Responses to pre-submitted and live questions received in relation to Tune Protect Group Berhad's ("TPG") 12th Annual General Meeting ("AGM") held on 22nd June 2023.

Note: In addressing all the questions, we have grouped and paraphrased similar questions to avoid repetitions. While the information in our responses below is considered to be true and correct at the date of publication, changes in circumstances after the time of publication may impact on the accuracy of the information.

SECTION A: STRATEGY AND OUTLOOK

Question A1	**Outlook**

- What is the outlook of the general insurance industry and other industries that TPG is involved?
- What is the business outlook in the next 6 months?
- Will 2023 be better or worse off than 2022? Stable or worse?

Response

- It all starts with the economic outlook of the countries we operate in such as Malaysia, Thailand, Vietnam and the Middle East. Closer to home, Malaysia's 1Q23 Gross Domestic Product achieved 5.6% growth which was higher than the 4.8% analyst forecast in a Reuters news agency poll. Coupled with the post-pandemic environment, we are seeing insurance awareness increasing at least when it comes to products such as Travel and Health. The Group is optimistic that our focus on these 3 pillars (Health, Lifestyle and SME) and the fact that we have de-prioritised the others will definitely continue to benefit us.

    - Lifestyle: expected to benefit from the recovery of travel activities in the region in the coming quarters. Within Motor there are specific segments in which we are better positioned such as motorcycle and higher value car.

    - SME/ Health: focus is on bite-size products and increasing digital adoption via the mobile first approach. We recently launched our SME B2C online portal and we are the first Malaysian insurer to launch online employee insurance for health and life. There would be short-term challenges, but we remain positive that within the SME space, there is quite a bit of business out there. After the launch of SME both in Malaysia and Thailand, we are looking at the Middle East as our next market.

    - Partnership and e-commerce: Direct-to-consumers channel will continue to be a critical part for us. We will continue to activate new partners. Be mindful that it takes anywhere between 3 to 9 months to go live depending on the partner, regulator and various other reasons. For this reason, you may observe some partners are already contributing whereas some others would need additional time.

- The Group will continue to focus on capital preservation and capital strength in addition to growth as the number one driver because that will make the Group a more efficient organisation. We are very optimistic that we will be able to deliver our 8 market commitments by end FY23.

Question A2	**Sales**

- Where do you see sales trending in the next 12 to 24 months for each sector?

Response

- Most people would say it is difficult at this juncture to estimate what are the roadblocks ahead. One of which is the unknown geopolitical risk among other risks.

- That aside, we have been consistently communicating to the market the 3-year strategy that we rolled out in early FY21. Our objective is to end FY23 well and deliver on the 8 market commitments. Only after that will we be sharing the next 3-year strategy (FY24-FY26), in which we will share the next growth phase and new Key Performance Indicators to measure our performance.

- For 1Q23, we registered a 30% growth in net earned premiums and 80% growth in number of customers. And all our customer metric has improved – notably policy per customer, product per customer and tenure of the customer, which sets the tone of future growth. If you had purchased from Tune Protect in the last few months, you would have noticed that we come back to you with up-sell, cross-sell propositions which is subject to the Personal Data Protection Act. Our Lifestyle pillar is expected to be the key driver of growth especially in Travel which is our niche expertise and where we have a strong market share.

- Our first commitment is that our overall retention rate should be 70% by end-FY23 with a 3-year net written premiums CAGR of between 25% to 33%. As at 1Q23, our retention ratio is already at 80%. Based on the current growth trend, we anticipate hitting the higher range of the net written premiums growth target by end-FY23.

Question A3	**3-year strategic plan (2021 to 2023)**

- Understand that we are nearing the end of the 3-year strategic plan (2021-2023). What are the targets of this 3-year strategic plan?

• Please share the financial targets of the plan, which is the revenue and profits? • Is TPG far from achieving it?
Response These are the 8 commitments under our 3-year strategic plan (2021 to 2023):- (i) Retention ratio upwards towards 70% in all lines of business (ii) More efficient organisation on a ratio basis (iii) To evolve our tech arm as a profit centre (iv) To grow our ASEAN presence (v) Mobile first company (vi) To be a NPS leader in our preferred market (vii) To be an employer of choice among insurers for millennial talents (viii) To be inducted into FTSE4Good Bursa Malaysia Index We report the progress in our quarterly results, which is now published on YouTube. We cannot think of any insurers in Malaysia who do the same. You could also track us on a quarterly basis. We also do regular retail forums. Our 8 commitments remain. These are the financial targets under the 8 commitments. We expect a 3-year net written premiums CAGR of between 25% to 33%. We expect to retain 70% of our business. We also expect our underwriting to breakeven. On top of that, we have investment income from the conservative strategy that we employed and hopefully be able to protect it. However, we have not come out and given any profit guidance. What we have come out and said is that we are focusing on our 8 market commitments and we are maintaining what we want to deliver.

