Insurance

POSITIVE (Maintain)

2QCY25 Wrap: Challenges Ahead

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HIGHLIGHTS

- **Headwinds in 2HCY25: (1) Possibly a milder 2HCY25 economic outlook could result in slower growth, (2) SST implementation will impact earnings, (3) Healthcare inflation remains an overhang, (4) Monsoon season should result in higher reinsurance and claim costs, (5) General insurers are guiding for extremely intense competition in 2HCY25.**
- **Things to look forward to: (1) Investment windfall will persist, (2) Valuations are extremely attractive, especially compared to regional players, (3) Dividends remain attractive, (4) Certain healthcare insurance providers are managing healthcare inflation exceptionally well.**
- **Maintain POSITIVE call: While headwinds may provide some near-term drag, we expect the insurance industry's long-term prospects to be healthy.**

Our Verdict	**The insurance sector faces its fair share of headwinds. We think some players will face a challenging 2HCY25, but we remain positive on longer-term prospects. Investment windfall should provide some offset to weaker growth and tighter margins. The sector still has cheap valuations and solid dividend yields.**
Core Themes	1. ▲ Sector dividends remain attractive, with all 3 companies under our coverage boasting >5% dividend yields. 2. ▲ Valuations are attractive, especially when comparing to regional peers. 3. ▲ Investment windfall to persist, given declining MGS yields. 4. ► Malaysia's possible milder 2HCY25 economic outlook could lead to reduction in growth pace. 5. ► SST implementation will affect the earnings for at least two years. 6. ► Healthcare inflation remains an overhang. However, we see good progress on resolving healthcare inflation issues thus far, with policyholders responding positively and normalisation of drug prices. 7. ▼ Insurers are expecting higher reinsurance and claim costs – one main reason is the arrival of the monsoon season. 8. ▼ The insurance industry remains extremely competitive entering 2HCY25 – with the general segment noticeably kicking it up a notch.

▲ **Expect an investment windfall due to lowering MGS yields.** We expect this to provide some offset from tightening margins, and potentially slower growth (as a milder economic forecast is expected in 2HCY25).

▲ **Some insurance companies are managing health loss ratios better than others.** In 1HCY25, ALLZ was able to keep its health loss ratios noticeably low: far lower than the sector average. Management retains its stance that healthcare inflation figures will likely come in much lower this year – 1HCY25's figures have already shown promising signs.

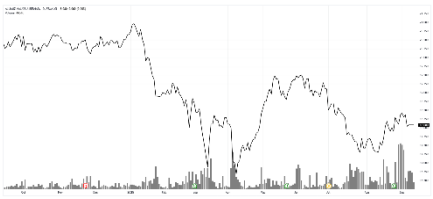
COMPANY *IN FOCUS*

Allianz

Maintain BUY | Target Price: RM23.12
Price @ 12 September 2025: RM18.08

- ALIM seems to be tackling healthcare inflation well, with health loss ratios outperforming the industry in 1QFY25.
- Healthy dividend yields, with upside possibility if normalisation occurs.

SHARE PRICE CHART



STMB

Maintain BUY | Target Price: RM3.70
Price @ 12 September 2025: RM3.08

- Despite its headwinds, STMB's valuations are too cheap to ignore – currently trading close to -2SD from its average 5-yr P/BV.
- Many of these headwinds will be resolved over time.
- Healthy dividend yields of >5%.

SHARE PRICE CHART



▼ **Natural disasters: Monsoon season and earthquakes.** Expect higher combined ratios in 2HCY25, as the monsoon season brings about heightened flood risk. Insurers have also voiced concern about earthquakes – whether there will be added risks, and whether new programmes will come out of this.

▼ **Expect higher competition among general players in 2HCY25.** This was reported by ALLZ – other insurers have ramped up competition at the start of 2HCY25, likely to reclaim the market share previously taken away by ALLZ.

▼ **SST impact will hit life/family insurers harder than general peers.** Under normalised circumstances, the additional costs can be easily passed on to customers via a premium price hike. However, BNM's interim measures are complicating the issue – hence, expect a negative earnings impact for at least the next two years. STMB's family segment expects an RM20m per year impact – ALLZ's life segment expects a limited impact, given its lower reliance on bancassurance. In contrast, general insurers shrug off any potential impact, as they are eligible for business-to-business (B2B) exemption.

