LPI CAPITAL BHD 196201000175 (4688-D)
(Incorporated in Malaysia)

Minutes of the 63rd Annual General Meeting (AGM) conducted as a virtual AGM at the Broadcast Venue at 29th Floor, Menara Public Bank, 146 Jalan Ampang, 50450 Kuala Lumpur, Malaysia on Friday, 5 April 2024 at 10.00 a.m.

PRESENT AT BROADCAST VENUE :	DIRECTORS Mr Tee Choon Yeow – Chairman of Meeting (Non-Independent Non-Executive Chairman) Mr Tan Kok Guan (Executive Director/ Chief Executive Officer) IN ATTENDANCE Ms Kong Thian Mee (Company Secretary)
PARTICIPATED REMOTELY :	DIRECTORS Mr Lee Chin Guan (Independent Non-Executive Director) Ms Chan Kwai Hoe (Independent Non-Executive Director) Ms Soo Chow Lai (Independent Non-Executive Director) Dato' Chia Lee Kee (Independent Non-Executive Director) Encik Mohamed Raslan Bin Abdul Rahman (Independent Non-Executive Director) SHAREHOLDERS AND PROXIES The attendance of shareholders and proxies via https://tiih.online as per Attendance List in Appendix I. BY INVITATION – AUDITORS Ms Lee Yeit Yeen (External Auditors, Messrs. KPMG PLT)

WELCOME ADDRESS

On behalf of the Board, Mr Tee Choon Yeow, the Chairman of Meeting welcomed all the participants to the Meeting.

INTRODUCTION

The Chairman of Meeting informed the Meeting of the following :-

(i) The Board had resolved that the 63rd AGM of the Company be convened as a virtual meeting, and carried out in the manner as guided by the Securities Commission Malaysia Guidance on the Conduct of General Meetings for Listed Issuers and the Companies Act 2016.

(ii) Shareholders and proxies were not allowed to be physically present for the 63rd AGM as this was a virtual meeting. Instead, shareholders and proxies were invited to participate remotely by using the Remote Participation and Voting (RPV) facilities.

(iii) This AGM was conducted with only the essential individuals present at the broadcast venue.

The Chairman of Meeting introduced himself and those who were present at the broadcast venue, namely the Executive Director cum Chief Executive Officer (CEO), Mr Tan Kok Guan, and the Company Secretary, Ms Kong Thian Mee. He further introduced the following Directors who had participated in the AGM remotely :-

(i) Mr Lee Chin Guan – Independent Non-Executive Director

(ii) Ms Chan Kwai Hoe – Independent Non-Executive Director

(iii) Ms Soo Chow Lai – Independent Non-Executive Director

(iv) Dato' Chia Lee Kee – Independent Non-Executive Director

(v) Encik Mohamed Raslan Bin Abdul Rahman – Independent Non-Executive Director

REMOTE PARTICIPATION AND VOTING PROCEDURE (RPV)

The Chairman of Meeting explained that pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Company must ensure that all resolutions set out in the Notice of the 63rd AGM are voted by poll.

The Chairman of Meeting further informed that the Company had appointed the Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd (Tricor), as Poll Administrator to conduct the online remote voting, while an independent scrutineer, Coopers Professional Scrutineers Sdn Bhd (CPS) had been appointed to validate the votes cast at the 63rd AGM.

The online remote voting for the resolutions had commenced at the beginning of the Meeting.

The RPV procedure was briefed by Tricor.

QUORUM

The Company Secretary confirmed that the requisite quorum for 63rd AGM was met, and the Meeting was called to order at 10.00 a.m. by the Chairman of Meeting.

NOTICE OF MEETING

In accordance with Best Practices of the Malaysian Code on Corporate Governance by Securities Commission, the Company had given at least 28 days' Notice of the Company's 63rd AGM to the shareholders. The notice convening the Meeting, having been circulated to all the members of the Company well within the regulatory requirements, was taken as read.

ORDINARY BUSINESS

AUDITED FINANCIAL STATEMENTS
AND REPORTS OF DIRECTORS AND AUDITORS

The Audited Financial Statements of the Company and the Group for the financial year ended 31st December 2023 and the Reports of the Directors and Auditors were laid before the Meeting, in accordance with the Company's Constitution and Bursa Malaysia Listing Requirements.

Shareholders' approval was not required for the Audited Financial Statements pursuant to Sections 248(2) and 340(1)(a) of the Companies Act 2016. Hence, this matter was not put up for voting.

The Chairman of Meeting invited Mr Tan Kok Guan (Mr Tan KG), the Executive Director cum CEO to present the LPI Group's performance in 2023 to shareholders, which was reflected as below :-

Financial Performance

Malaysia's economy was affected by slowing global economic growth, rising interest rates and declining exports in 2023. Despite the challenging operating environment, Malaysia had reported creditable economic growth for 2023, supported by resilient domestic demand. However, the progress of the global economic recovery and the escalation of geopolitical conflicts continue to pose risks to Malaysia's continued economic growth.

Despite the uncertain and competitive market environment, LPI Group reported an impressive performance for financial year 2023. For the 12 months ended 31 December 2023, LPI Group's Operating Revenue increased by 16.5% to RM1,905.4 million from RM1,634.9 million in financial year 2022. The increase in revenue was mainly contributed by higher insurance revenue, as well as higher interest and dividend incomes. Insurance revenue accounted for 93.5% of total Operating Revenue in financial year 2023.

