

# **PRESS RELEASE BY LPI CAPITAL BHD**

## **PERFORMANCE AS AT 3<sup>RD</sup> QUARTER 2019**

For the 3<sup>rd</sup> Quarter of 2019, LPI Capital Bhd (LPI) reported a 8.5% improvement in its revenue to RM423.8 million from RM390.6 million previously, contributed by the increase in gross earned premium and investment income. However, its profit before tax registered 4.5% lower at RM111.4 million from RM116.6 million achieved in the previous corresponding quarter. Its Net Return on Equity was higher at 4.6% from 4.4% previously with Earnings Per Share at 22.04 sen.

Reviewing the performance of the LPI Group, the Founder and Group Chairman, Tan Sri Dato Sri Dr Teh Hong Piow said, “LPI ended the third quarter of financial year 2019 with a lower profit due to an increase in claims reported and a slower growth in gross premium income. For the Quarter under review, its wholly-owned insurance subsidiary, Lonpac Insurance Bhd (Lonpac), reported a 0.5% growth in its Gross Premium Income from RM378.1 million to RM380.0 million while its claims incurred ratio increased to 43.6% from 37.2% reported in the previous corresponding Quarter.

The volatile global economic conditions and the ongoing trade disputes continue to affect the performance of the Malaysian insurance industry.

According to industry statistics published by ISM Insurance Services Malaysia Bhd (ISM), the general insurance industry registered a 1.7% decline in Gross Written Premium for the first 6 months of 2019 and the industry's overall combined ratio had deteriorated to 93.2% from 92.3% reported in the same period of 2018. The lower demand in insurance coupled with an increase in claims cost had affected the underwriting performance of the industry. According to ISM, Lonpac ranked 3<sup>rd</sup> in terms of Gross Written Premium in Malaysian general insurance industry with a 8.6% market share as at 30 June 2019. For Lonpac, its combined ratio for the 3<sup>rd</sup> Quarter of 2019, had also deteriorated to 70.8% from 65.1% previously while its underwriting profit had declined by 7.9% to RM75.7 million from RM82.2 million. This was mainly due to the unfavourable claims experience reported in medical and miscellaneous accident classes of insurance.”

Tan Sri Teh continued, "For the 9 months period ended 30 September 2019, LPI managed to record a 1.5% increase in its profit before tax to RM299.4 million from RM295.1 million registered in the previous corresponding period while its net profit attributable to shareholders improved by 2.5% to RM235.8 million. With the higher net profit reported, the net return on equity increased to 12.3% from 11.0% for the 9 months period under review while Earnings Per Share improved by 2.5% to 59.18 sen from 57.74 sen previously.

As for the insurance operation, Lonpac continued to strengthen its position with a 3.6% increase in its Gross Premium Income for the first 9 months of 2019 to RM1,207.6 million from RM1,165.1 million previously while its net earned premium income improved by 10.2% to RM746.0 million from RM676.7 million. However, its claims incurred ratio for the 9 months period under review deteriorated to 45.2% from 41.6% previously while its combined ratio increased to 72.0% from 68.7%. With the higher claims reported, Lonpac's underwriting profit was 1.9% lower at RM208.3 million from RM212.4 million registered in the previous corresponding period."

## Highlights of the Group's Performance:-

	3rd Quarter Ended		Nine Months Ended	
	30/9/2019	30/9/2018	30/9/2019	30/9/2018
Revenue (RM'000)	423,841	390,592	1,203,445	1,124,638
Gross Premium Income (RM'000)	380,045	378,067	1,207,559	1,165,089
Net Earned Premium Income (RM'000)	258,322	235,151	745,962	676,685
Underwriting Profit (RM'000)	75,666	82,225	208,291	212,396
Profit Before Tax (RM'000)	111,359	116,635	299,428	295,090
Net Profit Attributable to Shareholders (RM'000)	87,818	91,808	235,758	230,046
Net Return on Equity (%)	4.6	4.4	12.3	11.0
Earnings Per Share (sen)	22.04	23.04	59.18	57.74
Claims Incurred Ratio (%)	43.6	37.2	45.2	41.6
Management Expense Ratio (%)	19.5	20.2	20.1	21.2
Commission Ratio (%)	7.7	7.7	6.7	5.9
Combined Ratio (%)	70.8	65.1	72.0	68.7

Tan Sri Teh commented, “The remaining period of 2019 is expected to remain challenging as economic conditions are not expected to improve soon. We have taken steps to consolidate our market position and are reviewing portfolios where performances have not been up to expectation. In this competitive and volatile environment, we will focus on building a sustainable portfolio that will add value to our shareholders.”

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For more information, please contact:

**Mr Tan Kok Guan**

Chief Executive Officer – LPI Capital Bhd

Tel : 03-2034 2670

Email : [kgtan@lonpac.com](mailto:kgtan@lonpac.com)

**Mr Looi Kong Meng**

Chief Executive Officer – Lonpac Insurance Bhd

Tel : 03-2262 8620

Email : [kmlooi@lonpac.com](mailto:kmlooi@lonpac.com)

**Mr Harry Lee Chee Hoong**

Head of Group Finance & Corporate Services

Tel : 03-2723 7750

Email : [harrylee@lonpac.com](mailto:harrylee@lonpac.com)