Question A4	**Long term gain or value**
• We have heard Tony Fernandes talking about short term pain since 2017. Where is the long term gain promised today?	
Response I (Group CEO Rohit Nambiar) cannot comment on the Group in 2017, which was before I joined. However, since I joined in October 2020, I have been educating our shareholders on the challenges that we have and what we will deliver. One of the first things that we delivered was growth. This company had a growth issue. It had not grown for four years (FY16 to FY20) . As you have seen in the last two years, the Group's net earned premiums grew by 19.5% in FY21, 72.5% in FY22 and 30% in 1Q23. Secondly, we said that we had a management expense issue. Now our management expense ratio is constantly dropping. Third, we are acquiring more customers. Fourth, we are a more visible brand and we are acquiring more partnerships as well as direct-to-customers as we speak. And above all, we are retaining this business. We are not putting in all the hard work and passing this business onto someone else. We will continue to drive this. We will deliver our 2023 commitments and then, we will come to you with our 2026 commitments. Right now, our focus remains on delivering on our 2023 promises.	

Question A5	**AirAsia's competitor**
• AirAsia is not the only airline in Malaysia, how does the market share of other airlines in Malaysia affect Tune Protect in the airline insurance industry?	
Response We cannot comment on the airline industry as we are not the experts. All we can say is that AirAsia has a dominant position in the low-cost carrier market. They have recently won the Skytrax World's Best Low-Cost Airline for the 14th consecutive year. Even though there could be new airlines coming out but we can all see that AirAsia has a dominant position. We have worked closely with AirAsia. We are now working more closely with AirAsia. They have launched their super app. We are on the app where we can sell insurance to everybody who visits the super app. The app now acts as an online travel agency and handles over 90 airlines. The opportunity to sell insurance is there for us. While there are new airlines coming out in Malaysia, we are also expanding our reach through closer cooperation with the super app.	

Question A6	**AirAsia contribution**
• What is the contribution from AirAsia in the next 3 months?	
Response In 1Q23, AirAsia segment is roughly 60% to 65% of pre-Covid level. We expect the contribution to return to 80% - 90% of pre-Covid level by end-FY23. In 1Q23, the number was wider versus pre-Covid level. It got better in 2Q23. And for 3Q23 and 4Q23, we are expected to be even better. This is a function of the flights and routes activation and one other thing we are heavily working on is how to support the new markets they open up as well.	

SECTION B: FINANCIALS

Question B1	Investment
• Has TPG sold its investment in China equity? • What is the composition TPG bond portfolio? • What is the performance of TPG's float? Is it making marked-to-market loss again?	

Response

- We have been gradually reducing our holdings in the equity portfolio. China equity has been one of it since 4Q22. We reduced it from 8% in 4Q21 to 1.8% in 4Q22, and further exited entirely from equity in the first week of May'23.
- Bond makes up about 22% to our portfolio, money market makes up about 70% to 75% and the remaining 2% is in deposits.
- TPG's investment portfolio recorded mark-to-market fair value gains of RM8 mil in 1Q23 and RM2 mil in FY22. As for total investment return*, it improved from RM0.5 mil in FY22 to RM9.3 mil in Jun'23.

  **Aggregate of investment income, realised gains and losses and fair value gains and losses.*

Question B2	Underwriting profit
Management in the previous years' meetings and interviews have multiple times attributed the lower profit to the nature of business that expenses of new businesses are front-loaded. However, a few quarters down the road, the back-loaded profit of all these new businesses seems to be absent, why is that the case?	

Response

The new initiative or new business contributed positively. For example, Personal Accident ("PA") in FY22 contributed approximately RM15 mil gross margin to the Group. A significant increase from almost nothing in FY21. However, this was offset by the decline in gross margin of Motor. During the Movement Control Order ("MCO"), our Motor portfolio benefited from low claims. However, post MCO, our Motor loss ratio normalised to pre-Covid-19 level. That led to a decline in the gross margin and offset the contribution from the new businesses.

Question B3	Combined ratio
• Despite achieving higher gross written premium, the combined ratio deteriorated from 99.4% in FY21 to 107.6% FY22. Does this suggest TPG is too aggressive in growing the business, but not enough discipline in controlling the underwriting risks?	

Response

For those of you who are new to insurance, combined ratio is nothing but for every hundred ringgit of premiums I earned, how much is going outside the company. It is outlay versus what comes in. If what comes in is more than what goes out, we make an underwriting profit. If what goes out is more than what comes in, you make a loss. So at 99.4%, you are making 0.6% profit and at 107.6%, you are making a loss of 7.6%.

