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AM Best Revises Outlooks to Stable for Tune Protect Re Ltd.

SINGAPORE, October 28, 2021—AM Best has revised the outlooks to stable from negative and affirmed the Financial Strength Rating of B++ (Good) and the Long-Term Issuer Credit Rating of “bbb” (Good) of Tune Protect Re Ltd. (TPR) (Malaysia).

The ratings reflect TPR’s balance sheet strength, which AM Best assesses as strong, as well as its adequate operating performance, limited business profile and appropriate enterprise risk management (ERM).

The revision of the outlooks to stable follows reduced pressure on TPR’s business profile resulting from the company’s expansion into targeted markets to compensate for the decline in travel business in Southeast Asia last year. While the company’s operations remain sensitive to the continued challenging environment driven by the COVID-19 pandemic, this is mitigated partly by TPR’s increasing diversification by geography, business partners and products. In view of improving travel conditions in the company’s key markets and its ongoing diversification strategy, AM Best expects TPR to rebuild its business volume gradually while maintaining adequate operating performance over the intermediate term.

TPR’s risk-adjusted capitalisation, as measured by Best’s Capital Adequacy Ratio (BCAR), remained at the strongest level in 2020. Capital adequacy is supported by the company’s low underwriting leverage and conservative investment portfolio. TPR’s investments comprise mostly unit trusts funds, whereby the underlying assets are mainly debt securities as of June 2021. However, offsetting balance sheet factors include the company’s

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historically large balance of premium receivables, for which collection delays and impairments were notable and exacerbated during the COVID-19 pandemic. The balance sheet strength assessment also factors a neutral holding company impact following a review of the consolidated risk-adjusted capitalisation and operating performance of TPR's parent group, Tune Protect Group Berhad.

AM Best considers TPR's operating performance to be adequate. In response to a notable contraction in its revenue and technical earnings as a result of the COVID-19 pandemic, the company has sought to increase its business diversification by collaborating with new business partners and venturing into new products.

AM Best assesses the company's business profile as limited. This reflects TPR's position as a niche reinsurer with a moderate dependence on a number of key business partnerships, including airlines. Over the medium term, the company is expected to accelerate its diversification into new lines of business (including lifestyle products and health insurance) and expand its business partnerships while leveraging its in-house technological platform to support economies of scale.

AM Best considers the company's ERM to be appropriate. Going forward, AM Best expects that execution risks related to the company's new product offerings will be managed appropriately, as the new policies are designed to be non-complex and short-tail in nature.

Ratings are communicated to rated entities prior to publication. Unless stated otherwise, the ratings were not amended subsequent to that communication.

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