

# Liberty Group Limited

## Full Rating Report

### Ratings

National Insurer Financial Strength	AA(zaf)
National Long-Term Rating	AA-(zaf)
Subordinated debt	A+(zaf)

### Sovereign Risk

Long-Term Foreign-Currency IDR	BBB+
Long-Term Local-Currency IDR	A

### Outlooks

National Insurer Financial Strength	Stable
National Long-Term Rating	Stable
Sovereign Long-Term	Stable
Local-Currency IDR	
Sovereign Long-Term	Stable
Foreign-Currency IDR	

### Financial Data

#### Liberty Holdings Ltd<sup>a</sup>

Group consolidated figures	2010	2009
Total assets (ZARbn)	237.0	218.6
Total equity (ZARbn)	14.4	12.9
Insurance premium revenue (ZARbn)	22.8	22.6
Headline earnings (ZARm)	2,522	42

<sup>a</sup> The consolidated group's financial figures used in this report relate to Liberty Holdings Limited, which drives the rating of Liberty Group Limited, the main life insurance company

### Key Rating Drivers

**Better Persistency Experience:** Liberty Group Limited's (LGL) persistency (customer retention) experience has improved well ahead of management expectations, as a result of the customer retention initiatives that began in H209. Unlike 2008 and 2009, there were no persistency-related charges in the 2010 embedded value results.

**Bottom Line Profitability Up:** The group generated substantially higher headline earnings of ZAR2,522m (2009: ZAR42m) with the return on group equity value (ROGEV) increasing to 13.4% from -6.5% in 2009. This was attributable to the improved performance in the South African life insurance businesses, driven by better persistency as well as the absence of investment-related charges that marred results the previous year.

**New Business Margins Down:** Overall earnings have improved, but LGL's new business margins continue to be adversely affected by the 2008 and 2009 strengthening of persistency assumptions, the impact of fixed costs due to reduced sales volumes and the relative increase in acquisition costs. Fitch anticipates some recovery in H211.

**Relatively Well Capitalised:** Fitch considers statutory capital adequacy to be relatively good, both for LGL as an entity and for the Liberty group (Liberty Holdings Ltd, the holding company of the group, and LGL are together referred to as Liberty). At end-2010 the capital adequacy requirement (CAR) cover was 2.7x for LGL and 2.3x for the group, well above both the group's target of 1.7x and the minimum regulatory requirement of 1.0x. However, the group's capitalisation is susceptible to equity market volatility.

**Strong Domestic Franchise:** Liberty has a strong, established domestic franchise and business position that have been supported by organic growth and acquisitions. In South Africa the group is one of the four largest life insurers and private asset managers. Furthermore, the strength and diversity of LGL's distribution network, in particular bancassurance with Standard Bank Group Limited (Standard Bank), is a key positive ratings driver.

**Business Diversification:** While South Africa remains the group's dominant market, Liberty continues to expand and diversify its business in the rest of Africa. Fitch believes that the group's strong relationship with Standard Bank has positioned it well to implement its strategy. Liberty operates in 14 African countries outside South Africa.

### What Could Trigger a Rating Action

**Continued Operating Result Improvement :** Although an upgrade is unlikely in the near to intermediate term, continued improvement in the group's operating performance, an improvement in total life new business margin towards the group's medium-term target of 2.5%, growth in new business volumes and the maintenance of strong capitalisation could lead to an upgrade.

**Operating Performance/Capitalisation Deterioration:** A sustained poor operating performance driven by deterioration in persistency experience and lower new business margins, a significant reduction in the group's capitalisation based on Fitch's own assessment or a drop in LGL's regulatory capital adequacy requirement ratio to below 1.7x, or a severe weakening in the company's market position could lead to a downgrade

### Related Research

[South African Life Insurance: Improved Performance Despite Tough Economic Conditions \(February 2011\)](#)

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Peer Analysis

LGL has a well-established and recognised brand and is growing its franchise in the rest of Africa. It has a market share of around 18% in South Africa based on total new business premiums.

