

Allianz Global Corporate &
Specialty SE Singapore Branch

2019

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Supplementary Information 2019

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Allianz Global Corporate & Specialty SE Singapore Branch (AGCS Singapore) is incorporated as a branch of Allianz Global Corporate & Specialty SE (AGCS SE). AGCS SE is a global company registered in Munich, Germany. The company operates an international network of companies in Europe, Americas, Asia and Africa which reflect the global needs of corporate and specialty customers. AGCS SE is one of the few specialist corporate insurers with a genuine global market presence that can provide “one carrier” insurance solutions across the whole spectrum of corporate and specialty risks.

AGCS Singapore is a key branch in Asia as it also acts as the regional hub for Asia Pacific. There are a dedicated team of experts to serve business clients with international activities or specialist risk exposures across the region.

AGCS Singapore continuously reviews the opportunities of growth both locally and across the Asia Pacific. This is achieved by both assessing the markets and introducing new products such as Cyber and coverage for non-damage forms of business interruption. Of equal importance is our commitment to improve systems and processes in order to maximize efficiency and service delivery for the customer. Emerging challenges of the business are more global in nature rather than specific to doing business in Asia Pacific, but include increase in regulation and market competition.

As the regional hub, AGCS Singapore leverages on the core strength of AGCS SE within the corporate and specialty segments, namely, underwriting expertise, product specialty and access to AGCS’s worldwide network and full range of services from risk consulting to claims, to generate sustainable profitable growth.

Business Review of AGCS Singapore

Gross Written Premiums (GWP) declined by SGD 11.5mn to SGD 236.8mn (2018: SGD 248.4mn) mainly driven by Energy and Liability, partially offset by growth in Engineering and Property. The Standard Chartered Bancassurance and International Health business which AGCS Singapore insures also contributed to an increase in GWP.

The reinsurance cession rate has increased to 37% from 31% in 2018 as a result of increase in facultative reinsurance in Property, Engineering, and Financial Lines. In addition, the growth of the Standard Chartered Bancassurance deal and International Health business which is managed by AGCS Singapore Branch also played a part in increasing reinsurance cession rate.

Claims incurred decreased to SGD 70.9mn (2017: SGD 97.1mn) largely due improved claims experience in Property and Liability lines of business, partially offset by higher claims in Engineering and Energy.

The Loss ratio net of reinsurance has improved by 13.1% to 47.7% from 60.8% in 2018, primarily driven by better claims experience compared to 2018.

The following comments on the development of AGCS Singapore business are based on gross figures unless specified.

Marine and Aviation

Gross written premium increased by SGD 2.7mn to SGD 28.0mn in 2019. This is mainly attributable to growth in Marine Cargo business. Net underwriting results produced a loss of SGD 5.5mn, improving on the loss of SGD 12.4mn reported in 2018. The improvement is mainly due to a reduction in attritional losses reported in 2019.

Property and Energy

Gross written premium is SGD 100.4mn, which is lower by SGD 15.7mn compared to 2018. This decline comprises a decrease in premiums in Energy of SGD 22.3mn, partially offset by an increase in premiums in Property of SGD 6.6mn. The decline in Energy is due to lack of operational and energy hull construction activities in the Oil and Gas sector. The increase in Property is driven by new business and upsells due to capitalization of new and existing opportunities in addition to improving market conditions. Net underwriting result improved by SGD 9.4mn to SGD 10.1mn in 2019 due to business growth and better claims experience.

Liability and Financial Lines

Gross written premium declined by SGD 12.8mn in 2019 to SGD 45.1mn mainly due to decline in product and environmental liability across various sectors. The 2019 a net underwriting profit is SGD 21.8mn. This is an improvement of SGD 23.8mn compared to an underwriting loss of SGD 2.0mn in 2018, due to a better claims experience.

Engineering

The increase in gross written premium by SGD 15.2mn to SGD 52.7mn is driven by upsell of existing accounts in comprehensive machinery insurance. A net underwriting loss of SGD 21.1mn is a decline of SGD 22.6mn compared to 2018 and is mainly due to deterioration in claims experience.

Investment Income

Investment income increased by SGD 5.0mn from SGD 16.1mn in 2019 mainly driven by realized gains registered for maturity and partial sale of bonds and higher interest income from a larger portfolio of debt securities.

