2**

**Sompo Singapore's commercial business is growing**

Gross premium written in first-half 2024



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. This is despite the insurer's modest capital of Singapore dollar (S\$) 182 million as of the end of 2023.

We expect Sompo Singapore's regulatory solvency ratio to remain healthy over the next few years. As of June 30, 2024, the regulatory solvency ratio was about 337% under Singapore's Risk-Based Capital 2 framework.

## Outlook

The stable outlook on Sompo Singapore reflects the stable outlook on the core entities of Sompo group and our expectation that the insurer will remain a highly strategically important subsidiary of the group over the next two years.

### Downside scenario

We could downgrade Sompo Singapore if we revise downward our 'a+' group credit profile of Sompo group. We could also lower the rating on Sompo Singapore if the insurer's importance to Sompo group substantially diminishes, which we believe is unlikely in the next two years.

### Upside scenario

We could upgrade Sompo Singapore if we revise upward our assessment of the group credit profile of Sompo Group.

We may also raise the rating if Sompo Singapore's importance to the group improves considerably such that we assess it to be core to the group. We consider such a scenario as unlikely over the next two years because we do not expect the company's contribution to the group to increase materially.

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

	--Year ended Dec. 31--				
(Mil. S\$)	2023	2022	2021	2020	2019
Insurance revenue*	140.0	157.3	141.5	136.3	144.7
Net income	10.0	11.7	10.7	9.8	1.8
Return on shareholders' equity (%)	6.0	5.4	3.8	3.4	0.6
Net investment yield (%)	3.0	1.7	1.9	2.0	2.5
Net combined ratio (%)	92.6	97.4	97.0	100.5	106.7
Return on revenue (%)	7.4	10.6	12.6	10.0	5.3

Note: Sompo Insurance Singapore Pte. Ltd. implemented IFRS 17 with effect from Jan. 1, 2023. Data prior to 2023 is based on IFRS 4. \*For 2019 to 2022, gross premium written has been presented. IFRS--International Financial Reporting Standards. S\$--Singapore dollar.

## Related Criteria

- Criteria | Insurance | General: Insurer Risk-Based Capital Adequacy--Methodology And Assumptions, Nov. 15, 2023
- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- 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: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

## Related Research

- Sompo Holdings Group's Core Subsidiaries, June 21, 2024
- Sompo Insurance Singapore Pte. Ltd. Ratings Affirmed Following Revised Criteria; Outlook Remains Stable, April 11, 2024

### Ratings Detail (As Of October 21, 2024)\*

#### 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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