

Silver Linings within the Storm

Tune Protect secures 4th airline partner; other planned initiatives make encouraging progress towards recovery

2Q FY17 Highlights (Year-on-Year)

- Gross Written Premiums at RM124.3 million, up 11.3%
- Operating Revenue at RM133.9 million, up 6.7%
- Profit After Tax at RM13.4 million, down 54.6%

Tune Protect Group Berhad ('Tune Protect' or 'the Group'; TUNEPRO, 5230) posted a lower profit after tax (PAT) at RM 13.4 million, down 54.6% year-on-year for the second quarter of 2017 (2Q2017) compared to 2Q2016, recording growing operating revenue of RM133.9 million, up 6.7%. There are two main reasons for the decline. Firstly, there were larger than expected increases in Motor claims cost that emerged in the middle of the first quarter of 2017 (1Q2017). Secondly, the subdued top line of our Digital Global Travel, resulting from the Malaysian Aviation Commission's Opt-in ruling on ancillary offerings online (the full impact of which was only felt in 1Q2017), resulted in reduced profit after tax.

"In 1Q2017, we anticipated that 2Q2017 will continue to be a challenging quarter and our numbers confirmed that. Despite the decline, we are encouraged by the growth of our topline. Gross Written Premiums is up by 11.3% which was driven by our motor, offshore oil, and engineering, as well as Middle East travel businesses," said Group CEO of Tune Protect, Razman Hafidz Abu Zarim.

"More importantly, we are excited to announce that we've secured a new airline partner. Our partnership with Cambodia Angkor Air marks the 4th airline partnership with Tune Protect and is slated to commence in 3Q2017. This is definitely a silver lining for Tune Protect, as we ride out the storm. Securing another airline partner in the region is a huge milestone for us as it brings us closer to our vision of becoming a leading travel insurer in ASEAN," he said.

In reviewing its performance in 2Q2017, Razman said, "We have launched a number of initiatives in the past quarter to help speed up our recovery. We have also appointed a new CEO for Tune Protect Malaysia, Khoo Ai Lin, who is tasked to help drive our general insurance business towards the retail business sector, via critical mass acquisition, to strengthen its position in the industry, as well as to accelerate our digital business."

"To alleviate the higher costs of motor claims that continue to impact our Malaysian general insurance business, we have redirected car repairs to non-franchise panel workshops to minimise the cost. We are also revising the way we evaluate franchise vehicles that have higher loss exposure, and reviewing Beyond Economic Repair level to curb total loss exposure," added Razman.

Following the detariffication of motor insurance, Tune Protect Malaysia launched Motor Easy online to further widen its distribution channels and deliver an enhanced customer experience. The Group is currently embarking on a study to roll out its own pay-how-you-drive and pay-as-you-drive motor insurance.

"We are also looking at launching other new products soon. Home Easy online is slated to launch in the second half of 2017 and the launch of our first On-Demand personal accident insurance is also in the pipeline," he elaborated.

On the performance of its digital global travel business, the effects of the Opt-In ruling is seen to be moderating. As announced recently, the Group has launched its bundling program with AirAsia's premium fares to drive recovery in the business. Moving forward, Razman said that the Group will continue to work closely with AirAsia and apply dynamic pricing, to deliver more personalised products, including annual plans and migrant plans for its customers.

"Tune Protect EMEIA (Europe, Middle East, India & Africa) has also made some positive progress. Our operation in the Middle East has recently launched a new product in UAE – Tune Protect Travel Electronic Assurance, coverage for checked-in electronic devices. We've also entered a new market, Sri Lanka, through our partnership with Air Arabia. And, our presence is gaining traction in the Middle East. Recently, Tune Protect EMEIA was awarded Best Travel Insurance Facilitator at the Arabian Travel Awards 2017," he added.

"We are actively pursuing opportunities and will continue to roll out initiatives towards strengthening our book. We will continue to invest in human capital and technology to deliver on our three strategies – to lead in product innovation and differentiation, widen distribution channels and expand reach, as well as to deliver exceptional customer experience – to strengthen our position as a leading digital insurer."

"We are optimistic with the lineup of initiatives, as early results look promising, although we would only expect to see the positive impact in FY18 and at earliest, 4Q2017," Razman concluded.

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About Tune Protect Group Berhad

Tune Protect Group Berhad was incorporated in 2011 and listed on the main market of Bursa Malaysia in 2013. Through its subsidiaries and associates in Malaysia, Thailand and United Arab Emirates, it underwrites, directly and via reinsurance, general insurance business. The Group also offers insurance products online, directly as well as through online partners. For further information, please visit www.tuneprotect.com