Figure 1  
Peer Comparison (31 Dec 2010)

	National IFS rating/outlook	CAR cover (x)	New business margin (% PVNBP)	ROEV/ ROGEV (%) annualised	Assets under management (ZARbn)
Old Mutual Life Assurance Company (South Africa) Limited	AAA(zaf)/Stable	3.9	2.4	13.2	527
Sanlam Life Insurance Limited	AA+(zaf)/Stable	3.4	2.6	18.3	491
Liberty Group Limited	AA(zaf)/Stable	2.7	1.2	13.4	409
Momentum Group Limited <sup>a</sup>	AA(zaf)/Stable	2.3	1.1	12.3	318
Metropolitan Life Limited <sup>a</sup>	AA(zaf)/Stable	2.8	3.1	16.2	107

ROEV /ROGEV – Return on Embedded Value/Return on Group Equity Value. PVNBP – Present Value of New Business Premium

<sup>a</sup> Although Momentum Group Limited and Metropolitan Life Limited merged on 1 December 2010, with the new group now known as MMI Holdings Limited, the two companies have been kept as two separate operational brands. See "Momentum Group Limited, Metropolitan Life Limited and MMI Holdings Limited" published on 21 December 2010 and available on [www.fitchresearch.com](http://www.fitchresearch.com). The key indicators in this table for Momentum Group Limited are for 6 months ended 31 December 2010.

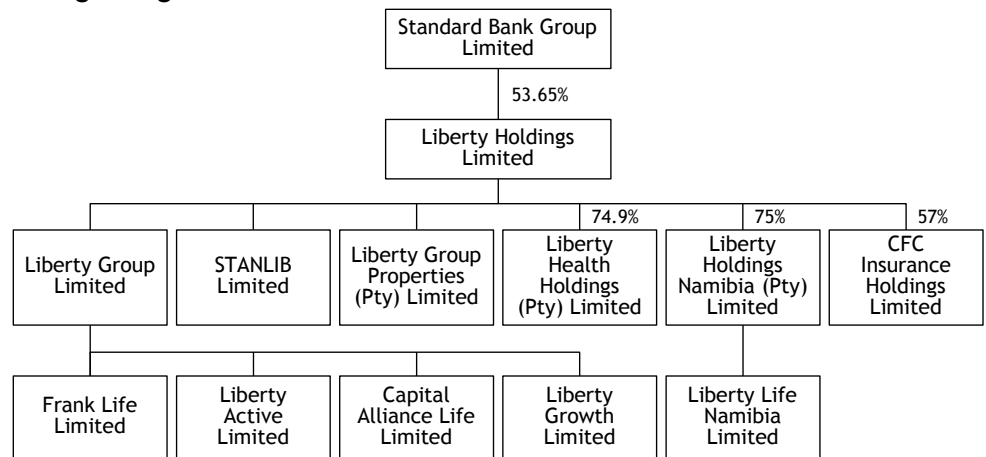
Source: Company announcements, Fitch

Company Profile

Ownership Structure

Liberty Holdings Limited (LibHold) is a South African-based insurance and investment holding company whose subsidiaries provide life and health insurance, investments, asset management and property development. The group was established in 1958 and is listed on the Johannesburg Stock Exchange. LibHold is 53.65% owned by Standard Bank. Standard Bank's primary banking subsidiary is The Standard Bank of South Africa Limited ('BBB+' /Stable).

Figure 2  
Abridged Organisational Structure



Source: Liberty Holdings Limited

Related Criteria

- Insurance Rating Methodology (March 2011)
- Life Insurance Rating Methodology (March 2011)
- National Ratings Criteria (January 2011)
- Insurance Industry: Global Notching Methodology and Recovery Analysis (March 2011)

The group's main operating companies are:

- LGL, the primary life insurance operating company; and
- STANLIB, the primary fund management company.

Other operating companies include:

- Liberty Health Holdings (Pty) Ltd (Liberty Health), which offers technology solutions, health care administration and managed care in South Africa and other parts of Africa; and
- Liberty Group Properties (Pty) Limited, which develops and manages direct property assets and other real estate investments in the retail, commercial and hospitality sectors.

### Key Events

In April 2011 Liberty acquired a controlling stake of 57% in CfC Insurance Holdings Limited (CfC), a leading Kenyan life, health and general insurance group servicing policyholders in East Africa. The CfC acquisition is a related party transaction, as Standard Bank Group Limited is both the majority shareholder in Liberty and the ultimate controlling shareholder of CfC.

### Products

The group provides a wide range of non-banking financial products and services through the three primary business divisions: Retail SA, Institutional Business and Asset Management, and Business Development Initiatives.

