

RAM Ratings assigns A1/P1 ratings to Tune Money GenRe

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RAM Ratings has assigned respective long- and short-term claims-paying ability ratings of A1 and P1 to Tune Money GenRe Ltd ("TMGR or the Company"). The long-term rating has a stable outlook.

TMGR is a wholly-owned subsidiary of Tune Ins Holdings Bhd ("TIH or the Group", rated A1/Stable/P1 by RAM in March 2013), the exclusive insurance products manager for Asia's largest low-cost carrier, AirAsia and the Tune Hotels group of companies. TMGR reinsures the travel insurance for AirAsia's passengers in the Asia Pacific region. As a core integrated unit of the Group's travel insurance business, TMGR's credit ratings are currently viewed as synonymous with that of TIH, with which it shares the same management and from which financial support if required, is expected to be forthcoming.

Underpinning TMGR's ratings is a captive and diversified portfolio in regional markets with good growth potential. In tandem with AirAsia's passenger traffic growth, the insurer's premium growth has been strong, charting 30% on a CAGR basis since the business commenced in 2009. Future growth is expected to be driven by AirAsia's continued expansion over the next few years. Other factors supporting the ratings are TMGR's low distribution cost and loss rates, which translate into steady earnings and lucrative operating margins that exceed 50%. TIH's target acquisition of an Indonesian insurer, which will allow full retention of premium, and recent strategic partnership to insure Cebu Pacific Air's passengers for inbound flights to the Philippines bode well for the Group's future growth. Elsewhere, TMGR's ability to meet its insurance liabilities is well supported by favourable liquidity and solvency margins. Appropriate retrocession with Lloyd's syndicate members and risk management policies are in place to mitigate insurance risk, including catastrophic events and credit risks, respectively.

Offsetting the abovementioned strengths are the Company's relatively modest size, limited track record and its dependence on AirAsia's traffic. Unless there is a very significant expansion of TMGR's portfolio which is achieved within prudent parameters in the near future, there is unlikely to be further upside to the ratings at the current level. On the other hand, factors that could lead to downward pressure on the ratings include a sustained deterioration in premium growth and an adverse underwriting performance which would threaten the Company's solvency.

Source: <http://www.ram.com.my/pressReleaseView.aspx?ID=f11530a6-347d-43ee-a184-c9c1f5e407d5>