The LPI Group's Profit Before Tax for financial year 2023 grew by 15.6% to RM394.9 million from RM341.7 million year-on-year. The increase was mainly due to a higher investment return, which increased by 62.5% to RM149.3 million from RM91.9 million in financial year 2022, contributed by higher investment income and net fair value gains. The Insurance Service Result for financial year 2023 was also 2.7% higher year-on-year.

Meanwhile, Net Profit Attributable to Shareholders rose 24.4% to RM313.7 million compared to the RM252.2 million achieved in financial year 2022. The higher net profit was also partly due to the absence of the one-off Prosperity Tax that was imposed in financial year 2022.

LPI's Net Return on Equity for financial year 2023 improved to 13.7% from 11.4% in financial year 2022 while Earnings Per Share increased to 78.75 sen from 63.31 sen.

Lonpac Insurance Bhd, the wholly-owned insurance subsidiary of LPI, reported a 20.6% higher Profit Before Tax of RM369.5 million for financial year 2023 as compared to RM306.3 million achieved in financial year 2022. The improved profitability of Lonpac was partly due to the strong performance of its investment portfolio.

For the 12 months ended 31 December 2023, Lonpac's Net Claims Incurred Ratio rose marginally to 45.0% from 43.2% reported in financial year 2022. Lonpac experienced a slight deterioration in its insurance claims, particularly in the Fire and Medical sectors of business, during the year under review.

With Management Expenses Ratio at 20.7% and Net Commission Ratio higher at 8.4% from 7.1%, Lonpac's Combined Ratio for financial year 2023 increased to 76.9% from 75.2% reported in financial year 2022.

Lonpac's Insurance Service Result for financial year 2023 was reported 2.7% higher at RM293.7 million from RM286.1 million in financial year 2022.

Despite the competitive market environment, Lonpac managed to improve its Gross Premium Income by 6.2% to RM1.73 billion from RM1.63 billion written in the financial year of 2022, with all major insurance classes posting commendable growth.

Fire Insurance remained the core business of Lonpac contributing 39.8% of its total Gross Written Premiums while Motor Insurance contributed 23.7%, Miscellaneous class of insurance 30.4% and Marine & Aviation 6.1%. Fire Insurance remained the biggest contributor to Lonpac's Insurance Service Result.

With the improved performance reported by the Group in financial year 2023 as compared to 2022, the Board of Directors had declared a second interim dividend of 40.0 sen per share. This second interim dividend payment, which comes up to RM159.4 million in total, is part of the Group's continuing efforts to reward shareholders for their ongoing support. Together with the first interim dividend of 26.0 sen, amounting to RM103.5 million which was paid in September 2023, the total dividend payout for financial year 2023 was RM262.9 million, representing 83.8% of the Group's Net Profit Attributable to Shareholders.

Questions from Minority Shareholder Watch Group (MSWG)

On behalf of the Board, the CEO answered the questions raised by MSWG as per their letter dated 29 March 2024. The questions from MSWG and the answers provided by the Board were as follow :-

Operational & Financial Matters

Question 1(a)

In FY2023, LPI reported higher net profit of RM313.73 million (+24.4% y-o-y) compared to RM252.22 million in FY2022, driven by higher investment income (RM123.5 million vs RM100.17 million) and fair value gain on investments of RM25.8 million versus -RM8.3 million in the year before.

a) Meanwhile, LPI's Insurance Service Result grew marginally at 2.66% to RM293.72 million from RM286.1 million previously, primarily due to net reinsurance costs of RM661.2 million vs net reinsurance income of RM11.29 million in FY2022 (page 156 of Annual Report 2023). LPI incurred higher reinsurance premiums paid, totalling RM610.17 million vs RM400.92 million in FY2022 (page 232 of AR2023).

   Notably, reinsurance rates have increased owing to the increased frequency of insured losses and the hardening of the global reinsurance market (page 25 of AR2023).

   Will the elevated reinsurance rates persist in the near term? What has been the quantum of revision in reinsurance rates between LPI and reinsurers lately? By percentage, how has the reinsurance rate changed y-o-y for each class of business?

Answer 1(a)

Due to the hardening of the global reinsurance market, the Company experienced material increase in treaty reinsurance terms in FY2023. The reinsurance market did not softened in early 2024 and the Company renewed its FY2024 treaty programme at similar terms as per FY2023.

The reinsurance premiums paid (net of reinsurance commission) for its treaty programme increased by 27% from FY2022 to FY2023, in which Fire class increased by 36%, Motor class by 16%, Marine, Aviation & Transit by 5% and Miscellaneous class by 20%. This was mainly due to lower reinsurance commissions earned and higher Excess of Loss premium paid.

Question 1(b)

b) The increase in flooding opened new opportunities for insurers to promote additional flood coverage to the public, especially given that flood insurance take-up remains low at 33% (as of the first half of 2023), compared to 31% in 2022.

How has the take-up of flood coverage changed year-on-year with the purchase of LPI's fire and motor insurance? What is the room for growth for this segment?

Answer 1(b)

The flood take-up rates for Fire and Motor insurances for 2022 and 2023 were as follows :-

	Flood Take-up Rates		
	Fire Insurance	Motor Private Car	Fire & Motor Combined
2022	63.5%	10.5%	32.8%
2023	64.5%	13.2%	34.0%

The flood take-up rate for Fire insurance had increased to 64.5% in 2023 from 63.5% in 2022, while the take-up rate for Motor private cars was still relatively low at 13.2%.

