Allianz Global Corporate & Specialty SE Singapore Branch

2021

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Supplementary Information 2021

Allianz Global Corporate and Specialty SE Singapore Branch

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 across all continents which reflects the global need of corporate and specialty customers. AGCS SE provides provide risk consultancy, Property-Casualty insurance solutions and alternative risk transfer for a wide spectrum of commercial, corporate and specialty risks across nine dedicated lines of business and six regional hubs.

In 2021, AGCS SE delivered on its strategic goals and returned to profitability, following a portfolio remediation to secure the basis for future sustainable growth. AGCS Singapore is a key branch in Asia as it 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, including emerging areas such as cyber risk and renewal energy. We continually focus on our commitment to improve systems and processes 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) grew by SGD 36mn to SGD 266.3mn (2020: SGD 230.3mn) mainly driven by growth in Energy, Property, Liability, and Financial Lines, and partially offset by decline in Personal Lines, Marine, and Engineering.

The reinsurance cession rate has decreased slightly from 51% to 48% in 2021 because of decrease in facultative reinsurance in Energy and Property.

Claims incurred decreased to SGD 73.2mn (2020: SGD 173.5mn) largely due to reduction in large claims which occurred in Energy, Property, Engineering, and Liability in 2020. As a result, the loss ratio net of reinsurance has improved by 108.3 percentage points from 155.4% to 47.1% in 2021.

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

Marine and Aviation

Gross written premium decreased by SGD 1.7mn to SGD 16.7mn in 2021. This is mainly attributable to the cessation of the Marine Hull business. Net underwriting results produced a gain of SGD 19.8mn compared to a loss of SGD 1.1mn in 2020. The improvement is mainly due to lower expenses in 2021.

Property and Energy

Gross written premium is SGD 121.8mn, which is higher by SGD 26.6mn compared to 2020. This increase comprises an increase in premiums in Property of SGD 31.1mn, partially offset by a decrease in premiums in Energy of SGD 4.5mn. The increase in Property is mainly driven by an increase in rates and new business from industrial all risk. The decrease in Energy is mainly due to decrease in coverage of construction and operational risks, partially offset by new business in offshore wind.

Net underwriting result improved from a loss of SGD 72.7mn to a lower loss of SGD 19.6mn in 2021 due to a significant increase in the frequency and magnitude large claims in the prior period.

Liability and Financial Lines

Gross written premium further increased by SGD 16.2mn in 2021 to SGD 69.1mn mainly driven by upsell and new business in directors' & officers' liabilities, cyber risk, and financial institutions professional indemnity. The 2021 net underwriting profit is SGD 20.8mn. The result is SGD 27.4mn higher compared to an underwriting loss of SGD 6.5mn in 2020, due to a deterioration in claims experience in the prior period.

Engineering

The decrease in gross written premium by SGD 1.9mn to SGD 43.2mn is due to reduction in comprehensive machinery insurance and contactors' all risk coverage partially offset by new business in and erection all risk. A net underwriting profit of SGD 17.1mn is an increase of SGD 65.1mn compared to 2020 and is mainly due to deterioration in claims experience in the prior period.

Investment Income

Investment income decreased by SGD 7.2mn to SGD 12.2mn in 2021 mainly due to lower realized gains registered for maturity and partial sale of bonds and lower interest income on bonds.

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 Managing Director, Finance Asia Pacific and Regional Head of Risk Management, Asia Pacific 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 complies with the supervisory capital requirement showing a capital ratio of 230% as at year-end 2021. All capital management processes proved to be effective.

For any queries, please contact:
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