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Syarikat Takaful 1Q net profit strengthens on lower expense reserves

KUALA LUMPUR (May 18): Syarikat Takaful Malaysia Keluarga Bhd's net profit grew 5.33% to RM101.59 million for the first quarter ended March 31, 2020 (1QFY20), from RM96.44 million last year.

The company attributed the higher earnings to "lower expense reserves, in line with lower production of the group's medical products". Expense reserves were at RM20.86 million in 1QFY20, down 48.54% from RM40.54 million last year.

Quarterly revenue was down a marginal 0.56% to RM913.04 million from RM918.16 million, according to the group's stock exchange filing today, mainly due to lower sales generated from its family takaful business.

The lower sales involved employee benefits products, which resulted in the family takaful business segment's gross earned contribution lowering to RM496.3 million from RM502.9 million last year.

The segment's net benefits and claims, meanwhile, increased to RM214.6 million from RM205.1 million in the same period last year, thanks to higher surrender claims from credit-related certificates.

"Investment income from the family takaful business increased by 9% to RM72.3 million, compared with RM66.2 million in the same period of the preceding year, mainly due to higher profit from Islamic debt securities," the company added.

Its general takaful business also generated a lower gross earned contribution of RM202 million for 1QFY20, compared with RM204.2 million for 1QFY19, while net benefits and claims grew to RM57.7 million from RM53.3 million on higher claims relating to fire and commercial classes.

Investment income from the segment came in at RM8.1 million for the quarter, up 4% from RM7.8 million for 1QFY19, mainly due to higher profit from Islamic debts securities, said Syarikat Takaful.

On prospects, the company said the takaful industry is expected to outperform conventional insurers, in view of stronger demand for takaful products, despite business sentiments remaining cautious in 2020.

"To sustain its market leading position, the company will continue with its innovative strategies via the implementation of its digital strategy, introduction of online solutions, expansion of its distribution capabilities, strategic partnerships with leading Islamic banks and brand awareness initiatives," said Syarikat Takaful.

Syarikat Takaful shares closed 18 sen or 3.96% higher at RM4.72 today, valuing the company at RM3.9 billion. Over the past year, the counter has fallen 22.6% from RM6.10.

Nonetheless, when compared to the low of RM3.15 it sank to on March 23, its share price has grown 49.8%.