FIG 1: Sector Picks

Our Call	STOCK	Catalysts, concerns, and other notes
GOOD Pick	LPI	1. ▲ Disposal of Public Bank shares imply a special dividend payout, though we may see a delay in disposal if share valuations remain lacklustre. 2. ▲ Collaborative efforts between LPI and Public Bank could translate to higher cost savings and higher operational efficiency. 3. ► Decent GWP growth rates, with emphasis on growing motor and engineering insurance. This is to persist in 2HCY25. 4. ▼ Management guides for a gradually increasing claims ratio.
TOP Pick	Allianz	1. ▲ AGIC continues to aggressively grow its market share, capitalising on its #1 market ranking and economies of scale. Competitors have taken notice: management warns of tighter competition in the months ahead. 2. ▲ So far, ALIM seems to be tackling its healthcare inflation well, with its 1HCY25 health loss ratios comfortably outperforming those of the wider industry. 3. ▲ Investment windfall to persist. 4. ▲ AGIC has aggressively grown its market share, capitalising on its #1 market ranking and economies of scale. Competitors have taken notice: management warns of extremely intense competition in the months ahead. Management believes that it can flaunt double-digit growth in 2HCY25 regardless. 5. ► Uncertainty surrounding dividend payout (due to regulatory issues): Current dividend yields of >5.5% are decent, despite factoring in the same reduced payout level from FY25. A normalised payout (upon regulator's approval) presents as an upside possibility. 6. ▼ Monsoon season floods may drive up claims and reinsurance costs.
TOP Pick	STMB	1. ▲ Healthy dividends of >5%. 2. ▲ Declines in MGS yields imply an investment income windfall. 3. ▲ Valuations are too attractive to ignore. Despite facing a multitude of headwinds, we think these are already priced in: STMB is trading at 1.18x P/BV, nearly -2SD of the 5-year P/BV mean of 1.88x. 4. ► We believe most headwinds faced by STMB are short-term and will be fixed in due time. Rectification of the said issues should provide STMB with long-term benefits. 5. ► The family segment is forced to prioritise personal financing instead of its usual housing products (as a result of BNM's latest regulation) – this could hamper subsequent GWP growth. We think that while growth rates will remain high, STMB may not be able to aggressively steal market share as it did previously. 6. ▼ General segment is undergoing rebalancing – hence expect the weak GWP growth to continue in 2HCY25. 7. ▼ Elevated tax rate to persist – though there is a chance that this may be repealed, which should result in a large tax writeback and a more normalised tax rate going forward.

Source: Companies, MBSBR

Maintain POSITIVE call. (Our comprehensive list of sector drivers is on the first page).

Top downside risks include:

1. Weaker economic growth leads to weaker premium growth.
2. Natural disasters drive up reinsurance and claim significantly.
3. Healthcare inflation measures do not produce the intended result – and BNM is forced to take further measures.

Top Picks: Allianz (BUY, TP: RM23.12) and **STMB (BUY, TP: RM3.70).**

PEER COMPARISON

Insurer	Rec	Share P*	Target P	Upside	Mkt Cap	P/E (x)		P/B (x)		ROE (%)		Div Yield (%)	
		(RM)	(RM)	(%)	(RM b)	FY25	FY26	FY25	FY26	FY25	FY26	FY25	FY26
LPI	BUY	14.28	15.70	9.9	5.7	14.7	13.7	2.3	2.2	15.8	16.5	5.8	6.2
ALLZ	BUY	18.08	23.12	27.9	6.2	7.4	7.2	1.0	0.9	14.0	13.2	5.4	5.6
STMB	BUY	3.08	3.70	20.1	2.7	7.3	7.2	1.4	1.5	19.4	20.8	5.1	5.1
Simple avg						9.8	9.4	1.6	1.6	16.4	16.9	5.4	5.6
Weighted avg						10.2	9.7	1.6	1.5	15.7	15.9	5.5	5.7