There are 3 parts to combined ratio. First is expense ratio, which was our biggest challenge. This ratio has been improving significantly. Second is claims ratio, which deteriorated, and it is one of the main reasons why our combined ratio went up. This is because motor claims normalised to pre-Covid-19 level and this would stabilise in the months to come. Third is commission ratio. There was a deterioration because (a) we started writing new type of business which are profitable but with higher commission like PA. For example, PA has 25% commission while Motor has 10% commission in Malaysia. (b) We exited large commercial line of business. In large commercial business, we get commission inwards. It was a revenue for us. We are saying that it is not our focus. That is not the business we should be doing. So as an example, we do not underwrite oil rigs anymore. We have got out from that business and that is the process of cleaning that we are going through. We are focusing on what we are strong at, which are in retail and SME customers.

Question B4	Profitability
• Over the past few years, TPG seems to be painting an optimistic picture i.e. topline growth, number of partnerships and sales channels growth, higher retention ratio, and higher Net Promoter Score, however these did not translate into a profitable bottom line. Instead the loss in FY22 had widen and in 1Q23 bottom line would be a loss if excluding net investment income. • Is the insurance business itself profitable? • Will TPG be profitable for the next 2 to 3 quarters?	

Response

FY22 losses factors can be categorised into in-control and out-of-control factors.

<u>In-control factors</u>

- We experienced exceptionally high growth in FY22 and that meant short-term pain. We had to book in the expenses upfront while the premiums are earned over the next twelve months. For example, the high growth that we had in 2Q22 and 3Q22, we are seeing the flow through happening this year in 2Q23 and 3Q23.

Out-of-control factors

- In Thailand, the whole general insurance industry was impacted by Covid-19 claims arising from severe Covid-19 outbreaks. Our associate company, Tune Protect Thailand was not spared.
- With the reopening of economic activities in FY22, Motor claims had risen faster than our effort in repricing Motor premiums.

Before Covid-19, we were heavily reliant on AirAsia and AirAsia segment is about 25% of the Group's total topline. Today, it is only less than 5%, which will change when AirAsia's flights make a comeback. AirAsia is a significant contributor to our bottomline and we have created new profit streams. So when AirAsia makes a comeback, it would be on top of what we have built.

For our insurance business, in 1Q23 , there was a loss of RM 7 mil in underwriting. It is true that we did not make profit in 1Q23 if we exclude net investment income. But you see that there is a timing issue where our net earned premiums grew by 30%, our expenses decreased by 0.8% and our number of unique active customers count grew by 80%.

The Board expects us to continue to report profit for the next year, but we have not given any formal profit guidance before. We have always said that we focus on the 8 market commitments. And in those market commitments lie our target for NWP growth, retention rate, and we expect to breakeven on underwriting business. Plus what we have done with investment income, I think it will give you a certain level of confidence in where we want to go in term of profitability.

SECTION C: OPERATIONS

Question C1	**Risk**
• Which part of the business is giving TPG the most trouble? What action plans have been taken to mitigate those risks? • What keeps the CEO awake at night?	

Response

- We would not label anything as trouble but would term them as challenges. Under the guidance of the Board, the Risk Management Committee, Audit Committee and also the Management Team, we have constantly looked at various elements. Based on our recent integrated annual report 2022, you can refer to the top risks and how we manage them in pages 22 and 23.

- Operational risk - availability of capable resources. Obviously, if you speak with anybody in TPG today, they will tell you that we are trying to do a lot because we are trying to be the most innovative company in the market, we are trying to disturb the market. We really want to be different in the market and yet, we are doing some foundational aspects like changing the core. Attracting as well as retaining our talent becomes critical. That is why you have noticed schemes like employee stock option was approved because those are ways you can retain critical talents. Being a small organisation how will I be able to retain the good people? So talent retention become vital and very critical.

- Cybersecurity - as a digital insurance company we educate the market that it is no longer a question of if a hack would happen, the question is when the hack happens, how prepared are we? It is an area that you just do not know. It is something that the Board is concerned about. It is something that regulators are concerned about. You hear all these news that those companies that spent millions and billions on cybersecurity. I think the hackers are always much faster than the tech team. That is what you see across the world. So we obviously put a lot of control measures, we have the security operation centre, which provides 24/7 security monitoring, we have been doing several things around user management, Multi-factor Authentication, mitigating downtime risk, penetration test, compromised assessment and et cetera. So, continuously, it is something we are doing, but I think this is the area where how much ever you invest would never be enough. So it is also about prioritising resources. Being prepared for this is something that keeps me awake.

