RAM RATINGS

Media Release

RAM Ratings affirms Tune Protect Group's A2/Stable/P1 ratings

RAM Ratings has affirmed Tune Protect Group Berhad (TPG or the Group)'s A_2/Stable/P1 corporate credit ratings.

The affirmation is premised on our expectation that TPG's business growth will remain healthy, supported by the recovery of the air travel industry and the Group's business diversification efforts via strategic partnerships and distribution channels. A robust liquidity and capital position and adequate reserving coverage against claims also back the ratings.

TPG's gross written premiums (GWP) grew by a strong 36% y-o-y in FY Dec 2022, mainly driven by demand for personal accident (PA, inclusive of travel insurance) and motor insurance cover. The sale of *Tenang PA* policies to the underserved segment, under the nationwide *Perlindungan Tenang* initiative, contributed greatly to GWP growth as the premium payments are subsidised by the government. This benefit ended in November last year. Economic recovery also spurred demand for most of the Group's business lines including travel insurance. We expect TPG's GWP growth to remain sound going forward, underpinned by air travel recovery and sturdy contributions from strategic partners (45% of net written premiums).

Despite a healthy top line, TPG reported a pre-tax loss of RM33.7 mil in FY Dec 2022 (FY Dec 2021: pre-tax loss of RM14.8 mil) owing to operating losses from its subsidiaries, Tune Protect Ventures and White Label Sdn Bhd amid ongoing financial technology ventures, increased motor claims given the pick-up in economic activity as well as higher commissions paid. Low investment returns amid volatile financial markets (0.1%) and larger losses incurred by Thai associate, Tune Protect Thailand (TPT), from Covid-19-related claims also suppressed the Group's bottom line. TPG's profitability is expected to improve this year as financial market volatility eases and losses at TPT subside following the expiry of the bulk of Covid-19-related policies.

TPG has a strong liquidity profile, with liquid assets amply covering net insurance contract liabilities (five-year average: ~2.0 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.

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Date of release: 24 May 2023

Published by RAM Rating Services Berhad