#### *Retail SA*

The group's retail insurance business has a well-established franchise in the middle- to higher-income market in South Africa, where it offers a range of risk, investment and retirement products to individuals. In recent years Liberty has also expanded into the entry-level market, offering funeral and savings products.

#### *Institutional Business and Asset Management*

This business unit comprises Liberty Properties, Corporate and STANLIB. Liberty Properties is the group's property development and management division, which earns development and management fees from managing the group's property portfolio. It also provides property development services to third-party clients and offers asset-management services for investors in retail and hospitality assets in southern Africa.

Corporate provides employee benefit solutions to the corporate market by offering pension, provident, investment and risk products. The sales environment continues to be challenging and is plagued by scheme terminations and member withdrawals, particularly in the SME segment, which has experienced higher levels of liquidation than others in the depressed economic climate.

STANLIB offers a comprehensive range of investment solutions for individuals, including unit trusts, retirement annuities, pension and provident preservation funds, and linked life annuities. In addition to STANLIB's in-house range of collective investments, the business offers a range of multi-manager funds and access to select external fund managers. STANLIB sources, services and retains investment assets, predominantly from pension and provident funds, medical aids, multi-managers, fund of funds, trusts, parastatals and corporate clients.

The group's total assets under management (AUM) increased 13% to ZAR409bn at end-2010, of which STANLIB accounted for 87% (end-2009: 88%), Liberty Africa for 7% (end-2009: 6%) and Liberty Properties for 6% (end-2009: 6%).

#### *Business Development*

Business Development consolidates various areas into a growth cluster responsible for supporting the group's geographical expansion, broadening wealth business lines, building execution platforms and maintaining strategic partnerships.

Liberty Health, which was established in 2008, offers health-related services comprising health care administration, managed care and health insurance to institutional customers, including registered health funds and individuals. In addition to South Africa, it operates in 11 other African countries and plans to expand into African countries where Standard Bank operates. Liberty Health is responsible for driving the group's health strategy in Africa, in collaboration with Liberty

Africa. Lives under administration were up 15% to 528,000 at end-2010, of which South Africa accounted for 49% (end-2009: 49%), and the rest of Africa for 51% (end-2009: 51%).

Liberty Africa offers life, health and short-term insurance to 14 African countries outside South Africa. Standard Bank provides a key bancassurance distribution channel and large support through its local relationships, due diligence, information technology and advisory services for both Liberty Health and Liberty Africa.

In November 2010 Liberty launched Frank Financial Services, a direct distribution channel offering simple risk products, using the internet and inbound call centres. It aims to service the transactional needs of clients who do not seek or need advice, but who want a simple and immediate solution to an insurance need.

**Target Markets**

The group's core focus has traditionally been on the mass affluent market in South Africa. The maturity of this target market resulted in the group broadening its offering. It now aims for the mass market as well as the mass affluent market, and has recently entered the entry-level market.

Geographically, South Africa is the group's core market, accounting for 99.3% of total revenue and 99.8% of total assets in 2010. However, the group is working to expand into the rest of Africa in partnership with Standard Bank. The group's expansion into Africa offers the prospect of good growth opportunities (in view of the low penetration of insurance products and services) and diversification of earnings. Fitch believes that this does not come without its challenges and also entails execution risk. That said, the agency believes that the group's strong relationship with Standard Bank has positioned it well to implement this strategy.

**Distribution Channels**

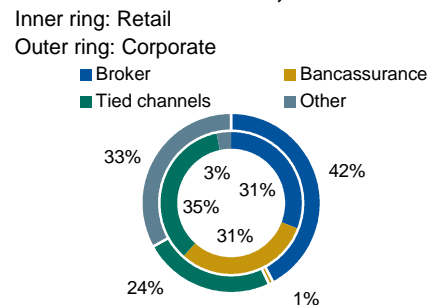
Figure 3 shows the life new business sourced from each distribution channel for Retail SA and Corporate during 2010. A key positive rating factor for the group is the strength and diversity of its distribution and success in bancassurance with Standard Bank. Effective 1 January 2011 the scope of the agreement was expanded in terms of channel; in terms of geography, to include South Africa, in addition to the rest of Africa; and in terms of products to include asset management, investment and health products, in addition to the insurance products.