**Closing prices from 12 Sep 2025.*

Source: MBSBR

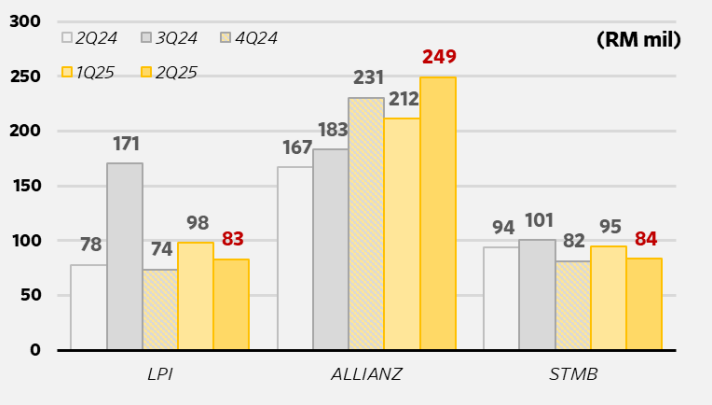
FIG 2: Valuation Methodologies

Company	Valuation	Details
LPI	P/BV	**FY26F P/BV of 2.46x.** ***GGM Assumptions:*** *FY26F ROE of* ***16.5%,*** *LTG of* ***4.0%*** *&* *COE of* ***9.1%.***
Allianz	SOTP	**AGIC: FY26F P/BV of 1.4x.** **ALIM: FY26F P/CE of 0.5x.**
STMB	P/BV	**FY26F P/BV of 1.83x.** ***GGM Assumptions****: FY26F ROE of* ***20.8%,*** *LTG of 4.0% &* *COE of 13.2****%.***

Source: Companies, MBSBR

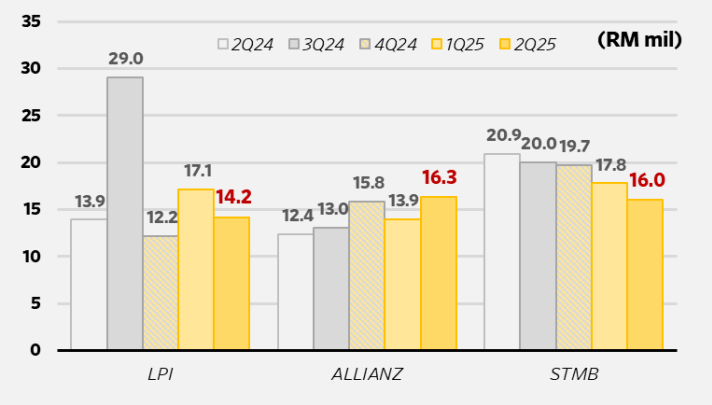
A. COMPANY I/S

Fig 3: Company Quarterly Core Net Profit



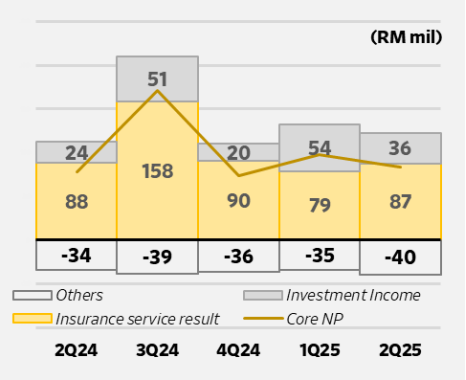
Source: Companies, MBSBR

Fig 4: Company Quarterly ROE



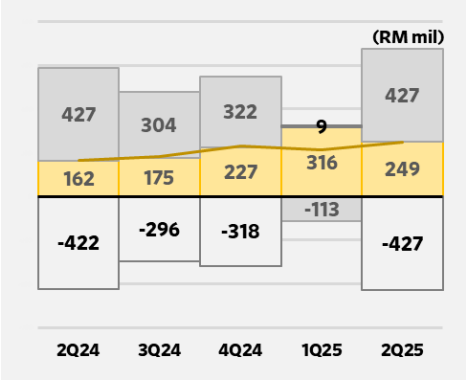
Source: Companies, MBSBR

Fig 5: LPI Earnings Breakdown



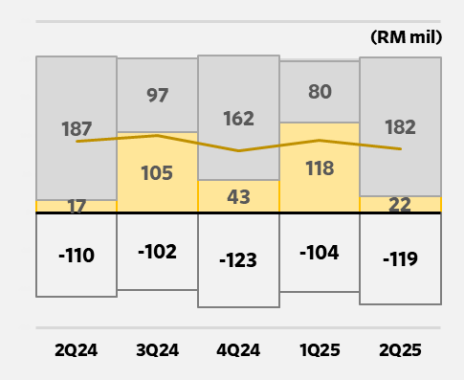
Source: Companies, MBSBR

Fig 6: Allianz Earnings Breakdown



Source: Companies, MBSBR

Fig 7: STMB Earnings Breakdown*



Source: Companies, MBSBR

*STMB's Takaful service result has a different composition from Conventional Insurance players, and is thus not necessarily comparable to its peers.