The Company is offering competitive premium rate to entice its motor policyholders to extend flood cover for their motor policies in view of the increased frequency of flooding in various parts of Malaysia.

Question 1(c)

c) Amid rising reinsurance rates globally, to what extent did LPI increase the cover rate for its products, especially in the Fire and Motor segment? What is the average increase in cover rate across the industry for the two business classes?

As underwriting risks and reinsurance rates increase, has LPI exited/ceased covering certain segments/geographical areas? Has LPI seen such development among market players?

Answer 1(c)

The Company did not increase the premium rate of its products arising from the increase in its reinsurance costs. Most of its products are priced based on the risk exposure of the portfolio and the risk elements of each insured.

The Company did not exit or cease covering any segments/geographical areas as a result of the increase in reinsurance costs. The Management also not aware of such practice among market players.

Question 2

LPI's underwriting result was also impacted by the deterioration in the performance of specific segments of its business over the last two years. These segments require reassessment going forward (page 25 of AR2023).

Which are the segments required reassessment that LPI referred to? Has the Group finalised the review of the segments? If yes, what is the outcome of the review?

Answer 2

In FY2023, Lonpac Insurance experienced a slight deterioration in its insurance claims, particularly in the Fire and Medical insurance sectors of business. The Management has reviewed the underwriting acceptance of certain segments of Fire risks and revised the pricing of the affected Medical portfolio. With the tightening of underwriting, the Management hopes these sectors of business will be able to report better performance in FY2024.

Question 3

As of September 2023, LPI's market share ranking in the Malaysian general insurance market had dropped two more notches to sixth, despite its market leader position in the Fire and Bonds segments.

The further decline in market share ranking was primarily due to the market consolidation of two insurers, which resulted in the merging of their respective portfolios.

As market players consolidate to form more extensive and formidable forces, what are LPI's strengths and weaknesses in dealing with competition from larger players? How does LPI respond to such an evolving landscape?

Answer 3

Insurers will have an almost immediate increase in market share and improved ranking after a merger. Whilst market ranking is an important indicator of the size of an insurer, LPI’s strategy has always been on a sustainable growth path by focusing on strategic sectors that can provide us with a steady and sustainable stream of profits.

LPI will only look into and consider any mergers if the right opportunity arises that meets its strategic business direction of creating value for the company and ultimately, the shareholders. The Company will continue to strengthen its distribution channels especially its agency network and intensify its collaboration with its bancassurance partners to grow its desired portfolios.

Question 4

Unlike Annual Report 2022 (page 112 of AR2022), LPI did not publish the Net Claims Incurred Ratio (NCIR) by Class of Business in AR2023.

Why did LPI not include this ratio in its annual report, which could have helped shareholders better gauge each segment's underwriting performance? What are the NCIR (latest and retrospective numbers) for every class of business based on MFRS 17? Which class of business recorded an improved claim ratio, and vice versa?

Please illustrate the expected claim experience for different business classes in FY2024.

Answer 4

The Company did not publish the Net Claims Incurred Ratio (NCIR) in Annual Report 2023 because the concept of “net earned premiums” is no longer applicable under MFRS 17. Therefore, the NCIR is unable to be computed based on MFRS 17 format.

The NCIR by class of business is presented below by extracting from the internal management accounts :-

	2023 (%)	2022 (%)
Fire	21.8	15.5
Motor	69.8	77.1
Marine, Aviation & Transit	22.1	35.7
Miscellaneous	46.8	45.1
Total	45.0	43.2

<u>Sustainability Matters</u>

<u>Question 1</u>

LPI's net written premiums for climate-friendly risks totalled RM12 million in 2023, compared to RM8 million in FY2022. This number is insignificant compared to LPI's gross written premium of RM1.73 billion in FY2023.

a) What is the market potential by market size for ESG-friendly insurance products in Malaysia?

b) How comprehensive and competitive is LPI's green products offering compared to other market players?

c) Additionally, Lonpac plans to offer coverage for electric vehicles (EVs) (page 26 of AR2023).

   With Malaysia reporting exponential growth in EV sales in 2023, how soon will Lonpac launch related insurance products to seize the fast-growing segment's underwriting opportunities?

<u>Answer 1</u>

The market share of ESG-friendly insurance was relatively small as compared to the traditional insurance products in Malaysia. The common ESG-friendly products were primarily focusing on the protection of electric vehicles (EV) for motor insurance and solar panels for fire insurance.

Although the market share of EV versus the Internal Combustion Engine (ICE) vehicles remains small, the Company is expecting the sale of EV will continue to grow. The penetration rates of EV were recorded at approximately 3.1% for 2022 and 4.8% for 2023 against total Malaysian auto sales, according to statistics published by Malaysian Automotive Association.

The Company is conducting feasibility studies on the launching of customised insurance products for EV and are currently developing the pricing model and underwriting policy for the fast-growing EV segment.

The Chairman of Meeting then informed the shareholders and proxies that he would collate all the questions submitted by shareholders and proxies and provide the answers together with the questions to the meeting later.

The External Auditor, Messrs. KPMG PLT had also joined remotely for this AGM to respond to any questions relevant to the audit of the Audited Financial Statements for financial year ended 31 December 2023.

The Chairman of Meeting then proceeded to the proposed ordinary resolutions tabled for approval at this AGM.

