

# **PRESS RELEASE BY LPI CAPITAL BHD**

## **PERFORMANCE AS AT 3<sup>RD</sup> QUARTER 2018**

LPI Capital Bhd (LPI) ended the third quarter of financial year 2018 with an improved profit before tax of 1.4% from RM115.0 million in the previous corresponding quarter to RM116.6 million. Its net return on equity was lower at 4.4% with a larger equity base and earnings per share at 23.04 sen.

Reviewing the performance of the Group, the Founder and Chairman of LPI, Tan Sri Dato Sri Dr Teh Hong Piow commented, “2018 continues to be a challenging year for the Malaysian general insurance industry as the global economic condition remains volatile affecting the economic prospects of the emerging markets. On the domestic front, the property market has not recovered from its oversupply and weak demand position while major infrastructure projects have been under review, affecting the demand for general insurance. As a result, the Malaysian general insurance industry reported a mere 0.7% growth in its gross premium written for the first 6 months of 2018.”

Tan Sri Teh said, “Lonpac Insurance Bhd (Lonpac), the wholly-owned insurance subsidiary of the Group, was similarly affected by the slower growth of the industry as it registered a lower gross premium income for the third quarter under review at RM378.1 million as compared to RM416.6

million reported in the previous corresponding period. As an active player in the insurance of infrastructure projects, we were also affected by the slowdown in the implementation of such projects.

Lonpac's net earned premium income for the quarter under review, however, increased by 1.6% from RM231.5 million to RM235.2 million due to higher retention and lower reinsurance outward. Underwriting profit for the third quarter of 2018 was lower at RM82.2 million from RM83.6 million reported previously mainly due to higher provision of technical reserve, higher management expense ratio at 20.2% and higher net commission ratio at 7.7%. Higher net commission reported for the quarter was due to lower reinsurance commission received. Consequently, Lonpac's combined ratio increased to 65.1% from 63.9% registered in the previous corresponding quarter."

Tan Sri Teh continued, "For the 9 months period ended 30 September 2018, LPI's profit before tax registered an 0.7% increase from RM293.0 million reported in the previous corresponding period to RM295.1 million while its net profit attributable to shareholders maintained at RM230 million. Revenue improved marginally by 1.6% to RM1,124.6 million from RM1,107.1 million previously. Its net return on equity for the first 9 months of 2018 recorded 11.0% while it achieved 57.74 sen in earnings per share.

The performance of LPI is contributed mainly by Lonpac with its solid underwriting performance. Lonpac improved its profit before tax to RM264.5 million for the 9 months period of 2018, from RM262.1 million

reported in the previous corresponding period. Its gross premium income for the 9 months period under review increased by 2.2% to RM1,165.1 million from RM1,139.5 million despite the absence of major project risks written. Net earned premium income improved by 8.6% to RM676.7 million from RM623.1 million partly due to lower reinsurance ratio of 33.9%, reduced from 41.2% reported previously.

However, its claims incurred ratio increased to 41.6% from 40.0% while commission ratio was 5.9% as compared to 4.5% previously. With these higher ratios, Lonpac's underwriting profit reduced marginally to RM212.4 million from RM212.6 million previously. Its combined ratio was higher at 68.7% from 65.9%, but commendable as compared to 92.3% recorded by the insurance industry as at 30 June 2018."

## Highlights of the Group's Performance:-

	3rd Quarter Ended		Nine Months Ended	
	30/9/2018	30/9/2017	30/9/2018	30/9/2017
Revenue (RM'000)	390,592	406,788	1,124,638	1,107,138
Gross Premium Income (RM'000)	378,067	416,647	1,165,089	1,139,520
Net Earned Premium Income (RM'000)	235,151	231,470	676,685	623,077
Underwriting Profit (RM'000)	82,225	83,618	212,396	212,629
Profit Before Tax (RM'000)	116,635	115,034	295,090	293,044
Net Profit Attributable to Shareholders (RM'000)	91,808	92,170	230,046	230,797
Net Return on Equity (%)	4.4	5.0	11.0	12.6
Earnings Per Share (sen)	23.04	23.14	57.74	57.93
Claims Incurred Ratio (%)	37.2	40.3	41.6	40.0
Management Expense Ratio (%)	20.2	18.6	21.2	21.4
Commission Ratio (%)	7.7	5.0	5.9	4.5
Combined Ratio (%)	65.1	63.9	68.7	65.9

Tan Sri Teh further commented, “The liberalisation process for the insurance industry has put pressure on pricing especially on the more profitable fire portfolio of business. As a major player in fire insurance, Lonpac has responded to the competition with new innovative products priced competitively and will work to further strengthen our market leadership in this portfolio.

Bank Negara Malaysia is currently reviewing the outcomes of the second phase of the Phased Liberalisation of Motor and Fire Tariffs which started in 2016 as it prepares to launch the next phase of liberalisation. The Group will continue to focus on improving quality standards and operational efficiency in order to prepare for the new competitive landscape. Investment on technology is ongoing to build alternative channels of distribution.”

Date : 10 Oct 2018

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