

PRESS RELEASE BY LPI CAPITAL BHD

A STRONG 4TH QUARTER PERFORMANCE DESPITE CHALLENGING ENVIRONMENT

The general insurance industry continued to be challenging in 2019 with subdued demand, due to the lingering external headwinds. According to the statistics published by ISM Insurance Services Malaysia Bhd, the Malaysian general insurance industry registered a 1.0% contraction in gross written premium for the first 9 months of 2019 while net claims incurred ratio had increased marginally to 59.0% from 58.6% reported in the previous corresponding period. Competitive pricing arising from the liberalisation process and rising claim costs have affected the earnings of the Malaysian general insurers. Despite the difficult operating environment, LPI Capital Bhd (LPI) managed to report a creditable performance for the financial year of 2019.

Reviewing the performance of the LPI Group, Tan Sri Dato' Sri Dr. Teh Hong Piow, the Founder and Group Chairman commented, "The performance of the Group was very encouraging for the 4th Quarter of 2019. Lonpac Insurance Bhd (Lonpac), the wholly-owned insurance subsidiary of the Group, continued to grow its business by recording a 4.1% increase in its gross premium income from RM304.3 million reported in the previous corresponding quarter to RM316.8 million while its net earned premium

income improved by 4.5% to RM265.5 million from RM254.1 million. Its claims incurred ratio remained relatively stable at 40.3% with management expense ratio lower at 16.2% from 17.5% and commission ratio reduced to 7.0% from 7.6%. Lonpac's combined ratio for the quarter under review improved to a strong 63.5% from 64.2% and it reported a better underwriting profit of RM96.9 million, an improvement of 6.4% from RM91.1 million registered in the previous corresponding quarter. With the stronger technical result, Lonpac managed to close the quarter with a 5.4% increase in its profit before tax to RM115.5 million from RM109.6 million reported previously.

On the back of the strong performance of its insurance subsidiary, LPI similarly reported better results for the 4th Quarter of 2019 with profit before tax increasing by 4.0% from RM110.9 million in previous corresponding quarter to RM115.3 million while the net profit attributable to shareholders improved by 3.1% to RM86.6 million from RM84.0 million. Net return on equity of LPI reported higher at 4.4% for the quarter under review from 3.9% while earnings per share increased to 21.74 sen from 21.09 sen achieved in the previous corresponding quarter.”

Tan Sri Teh continued, “For the 12 months period ended 31 December 2019, LPI managed to grow its revenue by 5.9% from RM1,513.7 million recorded in financial year 2018 to RM1,602.7 million. Its profit before tax registered 2.1% improvement to RM414.7 million from RM406.0 million in the previous corresponding period. Net profit attributable to shareholders similarly reported growth by 2.7% to RM322.4 million from RM314.0 million. LPI's net

return on equity for the financial year under review improved to 16.3% from 14.6% and its earnings per share increased to 80.92 sen from 78.83 sen.

In the financial year of 2019, Lonpac continued to increase its premium base despite a slower demand experienced in the general insurance industry. It managed to expand its gross premium income by 3.7% from RM1,469.4 million reported in the previous financial year to RM1,524.4 million while its net earned premium income for the 12 months period registered a stronger growth of 8.7% to RM1,011.5 million from RM930.8 million. Despite measures taken to tighten its underwriting of certain classes of business that had produced volatile results, the claims incurred ratio of Lonpac did not show improvement as it had climbed to 43.9% from 40.9%. With rising medical costs and increased frequency of claims, Health & Medical class of insurance continued to report adverse claims experience. Lonpac had, however, managed to contain its management expense ratio at 19.1% and with commission ratio at 6.8%, the combined ratio of Lonpac increased to 69.8% from 67.3%. For the financial year 2019, Lonpac reported a marginal improvement in its underwriting profit to RM305.1 million from RM303.5 million and its profit before tax increased by 3.0% to RM385.5 million from RM374.1 million registered in the previous corresponding period.”

Highlights of the Group's Performance: -

	4 th Quarter Ended		Year Ended	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Revenue (RM'000)	399,256	389,025	1,602,701	1,513,663
Gross Premium Income (RM'000)	316,809	304,288	1,524,368	1,469,377
Net Earned Premium Income (RM'000)	265,547	254,149	1,011,509	930,834
Underwriting Profit (RM'000)	96,855	91,107	305,146	303,503
Profit Before Tax (RM'000)	115,291	110,875	414,719	405,965
Net Profit Attributable to Shareholders (RM'000)	86,603	84,003	322,361	314,049
Net Return on Equity (%)	4.4	3.9	16.3	14.6
Earnings Per Share (sen)	21.74	21.09	80.92	78.83
Claims Incurred Ratio (%)	40.3	39.1	43.9	40.9
Management Expense Ratio (%)	16.2	17.5	19.1	20.1
Commission Ratio (%)	7.0	7.6	6.8	6.3
Combined Ratio (%)	63.5	64.2	69.8	67.3

Tan Sri Teh announced, “In view of the improved performance of the Group, the Board has declared a 2nd interim dividend of 43.0 sen per share. This 2nd interim dividend payment which amounted to RM171.30 million is part of the Group’s effort to reward its shareholders for their trust and confidence in LPI. Together with the 1st interim dividend of 27.0 sen per share amounting to RM107.56 million which was paid in August 2019, the proposed total dividend pay-out for the financial year 2019 is RM278.86 million representing 86.5% of the Group’s net profit attributable to shareholders and a 2.9% increase from the total pay-out of RM270.9 million made in the 2018 financial year.”

Tan Sri Teh further observed, “2020 will remain challenging for the general insurance industry as market sentiments remain weak, underpinned by ongoing market volatilities and rising macro uncertainties. However, the strong focus by the government in its 2020 budget on development expenditure to support growth and improve sentiments will hopefully bring positive spillover effect to the various economic sectors while finalisation of the on-going US-China trade talks will help lead towards the stabilisation of global macroeconomic conditions. Amidst the volatile environment, LPI Group will continue to strengthen its distribution channels, maintain sound underwriting practices and exercise prudential risk management with the aim to achieve a sustainable profit growth.”

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