The Chairman of Meeting informed that the Board, on the recommendation of the Nomination and Remuneration Committee, supported the proposed re-election of these retiring Directors. The Board and the Nomination and Remuneration Committee had reviewed the assessment results of the Board Evaluation Exercise conducted for the financial year ended 31 December 2023 and were satisfied with the performance and contributions of these retiring Directors that they had discharged their duties and responsibilities effectively.

ORDINARY RESOLUTION 1 (OR 1)
RE-ELECTION OF DIRECTOR – MR TEE CHOON YEOW

The Chairman of Meeting, being an interested party, handed over the Chair to Mr Tan KG, the Executive Director cum CEO to present OR 1. Mr Tan KG informed the Meeting that Mr Tee Choon Yeow would be retiring by rotation pursuant to Clause 89 of the Company’s Constitution, and being eligible, had offered himself for re-election. The profile of Mr Tee Choon Yeow was set out on page 102 of LPI 2023 Integrated Annual Report. Mr Tan KG then handed the Chair back to the Chairman of Meeting.

ORDINARY RESOLUTION 2 (OR 2)
<u>RE-ELECTION OF DIRECTOR – DATO' CHIA LEE KEE</u>

The Chairman of Meeting informed the Meeting that Dato' Chia Lee Kee would be retiring by rotation pursuant to Clause 89 of the Company's Constitution, and being eligible, had offered herself for re-election. The profile of Dato' Chia Lee Kee was set out on page 104 of LPI 2023 Integrated Annual Report.

ORDINARY RESOLUTION 3 (OR 3)
RE-ELECTION OF DIRECTOR
<u>– ENCIK MOHAMED RASLAN BIN ABDUL RAHMAN</u>

The Chairman of Meeting informed the Meeting that Encik Mohamed Raslan Bin Abdul Rahman who was appointed on 31 January 2024 would be retiring pursuant to Clause 94 of the Company's Constitution, and being eligible, had offered himself for re-election. The profile of Encik Mohamed Raslan Bin Abdul Rahman was set out on page 105 of LPI 2023 Integrated Annual Report.

ORDINARY RESOLUTION 4 (OR 4)
PAYMENT OF DIRECTORS' FEES
<u>AND BOARD COMMITTEE CHAIRMAN FEE</u>

The Chairman of Meeting informed the Meeting that a sum of RM1,325,000.00 was recommended for payment as Directors' Fees and Board Committee Chairman Fee for the financial year ended 31 December 2023 (FYE 2023). The details and breakdown of the proposed payment of Directors' Fees and Board Committee Chairman Fee were set out on page 325 of LPI 2023 Integrated Annual Report.

ORDINARY RESOLUTION 5 (OR 5)
<u>PAYMENT OF DIRECTORS' BENEFIT ON ALLOWANCES</u>

The Chairman of Meeting informed the Meeting that a sum of RM352,500.00 was recommended for payment as Directors' Benefit on Allowances for the FYE 2023. The details and the breakdown of the proposed payment of Directors' Allowances were set out on page 325 of LPI 2023 Integrated Annual Report.

ORDINARY RESOLUTION 6 (OR 6)
DIRECTORS' BENEFIT ON
INSURANCE COVERAGE FOR NON-EXECUTIVE DIRECTORS

The Chairman of Meeting informed the Meeting that the Directors' Benefit on Insurance Coverage for Non-Executive Directors from the 63rd AGM to the 64th AGM of the Company was recommended for approval. The details of the proposed Insurance Coverage for Non-Executive Directors were set out on page 325 of LPI 2023 Integrated Annual Report.

ORDINARY RESOLUTION 7 (OR 7)
RE-APPOINTMENT OF AUDITORS

The Chairman of Meeting advised that Messrs. KPMG PLT had indicated their willingness to continue in office as auditors of the Company and to seek re-appointment for the financial year ending 31 December 2024. The Board was also seeking approval from the shareholders to authorise them to fix the Auditors' remuneration.

QUESTIONS FROM SHAREHOLDERS AND ANSWERS PROVIDED

The Chairman of Meeting invited Mr Tan KG, the Executive Director cum CEO to address some of the questions received from shareholders prior to the AGM, as summarised in Appendix II.

The Chairman of Meeting went on to inform the Meeting that some shareholders had submitted questions online during the course of the AGM and he proceeded to provide clarifications to these questions, as summarised in Appendix III.

The Chairman of Meeting then informed that the Company would provide a reply via email to shareholders whose questions had not been addressed at this Meeting.

There being no other business for which due notice had been given, the Chairman of Meeting then declared that the poll voting would continue for another 10 minutes and thereafter the Meeting would adjourn for 20 minutes for the counting of votes by the Poll Administrator and validation by the Independent Scrutineer.

ANNOUNCEMENT OF POLL RESULTS

After the completion of the poll voting and the validation of the votes by CPS, the Scrutineer, the Chairman of Meeting resumed the Meeting at 11.45 a.m.