Risk Governance

AGCS SE Singapore branch is part of the risk governance framework of AGCS SE. Assuming and managing risk is part of the business model of AGCS SE. Well-developed risk awareness and the careful weighing of chances and risks are therefore an integral part of AGCS SE's business processes. The key elements of the risk management of AGCS SE are:

- A strong risk management culture, promoted by a solid risk organization and effective risk governance.
- Comprehensive risk capital calculations with the objective of protecting the capital base and supporting effective capital management.
- The integration of capital needs and risk considerations into the decision-making and management process.

This comprehensive approach makes sure that risks are adequately identified, analyzed and evaluated. The risk propensity is described in the risk strategy and made operational by the limit system contained therein. In addition, further limits are substantiated and detailed in specific standards and directives. Strict risk control and the corresponding reports ensure the early detection of any possible deviations from the risk tolerance.

Risk Organisation

The responsibility for risk management for AGCS SE within the Board of Management lies with the Chief Financial Officer (CFO). The Chief Risk Officer (CRO), who reports to the CFO, monitors the risks assumed and regularly informs the Board of Management of AGCS SE about risk-relevant developments, the current risk profile and capital adequacy. AGCS SE Singapore Branch's CFO and Head of Risk Management assume the responsibility on AGCS SE Singapore Branch's level and reports essential risks to the Management of AGCS SE Singapore Branch.

Risk Categories

AGCS SE Singapore Branch adopts the key risk categories of AGCS SE. Based on these categories, AGCS Singapore Branch conducts an annual Top Risk Assessment in executing its business strategy:

- Underwriting risk, which is subdivided into premium, i.e. the risk that insurance premiums will not be sufficient to cover future losses and reserve risk, i.e.; the risk that existing losses will result in run-off losses with respect to the loss reserves constituted. Premium risk is further subdivided into risk of natural catastrophes, terror risk as well as risk due to other losses and other premium risks.
- Market risks, i.e. the risk of market value fluctuations differentiated by type of investment. The essential risks are interest risk, currency risk, stock risk and credit spread risk
- Credit risks (including country risks) such as the counterparty risk arising from the insolvency or liquidity shortages of reinsurers, policyholders, insurance brokers and security issuers, as well as reliability risks due to losses stemming from debtor's impaired creditworthiness.
- Operational risk: Risk that arises from inadequate or failed internal processes and controls. It may be caused by technology, employees, the organization or by external influences as well as legal and compliance risks.

Non-quantifiable risks are monitored by means of a structured identification and evaluation process. These risks are:

- Liquidity risk, which is defined as the risk that payment obligations cannot be met when they become due.
- Strategic risk: Risk resulting from strategic business decisions. This includes risks caused by business decisions that are not adapted to a changed economic environment.
- Reputational risk: The risk that arises from possible damage to an undertaking's reputation as a consequence of negative public perception.

Investment and Asset-Liability Management

The AGCS Investment and Asset-Liability-Management Standard of AGCS SE applies to AGCS Singapore. AGCS SE actively manages its investment portfolio and is actively taking investment risks in a controlled and limited manner. This results in a mid to long-term focused investment policy with an emphasis on strategic asset allocation and the goal of realizing the long-term risk premium of asset classes. Tactical asset allocation is used on a limited basis as an enhancement to the strategic asset allocation in order to profit from market opportunities.

The AGCS investment strategy takes these factors into consideration:

- Local as well as group-wide external and internal regulations, and policies
- The risk-bearing capacity and risk tolerance of AGCS' legal entities / Branches
- The general principles of a congruent Asset-Liability-Management
- The return objectives, expectations, and risk tolerance of the shareholders
- The expectations of external parties (e.g. regulators, rating agencies, clients)

The investment activities follow the general principles of a congruent ALM with a sufficient duration and currency matching within prescribed limits, and have a clear focus on liquid and high quality assets. All technical reserves are supported by investments in cash and fixed income securities.

The investment portfolio duration incorporates a going-concern perspective to mitigate the economic exposure to interest rate risk. Additionally, its maturity profile reflects the expected payment profile of our liabilities.

Risk and Solvency Assessment

An essential component of the risk management of AGCS SE Singapore Branch is the Branch's own risk and solvency assessment.

The Branch's risk and solvency situation is summarized at least once per year in a separate report as required by MAS Notice 126 – Enterprise Risk Management ("ERM") for Insurers.

The Singapore Branch comfortably complies with the supervisory capital requirement showing a capital ratio of 227.45% as at year-end 2019, and thus provides superior policyholder protection. All capital management processes proved to be effective.

For any queries, please contact:

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