**LibFin**

Fitch believes the establishment of LibFin in 2008 significantly improved the group's understanding and management of financial risk exposures. LibFin manages the group's risk exposures, particularly balance sheet- and shareholder-exposed financial risks (earnings volatility and capital losses). LibFin has two divisions:

- LibFin Markets manages the group's exposure to market risk in line with market-risk appetite. It is responsible for reducing the capital costs and income statement volatility through active asset-liability matching. LibFin Markets also seeks to add value by investing assets backing liabilities in well-diversified fixed-income portfolios.
- LibFin Investments is responsible for the strategic asset allocation of both shareholder and policyholder funds. It ensures appropriate investment performance for policyholders and shareholders through the management of asset managers.

Figure 3  
**Life New Business by Distribution Channel, 2010**



Source: Company, Fitch

## Financial Analysis

### Profitability

Fitch views favourably the significant improvement in Liberty's operating performance in 2010, with the group generating headline earnings of ZAR2,522m. The improvement was attributable to the improved operating performance of the South African insurance businesses (particularly Retail SA), driven by improved persistency experience and the absence of the losses that marred results in 2009. As a result, ROGEV increased to 13.4% from -6.5% in 2009.

Figure 4

#### Headline Earnings Contribution by Business Unit

(ZARm)	2010	2009	2008
<b>South African Non-Life Insurance</b>	<b>2,445</b>	<b>-119</b>	<b>1,340</b>
Retail SA	899	-82	1,255
Corporate	103	-29	152
LibFin	1,443	-8	-67
<b>Asset Management</b>	<b>457</b>	<b>442</b>	<b>459</b>
STANLIB	361	362	395
Liberty Properties	96	80	64
<b>Business Development</b>	<b>-77</b>	<b>-29</b>	<b>-1</b>
Liberty Africa	10	29	-1
Liberty Health	-43	-47	--
Frank Financial Services	-44	-11	--
<b>Other</b>	<b>-303</b>	<b>-252</b>	<b>-225</b>
<b>Total</b>	<b>2,522</b>	<b>42</b>	<b>1,573</b>

Source: Company

The group's total life new business margin on a present value of new business premium (PVNBP) basis has steadily declined over recent years from 2.8% in 2007 to 1.3% in H111. The reduction is attributable to the adverse impact of the 2008 and 2009 strengthening of persistency assumptions, the effect of fixed costs due to reduced sales volumes, the relative increase in acquisition costs and proportionately higher sales of lower margin investment products. Despite the drop, Liberty continues to target a total life new business margin of 2.5% over the medium term. The company conducts assumption reviews half-yearly in June. Fitch expects some recovery in H211 when new business margins are adjusted to reflect improved persistency experience.

Total (Retail SA and Corporate) "indexed" life new business premiums (defined as recurring premiums plus 10% of single premiums), excluding contractual increases, reduced by 2% to ZAR4,327m for 2010. Strong new business growth in Corporate and retirement savings products was partially offset by a decline in entry-level market (ELM) sales, lower guaranteed capital bonds sales and the decision to focus on quality of new business. Liberty is focused in 2011 on increasing the volume and quality of new business.

Profitability in the Asset Management segment during 2010 was negatively affected by lower performance fees and the loss of institutional mandates in STANLIB offset by increased property development fees in Liberty Properties.

The Business Development segment reported a loss in 2010 and Fitch expects this segment to continue to generate losses over the next few years due to start-up expenses and the need to increase scale to cover fixed costs, in the context of a competitive operating environment.

### Interim Results

Liberty's performance continued to improve in H111, with headline earnings up 18% at ZAR1,146m (H111: ZAR968m) and ROGEV increasing to 13.0% from 7.8% on an annualised basis. This reflects the operational strategies (in particular Liberty's customer retention initiatives) implemented over the past two years, which are now producing benefits for the group.

Earnings have been supported mainly by improved performances from Retail SA (attributable to continued improvement in policyholder persistency) and STANLIB (due to higher average AUM and improved performance fees on the back of stronger investment markets). Overall, the group's total life new business margin on a PVNBP basis strengthened to 1.3% for H111 (2010: 1.2%; H110: 1.1%) attributable mainly to the substantially improved withdrawal experience across all products in Retail SA.