The Chairman of Meeting invited Mr Chuah Poo Sian, the Representative of CPS to announce the poll results of the Meeting which was as follows :-

Resolution(s)	Vote For		Vote Against		Total Votes	
	No of Units	%	No of Units	%	No of Units	%
Ordinary Resolution 1	280,740,211	97.3330	7,692,433	2.6670	288,432,644	100.0000
Ordinary Resolution 2	289,500,053	99.9708	84,543	0.0292	289,584,596	100.0000
Ordinary Resolution 3	289,511,607	99.9748	73,109	0.0252	289,584,716	100.0000
Ordinary Resolution 4	285,648,309	99.9561	125,543	0.0439	285,773,852	100.0000
Ordinary Resolution 5	285,612,919	99.9445	158,469	0.0555	285,771,388	100.0000
Ordinary Resolution 6	286,000,302	99.9554	127,478	0.0446	286,127,780	100.0000
Ordinary Resolution 7	289,251,562	99.9361	185,054	0.0639	289,436,616	100.0000

The Chairman of Meeting then declared that all the Ordinary Resolutions as follows were duly carried out :-

(i) “THAT Mr Tee Choon Yeow, retiring in accordance with Clause 89 of the Company’s Constitution, is hereby re-elected a Director of the Company.”

(ii) “THAT Dato’ Chia Lee Kee, retiring in accordance with Clause 89 of the Company’s Constitution, is hereby re-elected a Director of the Company.”

(iii) “THAT Encik Mohamed Raslan Bin Abdul Rahman, retiring in accordance with Clause 94 of the Company’s Constitution, is hereby re-elected a Director of the Company.”

(iv) “THAT the payment of Directors’ Fees and Board Committee Chairman Fee of RM1,325,000.00 for the financial year ended 31 December 2023 is hereby approved.”

(v) “THAT the payment of Directors’ Benefit on Allowances for Directors amounting to RM352,500.00 for the financial year ended 31 December 2023 is hereby approved.”

(vi) “THAT the Directors’ Benefit on Insurance Coverage for Non-Executive Directors from the 63rd AGM to the 64th AGM of the Company is hereby approved.”

(vii) “THAT Messrs. KPMG PLT be hereby re-appointed as Auditors of the Company for the financial year ending 31 December 2024 AND THAT the Directors be authorised to fix their remuneration.”

TERMINATION OF MEETING

There being no other business, the Meeting terminated at 12.00 noon with a vote of thanks to the Chair.

Appendix II

LPI Capital Bhd – 63rd Annual General Meeting (AGM) on 5 April 2024

Questions from Shareholders before AGM

1(a). Please provide the background and rationale on the increase of Directors' Fees and Board Committee Chairman Fee.

Our response

The rationale for the increase in Directors' fees and Board Committee Chairman Fee, are due to the following :-

(i) The Board's enlarged responsibilities especially in the Environmental, Social and Governance (including Sustainability and Climate Change), compliance and technology related matters;

(ii) The Company's performance has improved in 2023;

(iii) The Board has steered the Company well through the pandemic period; and

(iv) The last increase in Directors' Fees was 3 years ago in 2020.

1(b). Please update the premium coverage of the insurance benefits for the non-executive directors from 63rd to 64th AGM.

Our response

The premium coverage of the insurance benefits for the non-executive directors from 63rd to 64th AGM, are as follows :-

	Insurance	Premium (62nd AGM to 63rd AGM)	Premium (63rd AGM to 64th AGM)
(i)	Hospitalisation & Surgical Insurance	RM6,021.00	RM8,358.53
(ii)	Personal Accident Insurance	RM858.00	RM1,036.00
(iii)	Travel Insurance	RM773.00	RM1,175.27

The increase in premiums is due to age band of the directors and the increase in SST to 8% effective from 1 March 2024.

2. Based on analysis, the Auditors' remuneration for FYE 23 is considerably higher than in FYE 22. What would be the reason for the increase? Table below shows the comparison for both years.

	FY22	FY23	Increase/(Decrease) %
Total Auditors' remuneration	RM1,139,000	RM2,129,000	87%

<u>Our response</u>

Due to the adoption of MFRS 17 as required by the Companies Act 2016 and the Malaysian Accounting Standards Board, we were required to restate the comparative information for Year 2022 which was also subject to audit. As such, we incurred one-off fees of RM818,750 for the transition and comparative audit for Year 2022 information. If the transition and comparative audit fees were excluded, the increase in audit fees for the current year audit was only 15%. The 15% increase was mainly due to the increase in audit work for the verification of MFRS 17 actuarial results and inflationary costs. Further, we also incurred the foreign exchange rate with Singapore for the audit of our Singapore branch for RM27,500.

3(a). May I know any e-voucher or door gifts will be provided to those who participate in the upcoming virtual AGM?

<u>Our response</u>

Please note that as per our last few years, we will not be giving door gifts for attending our AGM.

3(b). Any plan to revert hybrid AGM meeting in the future since face to face meeting will enhance fluid conversation among all participants with direct interaction/ engagement session. Secondly, doubt on any issue can resolve instantly. Aside from that, Bursa Malaysia also conducted AGM via hybrid mode of meeting and MSWG opined to conduct AGM meeting via hybrid mode. Hope the Management will take into my view for consideration and at the same time good corporate practice would benefit to the Company's ESG framework.

Our response

We will take note of your suggestion and consider it for our next AGM.

4. Does LPI sponsor Amber Chia's events? If so, how much has been sponsored from Year 2020 to-date?

Our response

LPI Group did not sponsor any of Ms Amber Chia's event.

5(a)(i). Please provide an indication of the size of Lonpac Insurance Bhd's ("Lonpac's") business (i.e. contribution to GWP and underwriting profits) from the Global Partnership Department?