FIG 8: Company's Core NP and Insurance Service Result %yoy growth

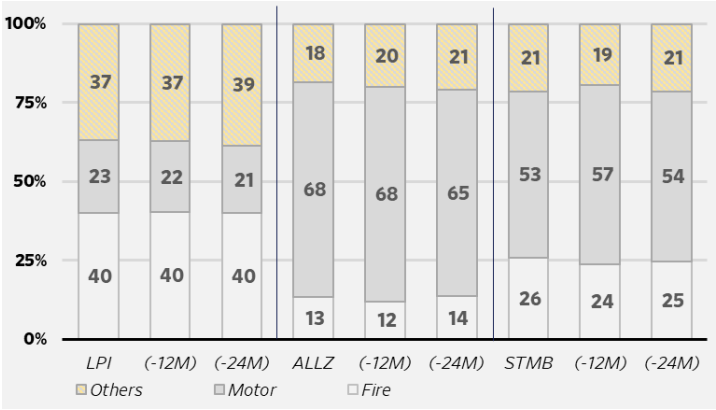
	Quarter %yoy growth						Cumulative %yoy growth					
	LPI		ALLZ		STMB		LPI		ALLZ		STMB	
	Core NP	ISR*	Core NP	ISR*	Core NP	ISR*	Core NP	ISR*	Core NP	ISR*	Core NP	ISR*
2Q23	18.9	-14.7	11.0	-38.5	84.4	-0.5	16.1	-11.7	14.2	-8.0	30.1	-29.9
3Q23	23.0	3.7	41.7	36.2	24.9	81.7	18.8	-5.9	22.9	2.9	28.4	-11.4
4Q23	43.9	33.9	11.7	0.9	3.7	-30.3	24.3	2.6	19.8	2.5	22.5	-15.2
1Q24	37.2	44.0	7.4	-2.0	58.6	172.2	37.2	44.0	7.4	-2.0	58.6	172.2
2Q24	22.5	40.9	0.3	-4.7	-22.7	-77.8	30.4	42.4	3.9	-3.1	5.5	-27.1
3Q24	75.3	78.7	-7.4	-16.3	10.4	113.1	49.0	57.5	-0.2	-7.4	7.1	20.5
4Q24	-6.0	11.0	19.1	27.6	16.1	45.7	35.2	44.7	4.9	0.2	8.9	24.7
1Q25	-3.3	-10.4	11.5	24.1	-7.5	122.9	-3.3	-10.4	11.5	24.1	-7.5	122.9
2Q25	**6.6**	**-1.4**	**49.3**	**53.6**	**-10.5**	**27.4**	**1.0**	**-5.9**	**29.2**	**35.6**	**-8.9**	**99.7**

ISR = Insurance Service Result

Source: Company, MBSBR

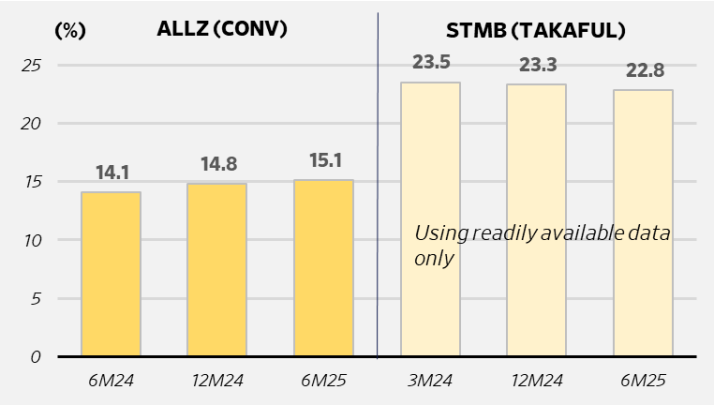
B. GENERAL STATS

Fig 9: Premium Mix



Source: Companies, MBSBR

Fig 10: Market Share (on a YTD basis!)