**Prospects**

Fitch expects overall 2011 earnings will be roughly on a par with 2010 results as the impacts of Liberty's strategies implemented over the past two years are likely to be partially offset by the effects of the sluggish economic recovery in South Africa. There is also an element of volatility in the group's earnings arising from shareholders' 10% participation in investment returns on certain classes of policyholder business, which could affect the group's results.

**Investments and Liquidity**

Fitch views Liberty's investment risk as moderate because most of the group's business is market-linked, with policyholders bearing most of the investment risk. While the group does have exposure to investment guarantees this is well managed by LibFin and hedged as appropriate. Asset-liability mismatch risks relating to maturity guarantees are assessed through stochastic modelling, in line with professional guidance issued by the Actuarial Society of South Africa (ASSA).

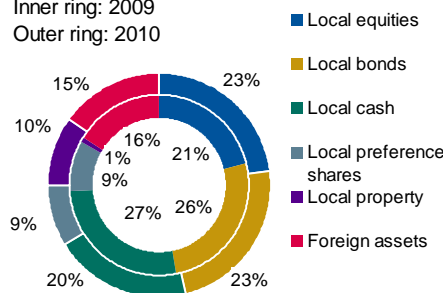
For its non-linked and non-participating business, the group follows a policy of matching assets and liabilities as closely as possible. Where the business is exposed to interest-rate risk, the group makes use of its hedging programme. The group maintains a bonus stabilisation reserve for its with-profits business, which is small, accounting for 10% of total liabilities (see *Reserve Adequacy and Development* below).

Fitch considers Liberty's investment portfolio to be liquid and well diversified in terms of counterparty exposures and credit quality. The majority of assets backing Liberty's shareholders' investment portfolio of ZAR17.3bn (2009: ZAR16.5bn) and capital portfolio of ZAR9.0bn (2009: ZAR9.3bn) are invested in local cash, fixed income and property, as indicated by Figures 5 and 6.

Figure 5

**Liberty's Shareholders' Investment Portfolio, 2010**

Inner ring: 2009  
Outer ring: 2010

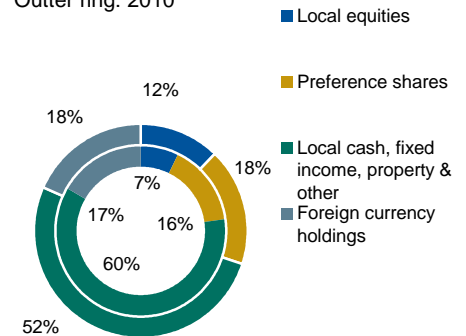


Source: Company, Fitch

Figure 6

**Liberty's Capital Portfolio, 2010**

Inner ring: 2009  
Outer ring: 2010



Source: Company, Fitch

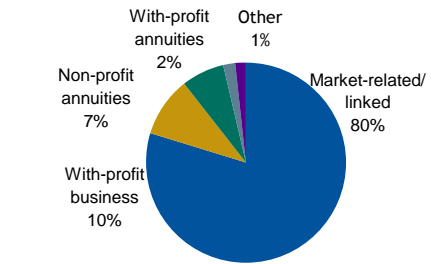
**Reserve Adequacy and Development**

Fitch considers the South African insurance market to be well regulated. Non-bank financial institutions are regulated by the Financial Services Board (FSB). In addition, ASSA issues professional guidance that must be complied with. Regulations and supervision are typically modelled on international standards.

Provisions for insurance liabilities are based on realistic best-estimate assumptions of future experience, plus prescribed compulsory margins for solvency purposes, on top of which selected discretionary margins are held. The group has also established reserves for HIV/AIDS in a manner consistent with the guidance provided by ASSA. In light of the regulatory regime and requirements to comply with professional guidance, and the additional discretionary margins held, Fitch believes that the level of reserves held by the group's life operations is prudent.

Figure 7

### LGL's Policyholder Total Liabilities, 2010



Source: Company

Figure 7 shows the breakdown by type of business of LGL's policyholder total liabilities. LGL's business is predominantly market-linked (80% of total liabilities in 2010), whereby policyholders bear most of the investment risk. However, maturity guarantees and guaranteed annuity options (GAOs) are embedded in some of LGL's main classes of business and expose the group to interest-rate and market-price risk.

