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AM Best Withdraws Credit Ratings of EQ Insurance Company Limited

SINGAPORE, 4 June 2020—AM Best has affirmed the Financial Strength Rating (FSR) of B++ (Good) and the Long-Term Issuer Credit Rating (Long-Term ICR) of “bbb+” of EQ Insurance Company Limited (EQI) (Singapore). The outlook of the FSR remains stable, whilst the outlook of the Long-Term ICR remains negative. Concurrently, these Credit Ratings (ratings) have been withdrawn as the company has requested to no longer participate in AM Best’s interactive rating process.

These ratings reflect EQI’s balance sheet strength, which AM Best categorises as strong, as well as its adequate operating performance, limited business profile and appropriate enterprise risk management (ERM). The ratings also factor in a neutral holding company impact from EQI’s 100% ultimate ownership by Citystate Capital Asia Pte. Ltd.

EQI’s balance sheet strength assessment is underpinned by its risk-adjusted capitalisation that remains at the strongest level, as measured by Best’s Capital Adequacy Ratio (BCAR). Despite the company exhibiting limited internal capital generation over the past five years (2015-2019), shareholders’ equity has been supported by a series of capital injections from the company’s parent over the period. Other balance sheet considerations include the company’s modest-sized absolute capital base and typically conservative investment strategy.

EQI’s operating performance over recent years has been hampered by underwriting losses, albeit partially offset by positive investment results. In response, the company is undertaking a program of remedial actions aimed at improving loss experience on its underwriting portfolio and seeking to rationalise its expense

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base over the near term. The company's five-year average return-on-equity ratio is -1.6% (2015-2019).

AM Best views EQI's business profile as limited. The company is a small-sized non-life insurer in Singapore. The company's business portfolio continues to exhibit line of business and geographical concentration. AM Best considers EQI's ERM framework to be appropriate given the size and complexity of its operations, as well as the company's risk management capabilities being viewed as typically appropriate relative to the profile of its key risks.

The negative outlook of the Long-Term ICR reflects pressure on the company's operating performance assessment over the near term. Whilst the company continues to execute on a program of improvements aimed at returning underwriting performance to a position of profitability, competitive market conditions in Singapore's non-life market and the disruption arising from the COVID-19 pandemic are expected to be key challenges to achieving this.

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 media use of Best's Credit Ratings and AM Best press releases, please view [Guide for Media - Proper Use of Best's Credit Ratings and AM Best Rating Action Press Releases](#).

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