Source: Companies, MBSBR

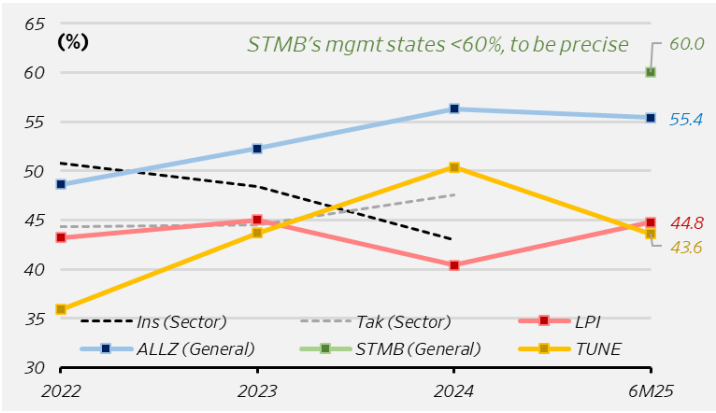
FIG 11: Industry and Company's GWP growth (General) – Segmental Breakdown

	Total Quarterly Premiums %yoy growth					Total YTD Premiums %yoy growth				
	LPI	ALLZ (General)	STMB (General)	Insurance Industry	Takaful Industry	LPI	ALLZ (General)	STMB (General)	Insurance Industry	Takaful Industry
2Q23	8.0	11.0		4.8	20.5	5.0	7.6		7.4	20.1
3Q23	9.5	19.4		7.6	16.4	6.5	11.4		7.5	18.9
4Q23	5.5	18.2		10.9	13.7	6.2	13.1	21.0	8.3	17.4
1Q24	8.7	14.0	11.4	10.4	10.7	8.7	14.0	11.4	10.4	10.7
2Q24	7.4	16.7	13.8	9.8	10.3	8.1	15.2	12.5	10.1	10.5
3Q24	3.9	12.2	3.0	2.3	11.0	6.7	14.2	9.4	7.5	10.7
4Q24	10.1	12.9	-21.0	5.3	2.7	7.5	13.8	-0.6	7.0	8.5
1Q25	6.9	10.6	2.1	3.7	6.4	6.9	10.6	2.1	3.7	6.4
2Q25	**6.3**	**12.2**	**8.7**	*Not yet available*		**6.6**	**11.3**	**5.1**	*Not yet available*	

	Total YTD Fire Premiums %yoy growth					Total YTD Motor Premiums %yoy growth				
	LPI	ALLZ (General)	STMB (General)	Insurance Industry	Takaful Industry	LPI	ALLZ (General)	STMB (General)	Insurance Industry	Takaful Industry
2Q23	5.2			7.5	9.4	7.9			8.3	21.0
3Q23	4.7			6.5	10.5	9.6			8.2	20.1
4Q23	4.5			9.2	10.6	10.3			8.6	18.7
1Q24	4.5	-8.1	-6.7	5.8	14.7	15.0	20.6	27.1	7.1	17.1
2Q24	9.2	0.9	9.1	6.5	14.3	13.4	20.0	18.0	8.0	15.9
3Q24	4.9	-0.9	5.4	6.0	14.0	13.4	18.3	12.8	7.4	14.2
4Q24	6.7	-0.9	-15.3	6.5	7.3	11.6	17.4	6.7	6.7	11.6
1Q25	9.7	18.5	10.8	13.5	-4.3	7.0	11.7	-4.6	4.3	7.6
2Q25	**6.1**	**23.4**	**13.7**	*Not yet available*		**9.3**	**11.7**	**-2.0**	*Not yet available*	