The maturity guarantees apply to about 40% of policyholder total liabilities, while GAOs apply to around 10% of policyholder total liabilities (LGL ceased to write GAOs in 2001). LGL charges an explicit fee for these investment guarantees and uses stochastic modelling techniques to calculate reserves for them, in accordance with the guidelines prescribed by ASSA.

In LGL's with-profit business (10% of policyholder total liabilities at end-2010) smoothed investment profits generally belong to policyholders, except in one book of business where shareholders share in 10% of bonuses declared; bonuses are managed through a "bonus smoothing account"; there are explicit fund-based charges and policyholders take no business risk. The group holds bonus stabilisation reserves (BSRs). All BSRs had positive values at end-2010 and totalled ZAR3,744m (end-2009: ZAR4,064m).

If the smoothing process results in a negative BSR because of a downward fluctuation in the market value of the backing assets, LGL reduces the liabilities. It does so to reflect the amount that can reasonably be expected to be recovered through under-distribution of bonuses during the ensuing three years. This is conditional on the statutory actuary being satisfied that if the market values of assets do not recover, future bonuses will be reduced to the extent necessary.

LGL's non-profit annuity business (7% of policyholder total liabilities at end-2010) exposes the company to interest-rate risk, due to the long-term profile of the liabilities. The liabilities are backed almost entirely by fixed-income securities.

LGL issues guaranteed capital-endowment policies, providing guaranteed maturity values to policyholders but no further upside participation, and structured products providing guaranteed maturity values to policyholders with predefined market-related upside. These accounted for 2% of total business at end-2010. LGL manages the interest-rate risk of being unable to meet the guaranteed maturity value by investing in assets that will provide the required yield at the relevant durations. LGL invests in assets that exactly match the liabilities of structured products.

### Capitalisation

Fitch considers the group's and LGL's statutory CAR covers of 2.3x and 2.7x respectively (2009: 2.2x and 2.8x respectively) to be relatively good and well above both the group's target of 1.7x and the minimum regulatory requirement of 1.0x. The slight deterioration in LGL's CAR cover in 2010 is attributable to taking into account the group restructure, which transferred

qualifying assets to LibHold. Excluding impact of the group restructure, LGL's 2010 CAR cover would have improved to 2.9x. At end-H111, LGL had a CAR cover of 2.9x. Fitch notes that Liberty's capitalisation demonstrates some sensitivity to equity market conditions.

The FSB is in the process of developing a new risk-based solvency regime for South Africa, known as Solvency Assessment and Management (SAM), based on the principles of the Solvency II Directive, but adapted to South African-specific circumstances where necessary. Liberty has developed an internal economic capital model that it is expecting to use when the SAM regime is implemented.

#### Financial Leverage and Debt-Servicing Capabilities

At end-2010 financial leverage (debt/debt-plus-equity) was 13% (end-2009: 14%), which is commensurate with LGL's ratings. Interest coverage improved to 6.7x in 2010 from 2.5x in 2009.

In 2005 the FSB relaxed its rules relating to the use of subordinated debt capital in the calculation of statutory capital. As a result, South African life insurers have raised hybrid capital, bringing their capital structures more into line with those of insurers operating in more developed markets. Following regulatory approval, LGL issued ZAR2bn of unsecured subordinated callable notes in September 2005. The notes mature in September 2017 and are callable in September 2012. The issue receives 100% equity credit for regulatory purposes and reduces the average cost of capital while supporting CAR cover. The group confirmed that it is very likely that the subordinated debt will be called in September 2012. It is possible that the debt will be refinanced, and this could be done at LibHold level and not at LGL level. The group is considering a structure similar to that of the current subordinated debt, but this will depend on capital and regulatory requirements related to the SAM project.

