



Media Release

RAM Ratings' outlook on Tune Protect Group reverts to stable, A₂ rating reaffirmed

RAM Ratings has revised its outlook on Tune Protect Group Berhad (TPG or the Group) to stable from negative while reaffirming the Group's A₂/P1 corporate credit ratings.

The revision reflects TPG's improved business profile, previously weakened by the crisis-impacted setting. Since the new management team came on board, TPG's diversification strategy – particularly diverting its reliance on AirAsia operations for business – demonstrated further traction. The Group has steadily turned around premiums growth in the last two years, thanks to its tactical move to capture the recovering Middle Eastern travel market.

Gross written premiums rebounded from a trough in FY Dec 2021 (+9%; FY Dec 2020: -19%; FY Dec 2019: -11%), anchored by the Group's travel insurance segment (+55% compared to -44% in 2020). TPG benefited from a strong uptake of policies with Covid-19 coverage required by some Mideast countries for inbound travellers. The Group's top line was further bolstered by collaborations with other airlines and travel service providers.

While not yet back at pre-Covid-19 levels, revenue generation should gradually recover this year as business momentum is seen to be improving. Net written premiums (NWP) rose 37% y-o-y in 1Q 2022 (2021: +20%; 2020: -31%). We are cognisant that TPG's business volume may ease when the mandatory requirement of travel insurance in the Mideast is lifted. Other operating markets however are expected to contribute to a pick-up in premiums, given reopened borders in most countries and the gradual rebound in economic conditions, which should support business volume.

Better business traction and a healthier claims ratio of 19% in fiscal 2021 (three-year average: 28%) led to an underwriting gain of RM1.2 mil (fiscal 2020: -RM15.3 mil). TPG's bottom line nevertheless was compressed by a negative fair value return and a share of loss of an associate company (TPG's pre-tax loss: RM14.8 mil; fiscal 2020: +RM34.7 mil). As with other insurers, the Group's investment returns were pressured by rising interest rates. Market volatility will likely remain heightened this year. To minimise this risk, TPG has repositioned its investment portfolio towards shorter-tenure government bonds. On the back of a lower investment loss in 1Q fiscal 2022

(down RM18.9 mil y-o-y) and an uptick in NWP, the Group's pre-tax loss narrowed to RM3.0 mil (1Q fiscal 2021: -RM19.8 mil).

TPG has a strong liquidity profile, with liquid assets amply covering net insurance contract liabilities (five-year average: ~1.9 times). The latest capital ratios of its subsidiaries were well above the required regulatory minimum, while at the holding company level, the Group has remained debt-free since its listing in 2013. Rating upsides are however constrained by the Group's modest stature in the Malaysian general insurance space, which may limit growth prospects, predispose it to heightened operating costs and affect overall profitability.

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Date of release: 8 August 2022

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