What are the key lines of business from the Global Partnership Department (contributing at least 3% of GWP and/or underwriting profits)?

<u>Our response</u>

In 2023, the Global Partnership Department contributed about 10.5% of Lonpac's Total Written Premiums. About 72% of the business was contributed by the Fire portfolio, 13% from Liability insurance and about 6% from Marine Insurance. The business had generated underwriting profit in 2023.

5(a)(ii). How do you see the GWP growth rate for this business in the short-to-medium term?

<u>Our response</u>

The business from the Global Partnership Department is partly dependent on the growth of foreign direct investment and the expansion of existing foreign investment in Malaysia as well as the competition in this segment of business. We foresee a positive growth prospect for the Global Partnership business in the near to medium term.

5(b)(i). How much of the Fire business is derived from Lonpac's bancassurance channel with Public Bank ("PBB Fire Business") in 2022 and 2023?

<u>Our response</u>

The Gross Written Premiums of Fire business generated from bancassurance channel with Public Bank were RM312 million in 2022 and RM323 million in 2023.

5(b)(ii). Going forward, what is Management's view of the GWP growth rate of the PBB Fire Business?

<u>Our response</u>

Barring unforeseen circumstances, we projected about 5% growth rate for Public Bank's Fire business.

5(b)(iii). What are the key drivers for the growth rate of the PBB Fire Business ?

- **Volume (number of policies);**
- **An increase in insurance rates; or**
- **An increase in sum insured per policy?**

<u>Our response</u>

New business/policies and upwards revision of sum insured for insured properties are the main factors for the growth of GWP of Fire portfolio from PBB.

5(b)(iv). Besides the PBB Fire Business, are there any other lines of business where the PBB channel is an important distribution channel for Lonpac? (contributing at least 3% of GWP and/or underwriting profits)

Our response

No, Fire insurance is the only major line of business from Public Bank channel.

5(c)(i). Why has LPI decided to adopt the General Measurement Model ("GMM") and not the Premium Allocation Approach ("PAA") under IFRS 17 given the short-tailed nature of LPI's business?

Our response

The Company has decided to apply general measurement model to all of its insurance and reinsurance contracts, in view of the potential complexity of applying a hybrid approach, such as more complicated disclosure.

5(c)(ii). What does the term "investment component" mean?

Our response

An investment component is defined as an amount that an insurer needs to repay to its policyholders in all circumstances, regardless of whether an insured event occurs.

5(c)(iii). What type of contracts contain such an "investment component"? Are such contracts with "investment component" profitable (at the insurance service result level)?

Our response

In our portfolio, the only class that consists of an investment component is Bonds whereby we imposed a cash collateral when we underwrite the bond. Yes. It is profitable.

5(c)(iv). How does Lonpac determine:

- **whether to write "onerous contracts" as defined under MFRS 17; and**

Our response

The Management closely monitors the claims experience for onerous contracts and takes mitigation actions (e.g., market segmentation and repricing) to improve claims experience for these classes.

- **how much of such business to write?**

Our response

Total about RM474 million which consist of RM350 million from Motor business and the remaining from Individual Medical insurance.

Onerous contracts issued have resulted in losses recognised on initial recognition of RM104.7m for 2023 (vs RM32.5m for 2022). Are such losses recoverable from reinsurance contracts?

Our response

The majority portions of these onerous contracts are self-retained, so the amount of recovery from reinsurance is minimal.

5(c)(v). Which lines of business do the "onerous contracts" belong to?

Our response

The "onerous contracts" were basically from Motor and Medical lines of business.

5(c)(vi). Insurance service result for 2023 has increased by 2.7% whereas Insurance Revenue has increased by 16.1% as compared with 2022. It seems that Net Expenses from Reinsurance Contracts has increased significantly from 2022 to 2023.

Can Management explain the trend please (especially for the Fire Business)? What is their outlook on this line item? How successful are the risk mitigants that are being pursued?

Our response

The Group's Insurance Service Result grew marginally by 2.7% to RM293.7 million from RM286.1 million previously, primarily due to an increase in reinsurance costs and net incurred claims especially for fire business.

Due to the hardening of the global reinsurance market, we experienced a material increase in treaty reinsurance terms in 2023. The reinsurance market did not soften in early 2024 as we renewed our FY2024 treaty programme at similar terms as per 2023.

In 2023, the Group experienced a slight deterioration in its insurance claims, particularly in the Fire and Medical sectors of business. We have reviewed the underwriting of certain segments of Fire risks and revised the pricing of the affected Medical portfolio. With the tightening of underwriting, we hope these sectors of business will be able to report better performance in 2024.

5(c)(vii). The disclosures in the Annual Report suggest that the level of CSM (Contractual Service Margin) has declined from 2022 to 2023. Can Management confirm if our understanding is correct?
(See notes 13(a)(ii) / 13(c)(i) / note 18 of the LPI 2023 AR)

Our response

Based on 13 (a) (ii), the CSM reserve provision increased by RM 1.5 million from FY 2022 to FY 2023.

For 13 (c) (i), the stated CSM provision is for the initial recognition. The drop in CSM provision was basically attributable to the more optimistic assumptions assumed at the initial recognition point in FY 2022 resulting from Covid-19 impacts.

Regarding Note 18, the stated CSM figure is the CSM portion to be recognised as insurance revenue. The drop in CSM recognised as insurance revenue was basically attributable to the more optimistic assumptions assumed at the initial recognition point in FY 2022 resulting from Covid-19 impacts.