Figure 8  
**Liberty Holdings Ltd (Group Consolidated Financials)**

(ZARm)	Year ending 31 Dec				
	2010	2009 <sup>a</sup>	2008 <sup>a</sup>	2007	2006
<b>Balance sheet</b>					
<b>Assets</b>					
<b>Investments</b>					
Real estate	23,034	20,750	18,268	16,213	14,067
Shares	144,167	122,396	105,990	132,603	122,835
Affiliates	605	575	505	295	736
Bonds (public sector stocks and loans)	53,151	54,959	67,761	52,765	45,880
Loans	813	770	735	962	809
Cash and bank deposits	5,858	10,637	5,112	4,688	5,237
Other invested assets	2,659	2,016	2,830	5,399	3,772
<b>Total investments</b>	<b>230,287</b>	<b>212,103</b>	<b>201,201</b>	<b>212,925</b>	<b>193,336</b>
Prepayments, insurance and other receivables	2,493	2,412	4,565	2,305	2,365
Reinsurance receivables	255	101	156	136	51
Deferred acquisition costs	364	337	344	325	308
Tangible assets	957	829	731	519	564
Intangible assets	1,046	1,210	1,444	1,137	1,331
Accruals	1,243	1,298	2,230	2,267	1,936
Deferred tax asset	147	152	131	51	40
Other assets	202	170	144	162	0
<b>Total assets</b>	<b>236,994</b>	<b>218,612</b>	<b>210,946</b>	<b>219,827</b>	<b>199,931</b>
<b>Liabilities</b>					
<b>Technical reserves</b>					
Mathematical reserve	197,878	184,300	172,805	186,137	168,898
Reinsurers' share	-847	-788	-827	-820	-1,065
Life claims reserve	0	0	0	0	0
Reinsurers' share	0	0	0	0	0
Other technical provisions	11,000	10,557	10,481	8,106	8,655
Reinsurers' share	0	0	0	0	0
<b>Total life technical reserves</b>	<b>208,031</b>	<b>194,069</b>	<b>182,459</b>	<b>193,423</b>	<b>176,488</b>
Insurance payables	3,171	2,621	2,906	2,985	1,931
Provisions for other risks & charges	172	204	64	60	72
Short-term debt	0	0	0	0	0
Subordinated debt - liability	2,054	2,128	2,279	2,418	2,261
Long term debt	89	83	151	0	0
Other creditors	1,575	1,273	2,789	1,836	741
Accruals	2,720	2,310	2,490	3,817	3,594
Other liabilities	4,803	2,989	3,982	2,797	2,351
<b>Total liabilities</b>	<b>222,615</b>	<b>205,677</b>	<b>197,120</b>	<b>207,336</b>	<b>187,438</b>
<b>Equity</b>					
Ordinary share capital	26	26	26	14	28
Share premium	6,654	7,965	9,276	903	1,361
Other reserves	-806	-780	-835	-535	-616
Profit and loss account	5,842	3,304	3,166	4,906	9,892
<b>Total shareholders' funds</b>	<b>11,716</b>	<b>10,515</b>	<b>11,633</b>	<b>5,288</b>	<b>10,665</b>
Minority interests	2,663	2,420	2,193	7,203	1,828
<b>Total equity</b>	<b>14,379</b>	<b>12,935</b>	<b>13,826</b>	<b>12,491</b>	<b>12,493</b>

<sup>a</sup> Restated

Source: Company

Figure 9  
**Liberty Holdings Ltd (Group Consolidated Financials)**

(ZARm)	Year ending 31 Dec				
	2010	2009 <sup>a</sup>	2008 <sup>a</sup>	2007	2006
<b>Profit and loss account</b>					
<b>Life technical account</b>					
Gross written premiums	22,812	22,630	22,986	23,709	20,843
Premiums ceded	-699	-632	-727	-693	-777
<b>Net written premiums</b>	<b>22,113</b>	<b>21,998</b>	<b>22,259</b>	<b>23,016</b>	<b>20,066</b>
<b>Net premiums earned</b>	<b>22,113</b>	<b>21,998</b>	<b>22,259</b>	<b>23,016</b>	<b>20,066</b>
Gross claims paid	-22,096	-20,488	-23,596	-20,739	-17,059
Reinsurance recoveries	558	603	535	610	578
<b>Net claims paid</b>	<b>-21,538</b>	<b>-19,885</b>	<b>-23,061</b>	<b>-20,129</b>	<b>-16,481</b>
Change in mathematical reserves	-15,797	-14,050	11,064	-17,024	-31,415
Change in unit-linked provisions	0	0	0	0	0
Net claims incurred	<b>-37,335</b>	<b>-33,935</b>	<b>-11,997</b>	<b>-37,153</b>	<b>-47,896</b>
Acquisition costs	-2,906	-3,114	-2,822	-2,894	-2,413
Administrative expenses	-5,931	-5,434	-5,151	-4,297	-3,684
Other underwriting income/(expenses)	1,851	1,861	1,635	1,842	782
<b>Total underwriting expenses</b>	<b>-6,986</b>	<b>-6,687</b>	<b>-6,338</b>	<b>-5,349</b>	<b>-5,315</b>
Technical investment income (net of expenses)	10,910	12,255	13,552	10,372	9,300
Technical realised gains/(losses)	15,290	7,125	-15,476	14,346	28,627
<b>Life underwriting result</b>	<b>3,992</b>	<b>756</b>	<b>2,000</b>	<b>5,232</b>	<b>4,782</b>
Interest paid	-265	-343	-356	-666	-399
<b>Operating result</b>	<b>3,727</b>	<b>413</b>	<b>1,644</b>	<b>4,566</b>	<b>4,383</b>
Non-insurance activities	687	620	714	597	506
Amortisation of goodwill and intangibles	-114	0	0	0	0
Other income/(expenses)	-40	49	20	321	524
<b>Pre-tax income</b>	<b>4,260</b>	<b>1,082</b>	<b>2,378</b>	<b>5,484</b>	<b>5,413</b>
Tax	-1,717	-857	-607	-2,105	-2,249
<b>Net income</b>	<b>2,543</b>	<b>225</b>	<b>1,771</b>	<b>3,379</b>	<b>3,164</b>

