

PRESS RELEASE

KURNIA GROUP

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Kurnia Asia Earnings Surged Driven By On-Going Transformation

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Petaling Jaya, 27 August 2009 – Kurnia Asia Berhad (KAB) released its unaudited financial results for the fourth quarter (Q4) and the year ended 30 June 2009 (FY2008/09) at its corporate head office in Menara Kurnia.

KAB successfully transformed its operations for the full financial year ended 30 June 2009 with a net profit of RM57.05 million, reversing a net loss of RM301.79 million incurred last year. KAB attributes the substantial improvement largely due to the positive and sustained underwriting performance for four consecutive quarters achieved during FY2008/09. On a quarter to quarter basis, the Q4 net profit also improved by 61.7% to RM42.66 million from RM26.39 million recorded in the previous third quarter (Q3) ended 31 March 2009.

KAB's Executive Chairman, Tan Sri Dato' Paduka Kua Sian Kooi, commented: "We are delighted with the significant turnaround in the Group's earnings. It is truly an exceptional achievement amidst such a tough operating environment. We have successfully transformed our operations via the Transformation of Operations and Performance (TOP), which is our internal on-going transformation and revitalization program. TOP has definitely helped to bring the Group's underwriting results back on track."

Underwriting surplus for FY2008/09 totaled RM20.82 million, in sharp contrast to a deficit of RM401.723 million last year, despite a year-on-year drop of 6.1% in gross premium from RM1.12 billion to RM1.05 billion. The strategic measures implemented during the financial year, including business risk selection, better claims management, diversification into non-motor business, prudent cost management and performance-based management system have started to bear the desired results.

Having improved the claims management practice as well as the strengthening of claims provision in the prior year, claims ratio decreased significantly from 106.7% in FY2007/08 to a normalized level of 65.9% for the financial year under review. Similarly, prudent cost management initiatives implemented has started to reduce management expenses year-on-year from RM235.26 million to RM213.50 million, representing a savings of RM21.8 million.

In addition to the Group's positive underwriting performance, a net investment return of RM47.78 million has enhanced the Group's earnings for FY2008/09. The defensive investment strategies adopted have helped the Group to overcome the poor showing of the equity market experienced during the financial year under review. Besides the underwriting surplus and positive net investment result, the Group also recognized a tax benefit amounting to RM17.98 million for FY2008/09.

In line with its non-motor expansion strategy, the Group has increased the non-motor insurance's gross premium contribution to 18% of its overall portfolio for the financial year under review, up from 14% last year. The Group aims to increase its non-motor insurance contribution to a third of its gross premium in the next 3 years as part of the Group's strategy to achieve a more balanced portfolio.

Tan Sri Kua commented, "Though our main subsidiary, Kurnia Insurans (Malaysia) Berhad, is back on a profitable track, our transformation journey does not end here as we are determined to achieve better results moving forward. We have initiated our next wave of transformation via Mission 15 – a transformation program focused on further improving our operational efficiency and service standards to better serve our customers and agents nationwide."

"Not only do we aim to maintain our transformation momentum, we will strive to go further and beyond what we have achieved thus far," Tan Sri Kua concluded.

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