Can Management share their view of the CSM trend please including key drivers impacting margin?

Our response

For the initial CSM provision, the amount is a function of Risk Adjustment, Expected Claims & Expenses (including commission) and Locked-In Rate.

Appendix III

LPI Capital Bhd – 63rd Annual General Meeting (AGM) on 5 April 2024

Questions from Shareholders during AGM

6(a). May I know what is the Company's future outlook?

Our response

The Company's future outlook will be challenging in view of the stiff competition arising from market liberalisation, volatile economic conditions and emerging climate related risks. Nonetheless, we are well prepared to face such challenges and will strive to improve our performance in 2024.

6(b). Will the Board consider giving door gifts such as e-voucher or e-wallets for those participating in this Agm as a token of appreciation?

Our response

Please take note that we have addressed this matter earlier where we do not provide door gifts.

7. Does the Company cover insurance of overseas operations? Has the Company been involved in international business?

Any new range of insurance cover will be imposed?

Recently there is change in the fee due to revision in insurance policies, there is a minimum increase of more than 30% some up to 50%.

What is best solution for M40 or B40, in that situation?

Our response

We currently do not have overseas operations, except for a branch in Singapore and an associated company in Cambodia. We are currently having some global partnerships and are insuring multinational companies operating in Malaysia. We shall continue to innovate and offer diverse relevant products to meet the changing needs of our customers. We do not exactly understand this part of your question. We believe you are referring to the increase in Medical insurance premiums. We would advise consumers to explore some various options offered by the various insurers and select the product that suits to your needs and financial situation.

8. Does the Company do finance insurance?

Does the Company cover insurance in cybersecurity or virtual banking?

Our response

We are providing some specialised products for financial institutions such as Banker's Blanket Bond, etc.

We are providing cyber insurance but not on a big scale as this requires specialised underwriting capabilities.

9. The Dividend income from Equity securities quoted in Malaysia which is mainly from Public Bank Berhad (PBB) saw a decrease to RM30.869 million from RM43.431 million in FY2022 (Note 20(b) - page 234 of AR). Why is there a reduction of dividend from PBB despite PBB having declared higher dividends in FY2022?

Our response

The decrease in dividend income from PBB was due to the timing of the declaration and our receipt.

In FY2023, we received a total of 14 sen dividend per share from PBB, ie. 5 sen of the 3rd interim dividend for FY2022 and 9 sen of the 1st interim dividend for FY2023.

In FY2022, we received a total of 19.7 sen dividend per share from PBB, ie. 7.7 sen of the 2nd interim dividend for FY2021, 8 sen of the 1st interim dividend for FY2022 and 4 sen of the 1st interim dividend for FY2022.

10. The Net Finance expenses from insurance contracts recognised in profit or loss increased substantially to RM71.182 million in FY 2023 (Note 20 (a) - page 234 of AR). What are the reason(s) for the increase vs FY2022?

Our response

The increase was mainly due to the higher average risk-free discount rate in FY 2023.

11. Delay no more. Please resume the physical meeting soonest. Interpersonal interaction is more fruitful for AGM meeting engagement. If this scientific argument is not proven true, why are people still organising event launching, team building at physical location as well as wake service at memorial center. We already miss the chance to bid last farewell personally to the founder. Do hope to meet Mr. Tee in person and sing happy birthday during AGM.

Our response

We take note of your suggestion.

12. The interest/profit income from fixed and call deposits of RM37.720 million in FY2023 was higher than the dividend income received from unit trusts amounted to RM36.423 million.

Why is the fixed and call deposits returns higher than the returns from unit trust despite investment of RM923.739 million in unit trusts vs only RM820.572 million placed in fixed and call deposits in FY2023?

<u>Our response</u>

The total investment in fixed and call deposits was actually RM1,091.585 million, where RM820.572 million have a maturity of more than 3 months as reported under Amortised Cost Investment and RM271.013 million have a maturity of 3 months or less as reported under cash and cash equivalents.

13. As per financial reported that average monthly working hours per employee is 150 hours. May I know whether is inclusive of overtime to compute the working hour. This is still well within the target of not exceeded 180 hours per month. Does the Company intend to push for increase average monthly working hours per employee close to 180 hours?

<u>Our response</u>

The working hours include overtime.

Employee well-being is one of the Group's priorities and also part of our ESG initiatives. As much as possible, we always try to provide our employees with an optimum work-life balance.

14. Since the Company reported good financial performance, may I know whether there was an increase on overall bonus payout pool to all staffs?

Our response

The bonus and increments for our staff are always based on the performance of both the Company and staff.

15. How much does the Company spend on this virtual AGM? Would the Board kindly give e- wallet as a token of appreciation for attending this RPV.

Our response

The cost of our virtual AGM is about RM100,000.

16. Can Lonpac consider giving voucher to purchase insurance?

Our response

We do offer some e-wallet vouchers to customers who purchase certain insurance products, especially those available online.

17. The insurance industry is now seeing a digital transformation and evolution that may make competition even more keen. What is the immediate future plan that the Board has to transform LPI to be prepared for this evolution?

Our response

In line with the Company's digital transformation plan, we are enhancing our digital strategies to achieve operational efficiency and driving digital business in the future.

18. Does the Company have plan to do life insurance business?

Our response

We do not have such a plan currently.

