



Media Release

RAM Ratings reaffirms Tune Protect Group's A₂ rating, retains negative outlook

RAM Ratings has reaffirmed Tune Protect Group Berhad's (TPG or the Group) A₂/Negative/P1 corporate credit ratings. The rating reaffirmation is premised on TPG's better-than-anticipated profitability indicators despite the impact of the pandemic. Although AirAsia Berhad – on which TPG relies heavily for bottomline pre-pandemic – saw its passenger traffic slumped amid the crisis, the Group's FY Dec 2020 performance was bolstered by a higher uptake of travel insurance in the Middle East as the region's travel industry started to recover. The still-challenging environment however continues to pressure TPG's business and financial profile. In the face of prolonged cross-border restrictions mainly in the ASEAN region – TPG's key operating markets, the trajectory for TPG's earnings recovery could remain protracted.

In view of TPG's strong affiliation with AirAsia as the captive insurer of the latter's travel business, the Group's top line in FY Dec 2020 was weighed down by the sharp decline in the airline's business on the back of international border closures. The Group's motor insurance segment also contracted (circa 30%; industry: -0.2%) as it continues to rebalance away from riskier and unprofitable sub-segments. Thanks to collaborations with Middle Eastern airlines and travel service providers, the Group was able to leverage on improved travel conditions in the Middle East towards 2H 2020, which moderated revenue erosion. Gross premiums still receded by 19% to RM375.3 mil in FY Dec 2020. As the growth momentum from the Mideast markets continued into 1Q FY Dec 2021, the Group's monthly travel premiums have exceeded pre-Covid-19 levels.

TPG's pre-tax profit tumbled 44% to RM34.7 mil in FY Dec 2020, impacted by an underwriting loss on account of a depressed top line. Its weak showing was also attributable to a comparatively higher combined ratio of 108% (industry average: 90%). TPG slipped into the red in 1Q FY Dec 2021, recording a pre-tax loss of RM19.8 mil, largely owing to unrealised investment losses incurred following from an uptick in bond yields.

TPG's conservative investment strategy has kept its investment income relatively stable in recent years – investments are largely allocated in unit trust funds. With liquid assets covering about 2.3 times TPG's net insurance contract liabilities as at end-March 2021, the Group boasts a strong liquidity profile. The latest capital positions of its subsidiaries were well above the required regulatory minimum. TPG has remained debt-free at the holding company level since its listing in FY Dec 2013.

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