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AM Best Upgrades Credit Ratings of Singapore Reinsurance Corporation Limited

SINGAPORE, 5 August 2022—AM Best has upgraded the Financial Strength Rating to A (Excellent) from A- (Excellent) and the Long-Term Issuer Credit Rating of “a” (Excellent) from “a-” (Excellent) of Singapore Reinsurance Corporation Limited (Singapore Re) (Singapore). The outlook of these Credit Ratings (ratings) is stable.

The ratings reflect Singapore Re’s balance sheet strength, which AM Best assesses as strong, as well as its adequate operating performance, limited business profile and appropriate enterprise risk management (ERM). In addition, the ratings factor in rating enhancement from the company’s ultimate parent, Fairfax Financial Holdings Limited (Fairfax group).

The ratings upgrade reflects AM Best’s assessment of increased rating enhancement from the Fairfax group. The rating enhancement factors in explicit support in the form of a parental guarantee and implicit support from the group, including corporate governance, as well as access to shared resources and services across various business functions. Despite Singapore Re’s operations accounting for a small component of the Fairfax group’s consolidated revenue and earnings, the company is considered important to the group’s international expansion plans and provides access to local and regional business.

Singapore Re’s balance sheet strength is underpinned by its risk-adjusted capitalisation, as measured by

Best's Capital Adequacy Ratio (BCAR), which is expected to remain at the strongest level over the medium term. In addition, the company's financial flexibility and capital management benefit from its ultimate ownership by the Fairfax group. AM Best views Singapore Re as having a moderate risk investment portfolio, which is made up of a combination of low-risk assets of cash, deposits and local government bonds, as well as higher-risk assets including non-rated corporate bonds, equities and real estate. The company has a high usage of and dependence on retrocession to increase underwriting capacity and manage exposure to catastrophe accumulations and large single risks, although the credit risk is mitigated by the use of well-rated retrocession counterparties.

AM Best assesses Singapore Re's operating performance as adequate, with a five-year average return-on-equity ratio of 3.9% (2017-2021). Underwriting performance improved marginally in 2021, supported by favourable development of prior-period loss reserves, notwithstanding that it has been constrained by competitive market conditions and elevated natural catastrophe losses over recent years. Investment income excluding capital gains, arising mainly from interest, dividend, and rental income continues to contribute positively to operating earnings. Overall, net profit showed a significant improvement in 2021 compared with the prior year, supported mainly by realised gains on the disposal of investment properties.

AM Best assesses Singapore Re's business profile as limited. Singapore Re is a modest-sized non-life reinsurer based in Singapore, writing treaty and facultative business mainly in Asia and the Middle East. The underwriting portfolio has shown an increasing concentration toward the property line over time and is exposed to catastrophe accumulation risks from territories across Asia and the Middle East.

This latest rating action is the result of an accepted appeal from Singapore Re.

Ratings are communicated to rated entities prior to publication. Unless stated otherwise, the ratings were not amended subsequent to that communication.

This press release relates to Credit Ratings that have been published on AM Best's website. For all rating information relating to the release and pertinent disclosures, including details of the office responsible for issuing each of the individual ratings referenced in this release, please see AM Best's Recent Rating Activity web page. For additional information regarding the use and limitations of Credit Rating opinions, please view Guide to Best's Credit Ratings. For information on the proper use of Best's Credit Ratings, Best's Preliminary Credit Assessments and AM Best press releases, please view Guide to Proper Use of Best's Ratings & Assessments.

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