- Compliance - we conduct ongoing compliance training. We focused quite a bit on compliance. There is a whole plan in place, and obviously with the regulators; be it the Thailand regulator, be it Malaysian regulator, they also track us down and the Board.

- Financial - Delivering our financial numbers, capital adequacy, diversification, ensuring that we are able to deal with the usual friction of what the investors want today versus what we are building for tomorrow. We are not just making profit, we are investing a portion of that profit into future leading businesses. Some can always argue "Can I make more profit?" Yes, you can if you do not invest into future leading businesses but if you do not do that today, then you are not building the organisation we have aspired to be. So obviously, that natural friction is something that we are always working on and ensuring we deliver on the large transformation project. Above all, I think the most important thing for us is customer satisfaction. You all know that we have 3-3-3 commitment, so we actually have the commitment that you can buy from us in 3 minutes, we will respond to your inquiries in 3 hours during working days, and we will pay the claim in three days upon approval. What that mean is we have to be top-notch on customer experience. Today, 95% of our claims are paid on-time once approved, so that is obviously something that we constantly look at and that is where large project like core system replacement comes in which is fundamentally important because we have a better backbone. We already have a very good front and middle layer. Once we have an even stronger backbone, it is extremely painful to change the backbone of the organisation or any human being for that matter. So, replacing the spine will take some time. So, that obviously is something very high on our priority.

- Climate change - definitely something we are watching and we are continuously learning.

- New emerging risk – unexpected increase in cost. We consider how do we manage new kind of cost. Cost in term of compliance, course in term of reinsurance as we know globally reinsurance market have hardened.

- New emerging risk - natural catastrophe. The fact is today we are planning for floods as a reality and no more as an unforeseen event. So, obviously the scenario analysis factors in this. In line with BNM requirement, we are also working on the implementation of the Climate Risk Management and Scenario Analysis which is the policy issued by BNM.

- Transformation projection - whether we are able to deliver on our transformation projects that we are committed to the market because they are huge projects. Changing the core of the company. Moving all our system to cloud. These are large projects we have to deliver.

- Underpinning all of these is obviously delivering all the 8 commitments by end-FY23 I have made to you along with the management team.

These are what keep us excited. I would not say that keeps me awake at night. These are what make me wake up in the morning. These are what excite me to come to work and deliver.

Question C2	**Minimum wage**
• How will the minimum wage affect the Group?	
Response It does not have any impact on the Group as all of our employees are already being paid at rates above the new minimum threshold.	

SECTION D: MISCELLANEOUS

Question D1	**Share price**

- Why is TPG share price keep falling?
- What is the company's strategy to add value and improve on the share price moving forward?

Response

The important thing for TPG is to deliver profit. We can not manage our share price but we brief analysts and shareholders and let them know what we are doing. There are 2 facets to our business. One, we are an insurance company, and we are starting to deliver our insurance profit. The other one is that we are an insurtech company. So, bit by bit, we are getting our technology in place. Our tech arm, White Label is showing a lot of promise and we will start monetising it in the near term.

I, (Group CEO, Rohit Nambiar), have been continuously accumulating TPG shares using my personal money. I am as much a minority retail investor as some of you are, with the difference that I also run the organisation. I have stated my commitments to purchase TPG shares after every quarterly results announcement, regardless of good or bad results, and not sell them while I remain in employment with this organisation, which I stated three years ago.

We have to deliver our result and continue to engage to market. We do a lot. We do retail investor forums. We do townhalls. We do updates like quarterly updates. We own any investor forum that we are presenting. We are there. And we are continuously educating people.

Question D2	**Dividend**

- Is there any dividend policy?

Response

Our dividend policy was stated in the prospectus that we issued in early 2013. It states that the Group will try to pay out 40% of its after-tax profit. There are other considerations, however. It is a stated policy but as you know, it also depends on our liquidity, our capital ratio, returns and the expansionary plan we have in place. On top of that, all dividend proposals will need to be approved by Bank Negara. Capital preservation is important for us. Our focus, firstly is to make profit and secondly, find ways to distribute without affecting too much of our capital position.

Question D3	**AGM**

- When will physical AGM resume?
- Will virtual AGM become company's policy for the future or is it just a temporary decision?
- How about hybrid AGM?

Response

We will consider physical AGM for next year. We considered it for this year, but we were advised that it is still too early to do physical AGM. So, most likely would be for next year.

Question D4	**AGM**

- How much does the company spend on this year virtual AGM?

Response

We are spending roughly RM40k for this virtual AGM.

Question D5	**Door gift**

- Is there any door gift or e-voucher for shareholders who attended this year AGM?

Response

All shareholders who attend this AGM will be entitled to complimentary three months Personal Accident Easy coverage.