

Tune Ins sees quick ROI from BMI buy

Posted on 20 May 2013 - 05:37am

Rupinder Singh

sunbiz@thesundaily.com

KUALA LUMPUR (May 20, 2013): Tune Ins Holdings Bhd, which is pursuing a 70% stake in Indonesian insurer PT Batavia Mitratama Insurance (BMI), expects to see a quick return on investment (ROI) if the deal proceeds as planned, its top executive said.

"If we are successful with our application to the regulators, we will acquire a company with a track record of profitability and thus we would expect to see a relatively quick ROI," Tune Ins CEO Peter Miller told SunBiz.

Tune Ins had on April 30, 2013 announced its proposed acquisition of a 70% stake in BMI for 83.85 billion rupiah (RM26.13 million), moving the company up a notch in terms of regional exposure.

The move will pave the way for Tune Ins to directly underwrite its online insurance businesses and offer products through other channels in the fast growing and sizeable markets in Indonesia whose insurance needs are under served.

Raising funds to finance the acquisition is not a problem for Tune Ins as it has earmarked RM50 million from the proceeds of its initial public offering for strategic investment.

The investment in BMI is expected to be completed within three to six months from April 30.

However, Miller noted that the proposed acquisition in BMI will still require the approval of the authorities there.

Although BMI primarily writes motor insurance business, Miller sees synergies between both companies but did not elaborate on how Tune Ins will drive the Indonesian business.

"Strategy will be to maximise synergies available with each shareholder and to leverage to sell insurance direct to (primarily) retail consumers," he said.

While BMI's market share in the general insurance industry in Indonesia is unknown, Miller pointed out that BMI is a small company focusing on niche business and has progressed well.

He believes that it is a profitable company with a reliable source of business, providing a good foundation to expand.

Moving forward, Tune Ins expects BMI to be a profitable contributor to the group.

For the financial year ended Dec 31, 2012 (FY12), BMI's net profit stood at 5.99 billion rupiah compared with 5.22 billion rupiah the previous year.

Gross premium for FY12 expanded 48.4% to 20.94 billion rupiah from 14.11 billion rupiah a year ago.

The opportunity to buy BMI arose when Indonesian regulations stipulated an increase in minimum capital requirements for Indonesian insurers and BMI's shareholders then presented an opportunity for Tune Ins to be its strategic partner thereafter.

Indonesia's minimum regulatory solvency requirement is about 70 billion rupiah.

Miller said he could not provide too much specifics on how much capital Tune Ins will add to BMI to meet the minimum solvency requirement as it is not a shareholder of the company at the moment.

"However if we are successful with our application and own an Indonesia company then ourselves and the other shareholders will need to conform with the regulatory requirements of Indonesia in respect of solvency levels."