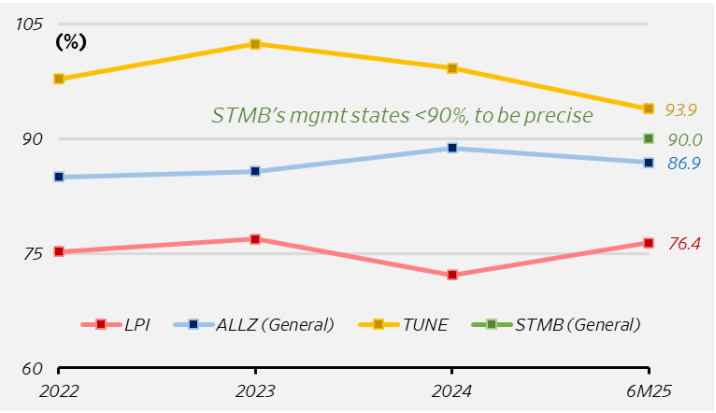
Source: Company, BNM, MBSBR

Fig 12: Industry Cumulative Claims Ratio



Source: Companies, BNM, MBSBR

Fig 13: Company's Cumulative Combined Ratio



Source: Companies, MBSBR

FIG 14: Quarterly Claims and Combined Ratio (General)

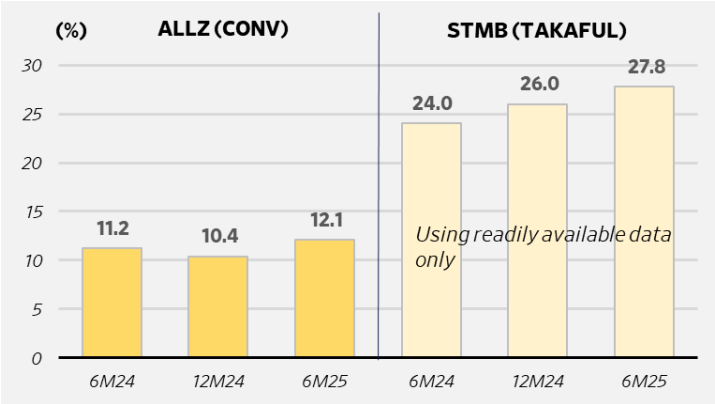
	Quarterly Claims ratio					Quarterly Combined ratio		
	LPI	*ALLZ (General)	TUNE	Insurance Industry	Takaful Industry	LPI	ALLZ (General)	TUNE
2Q23	47.6	60.2	38.9	50.5	46.7	80.6	86.6	95.3
3Q23	39.4	58.8	37.3	51.4	53.1	71.1	86.2	95.2
4Q23	41.7	59.1	83.6	49.7	41.4	74.9	85.7	156.9
1Q24	40.1	62.9	60.3	36.9	40.2	73.4	87.0	44.7
2Q24	44.3	65.2	53.4	42.4	48.9	73.6	90.1	105.2
3Q24	35.8	64.7	43.9	48.3	55.2	66.8	89.3	93.9
4Q24	41.5	60.9	43.9	45.1	47.1	75.1	88.7	93.9
1Q25	45.7	63.0	44.7	40.9	48.3	77.6	85.8	109.8
2Q25	**43.9**	**62.5**	**42.7**	*Not yet available*		**75.2**	**88.0**	**94.0**

	Cumulative Claims ratio						Cumulative Combined Ratio			
	LPI	ALLZ (General)	STMB (General)	TUNE	Insurance Industry	Takaful Industry	LPI	ALLZ (General)	STMB (General)	TUNE
2Q23	49.7	47.6		39.2	46.2	42.3	80.9	85.4		95.4
3Q23	39.4	48.1		38.6	48.0	45.8	71.1	85.7		95.3
4Q23	45.0	52.3		43.7	48.4	44.5	76.9	85.7		102.4
1Q24	40.1	55.0		60.3	36.9	40.2	73.4	87.0		44.7
2Q24	42.2	62.2		56.8	39.5	44.1	73.5	88.4		107.5
3Q24	35.8	59.9		52.4	42.3	47.7	66.8	88.7		102.8
4Q24	40.4	56.3		50.4	43.0	47.5	72.2	88.8		99.2
1Q25	45.7	53.9		44.7	40.9	48.3	77.6	85.8		109.8
2Q25	**44.8**	**55.4**	**60.0**	**43.6**	*Not yet available*		**76.4**	**86.9**	**90.0**	**93.9**

Source: Company, BNM, MBSBR

C. LIFE STATS

Fig 15: Market Share (on a YTD basis!)