19. In 2023, General Insurance Association of Malaysia (PIAM) reported that the local general insurance industry gross premium increased by 7.8%, but underwriting profit contracted by 26% in 2023.

(a) Please explain why LPI total gross written premiums rose at a slightly lower rate of 6.2% than industry average (page 25)?

(b) How is the underwriting profit of LPI? Does it experience a similar level of contraction? If so or not, please explain why? Thank you.

<u>Our response</u>

(a) Our main focus was to grow profitable business segments instead of solely focusing on top line growth.

(b) Our Insurance Service Result increased by RM7.6 million compared to last year.

20. Good morning Mr Chairman. How do you think about some listed companies held their AGM in hybrid meeting style?

<u>Our response</u>

We take note of your suggestion. We will be observing the hybrid AGM of some companies to consider the challenges of implementing AGM in a hybrid manner and we will consider this for our future AGMs.

21. **When will AGMs be in physical in order for better interaction between shareholders, the Management and the Directors.**

Our response

We may consider this for our future AGMs after taking all relevant matters into consideration.

22. **How would LPI's profit be affected by a decrease in the interest rate?**

Our response

We foresee that OPR will be maintained at the current level in the short-term. In case there is any indication of a decrease in interest rate, we will diversify our investment portfolio and invest longer term instruments to lock-in the investment yield.

23. **Thank you for the high yield/ dividend in 2023! Hope that 2024 also will continue under the high inflation era! May I know any plan to improve our Company performance in short term? And any physical meeting again next year?**

Our response

The Company continues to strengthen our distribution channels to build our market share and also to enhance our capabilities in underwriting and pricing to continuously improve our underwriting results.

We will take note of your suggestion to hold a physical meeting.

24. Lonpac can consider giving shareholder good will vouchers to purchase insurance.

Our response

We take note of your suggestion.

25. What causes the increase in fixed and call deposits with licensed institutions classified as amortised cost? What is the impact to the Company's cash flow level?

Our response

The increase in fixed and call deposits classified as amortised costs was due to the shifting of deposits with a maturity of 3 months or less to longer term to lock-in the higher interest rate. Our cash flow or liquidity is very healthy and will be able to meet all our obligations.

26. Will there be any bonus issue in the near future?

Our response

We shall be announcing to our shareholders should there be any bonus issue in the future.

27. Any special dividend given?

<u>Our response</u>

Dividend payments are based on the performance of the Company. LPI Capital Bhd has maintained high dividend payout ratio over the years.

28. Kindly elaborate each Board member's productivity contribution by comparing revenues vs expenses.

<u>Our response</u>

The performance of the Board is being evaluated by the Nomination and Remuneration Committee (NRC) regularly.

The NRC has reviewed the assessment report of Board Evaluation Exercise 2023 and will continue to perform it moving forward.

29. Despite lower than the industry average, LPI's combined ratio have been in uptrend over the past few years. Does Management expect the combined ratio to continue in upward trend in the next few years?

<u>Our response</u>

The Management is cautiously optimistic that the combined ratio should be stable over the next few years, subject to the Phased Motor and Fire Liberalisation. We shall continue to implement our prudent underwriting practices to ensure a healthy underwriting result.

30. Due to the cyber security insurance is getting more popular, what is LPI's strategy to capitalise on the raising cyber security insurance demand?

Our response

We are aware of the increase in demand for cyber security insurance but we have to assess its risk exposure and ensure adequate reinsurance protection before we can roll out more cyber insurance products.

31. Considering the slump in the share price of the Company, should the Board consider share buyback exercise?

Our response

We do not have share buyback plan for the time being.

32. Since the Company has computing and Ai robotic, does the Company implement it in operation, that can reduce manpower and time in daily operation?

Since the Company has saved cost in virtual meeting, saving in food serve fees and venue fees, door gift ... could the Company pay RM 1 dividend?

Our response

It is our long-term plan to implement AI and Machine Learning technology to better control our management expenses.

33. Does any of the Directors entitled for any allowance for attending today's meeting?

Our response

The Directors do not have any allowance for attending today's meeting.

34. How do you see the low share price trend of LPI?

Our response

On top of the Earnings per Share (EPS), the market share price depends on other factors that are beyond the Management's control, such as market sentiments.

35. I would like to request to have virtual meeting even if LPI consider to have physical meeting. As virtual meeting will allow those shareholders not staying in Klang Valley to attend. Please do not take away the right of shareholders outside Klang Valley to attend the AGM. A hybrid meeting will be a better choice.

Our response

We take note of your suggestion.

36. What is the strategy to improve the business of insurance? What is the forecast for the year of 2024?

Our response

The LPI Group will maintain its sustainable growth path by focusing on strategic sectors that can provide us with a steady and sustainable stream of profits. We will continue to strengthen our distribution channels by providing excellent partnerships and intensify our collaboration with our bancassurance partners to grow our desired portfolios.

Barring any unforeseen circumstances, we expect an improved performance in 2024.

37. What's the outlook for 2025 and how does looming subsidy rationalisation affects LPI business? Thanks.

Our response

Malaysia's economy is projected to perform better in 2024 as the risk of a global recession recedes coupled with the recovery in the export market. However, the outlook for 2025 is still uncertain due to external financial policy matters and escalating regional conflicts.

The looming subsidy rationalisation may result in a higher inflation rate and affect consumer spending to a certain extent. However, demand for insurance services may not be materially affected.