<sup>a</sup> Restated

Source: Company

Figure 10  
**Liberty Holdings Ltd (Group Consolidated Financials)**

(ZARm and %)	Year ending 31 Dec				
	2010	2009	2008	2007	2006
<b>Summary data</b>					
Total revenue	51,366	44,238	22,992	50,403	59,281
Operating result	3,727	413	1,644	4,566	4,383
Net income	2,543	255	1,771	3,379	3,164
Return on revenue (%)	7.3	0.9	7.2	9.1	7.4
Total assets	236,994	218,612	210,946	219,827	199,931
Total adjusted equity	14,379	12,935	13,826	12,491	12,493
<b>Premiums data</b>					
<b>Total gross written premiums</b>	<b>22,812</b>	<b>22,630</b>	<b>22,986</b>	<b>23,709</b>	<b>20,843</b>
Annual change (%)	0.8	-1.5	-3.0	13.8	-26.4
<b>Total net written premiums</b>	<b>22,113</b>	<b>21,998</b>	<b>22,259</b>	<b>23,016</b>	<b>20,066</b>
Annual change (%)	0.5	-1.2	-3.3	14.7	-26.5
<b>Operating data</b>					
Total revenue	51,366	44,238	22,992	50,403	59,281
Operating result	3,727	413	1,644	4,566	4,383
Net income	2,543	255	1,771	3,379	3,164
Return on revenue (including gains; %)	7.3	0.9	7.2	9.1	7.4
Return on assets (including gains; %)	1.1	0.1	0.8	1.6	1.7
Return on equity (including gains; %)	18.6	1.7	13.5	27.0	26.6
<b>Portfolio composition (%)</b>					
Real estate	10.0	9.8	9.1	7.6	7.3
Shares	62.6	57.6	52.7	62.3	63.5
Affiliates	0.3	0.3	0.3	0.1	0.4
Bonds	23.1	25.9	33.6	24.8	23.7
Loans	0.4	0.4	0.4	0.5	0.4
Cash and bank deposits	2.5	5.0	2.5	2.2	2.7
Other	1.1	1.0	1.4	2.5	2.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Financial data</b>					
Total assets	236,994	218,612	210,946	219,827	199,931
Total equity	14,379	12,935	13,826	12,491	12,493
Change in adjusted equity (%)	11.2	-6.4	10.7	0.0	10.3
Life technical reserves/life net premiums written (%)	940.8	882.2	819.7	840.4	879.5
Technical reserves/adjusted equity (%)	1,446.8	1,500.3	1,319.7	1,548.5	1,412.7
Invested assets/(adjusted equity + technical reserves) (%)	103.5	102.5	102.5	103.4	102.3
Liquid assets/technical reserves (%)	97.7	96.9	98.0	98.3	98.6
Debt/capital (%)	12.5	14.1	14.2	16.2	15.3
Life reinsurance utilisation ratio (%)	3.1	2.8	3.2	2.9	3.7

Source: Company, Fitch

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