Source: Companies, MBSBR

FIG 16: ALLZ + STMB's Life GWP %yoy growth

	Quarterly GWP (RM m)				Cumulative GWP (RM m)			
	ALLZ (Life)	%yoy growth	STMB (Family)	%yoy growth	ALLZ (Life)	%yoy growth	STMB (Family)	STMB (Family)
2Q23	826	-0.7	485		1,755	2.0	1,084	
3Q23	942	13.8	555		2,697	5.8	1,639	
4Q23	846	3.3	578		3,543	5.2	2,217	7.1
1Q24	1,020	9.7	656	9.5	1,020	9.7	656	9.5
2Q24	901	9.1	645	33.0	1,921	9.4	1,301	20.0
3Q24	1,024	8.7	690	24.3	2,944	9.2	1,991	21.5
4Q24	881	4.1	660	14.2	3,825	8.0	2,651	19.6
1Q25	1,031	1.1	938	43.0	1,031	1.1	938	43.0
2Q25	**1,007**	**11.8**	**610**	**-5.4**	**2,038**	**6.1**	**1,548**	**19.0**

Source: Company, MBSBR

FIG 17: ALLZ's Life ANP growth

	Agency New Business (RM m)				Employee Benefits NB (RM m)				Banca New Business (RM m)				Total New Business (RM m)			
	Quarterly		Cumulative		Quarterly		Cumulative		Quarterly		Cumulative		Quarterly		Cumulative	
	ALLZ (Life)	%yoy growth	ALLZ (Life)	%yoy growth	ALLZ (Life)	%yoy growth	ALLZ (Life)	%yoy growth	ALLZ (Life)	%yoy growth	ALLZ (Life)	%yoy growth	ALLZ (Life)	%yoy growth	ALLZ (Life)	%yoy growth
2Q23	104	-4.6	197	-2.0	46	16.1	97	20.0	8	6.8	27	28.8	158	11.0	321	6.0
3Q23	173	66.5	370	21.3	51	-2.3	148	11.3	8	3.9	35	22.1	232	19.4	553	18.5
4Q23	155	10.6	525	17.9	45	-10.9	193	5.2	5	25.0	40	22.5	205	18.2	758	14.6
1Q24	123	31.1	123	31.1	92	79.6	92	79.6	21	9.0	21	9.0	235	14.0	235	43.7
2Q24	127	22.3	249	26.5	75	61.7	166	71.1	10	21.5	30	12.7	211	16.7	446	38.8
3Q24	121	-30.2	370	0.0	66	30.3	233	57.1	10	27.5	40	16.1	197	12.2	643	16.3
4Q24	182	17.5	552	5.2	42	-8.0	274	41.9	5	8.0	46	15.1	229	12.9	872	15.1
1Q25	105	-14.0	105	-14.0	87	-4.8	87	-4.8	21	1.5	21	1.5	214	10.6	214	-9.1
2Q25	**155**	**22.6**	**261**	**4.6**	**66**	**-11.1**	**154**	**-7.6**	**13**	**36.5**	**34**	**12.6**	235	**12.2**	448	**0.6**

Source: Company, MBSBR

FIG 18: Industry and Company's Cumulative Health Loss Ratio

	Group Policies					Investment Linked Policies					Traditional Policies					Sum of All Policies				
	Sector	ALLZ	PRU	AIA	GE	Sector	ALLZ	PRU	AIA	GE	Sector	ALLZ	PRU	AIA	GE	Sector	ALLZ	PRU	AIA	GE
3M24	90.6	80.3	74.1	73.0	175.1	95.7	87.3	102.5	112.5	85.1	90.1	116.4	106.1	95.1	74.4	93.5	85.8	102.3	92.7	92.1
12M24	81.5	84.9	64.5	67.0	91.3	97.1	87.0	105.4	107.8	88.4	93.8	97.6	194.2	96.2	77.0	93.2	86.7	106.5	90.0	87.7
3M25	86.3	80.4	109.3	87.7	102.6	87.4	80.3	86.6	89.6	87.1	78.2	73.7	111.9	76.7	81.2	85.3	80.1	87.5	82.8	88.5
6M25	**71.7**	**78.1**	**67.2**	**66.1**	**87.6**	**91.5**	**81.9**	**93.1**	**95.5**	**88.7**	**87.1**	**82.5**	**201.9**	**86.9**	**83.8**	**86.6**	**80.7**	**94.4**	**83.0**	**88.1**

Source: Company, MBSBR

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MBSB INVESTMENT BANK (formerly known as MIDF Amanah Investment Bank): GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology