

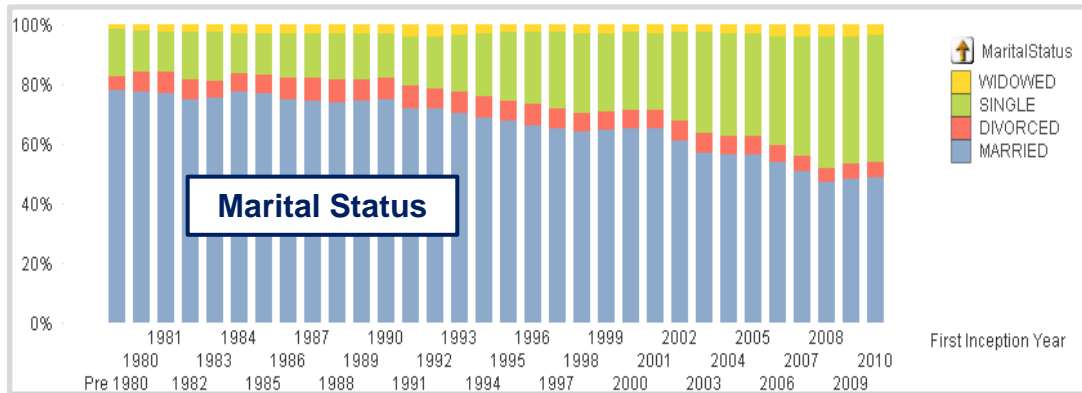
Sales & Distribution Finding Profitable Growth in a Dynamic Marketplace

Frank Schütte

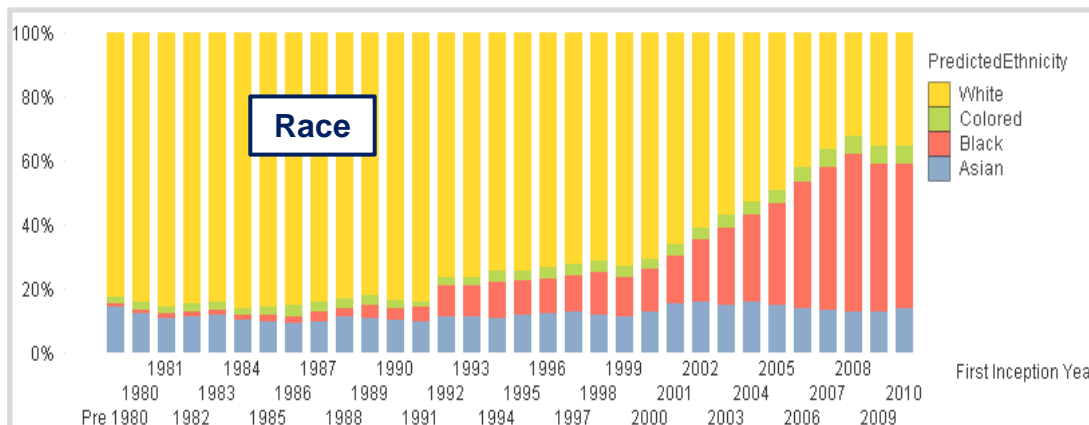
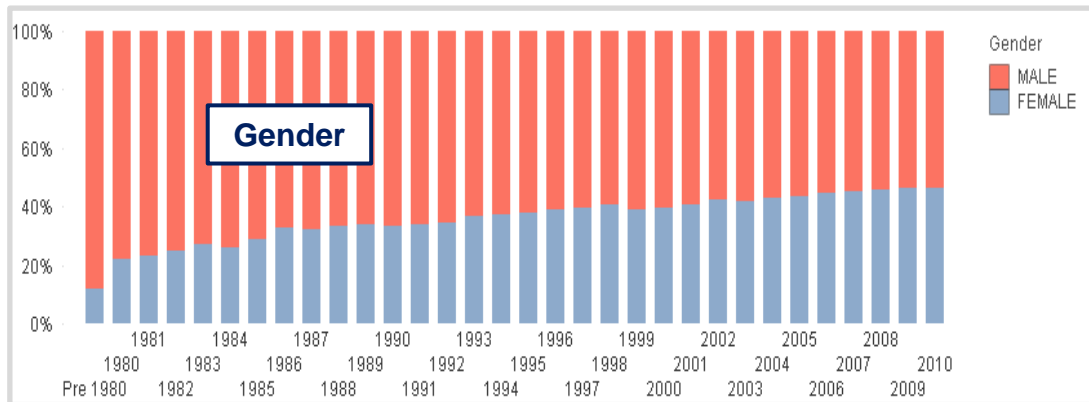
Deputy M.D. Sales & Distribution – Liberty Retail S.A.

24 March 2011

Our customers have changed significantly

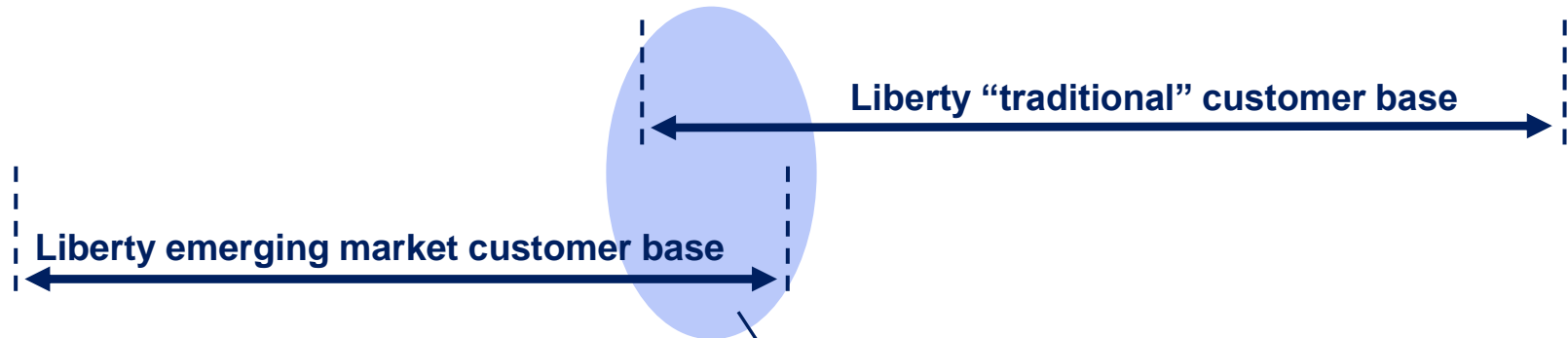
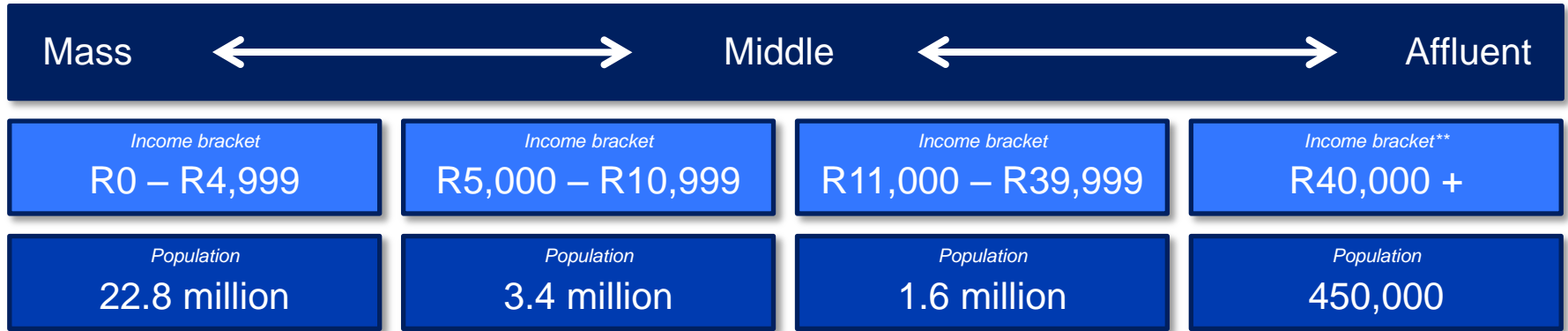


The graphs illustrate the marital status, gender and race profile of customers by year of inception.



Sample size: gender = 1,263,497, race prediction = 486,178 and marital status = 1,241,574

Broad consumer market for Retail SA



Overlap between customer segments separates “**option constrained**” customers from those with a “**transition potential**”

* Number of people 18+ years old, numbers excludes 6% “refusal to disclose”

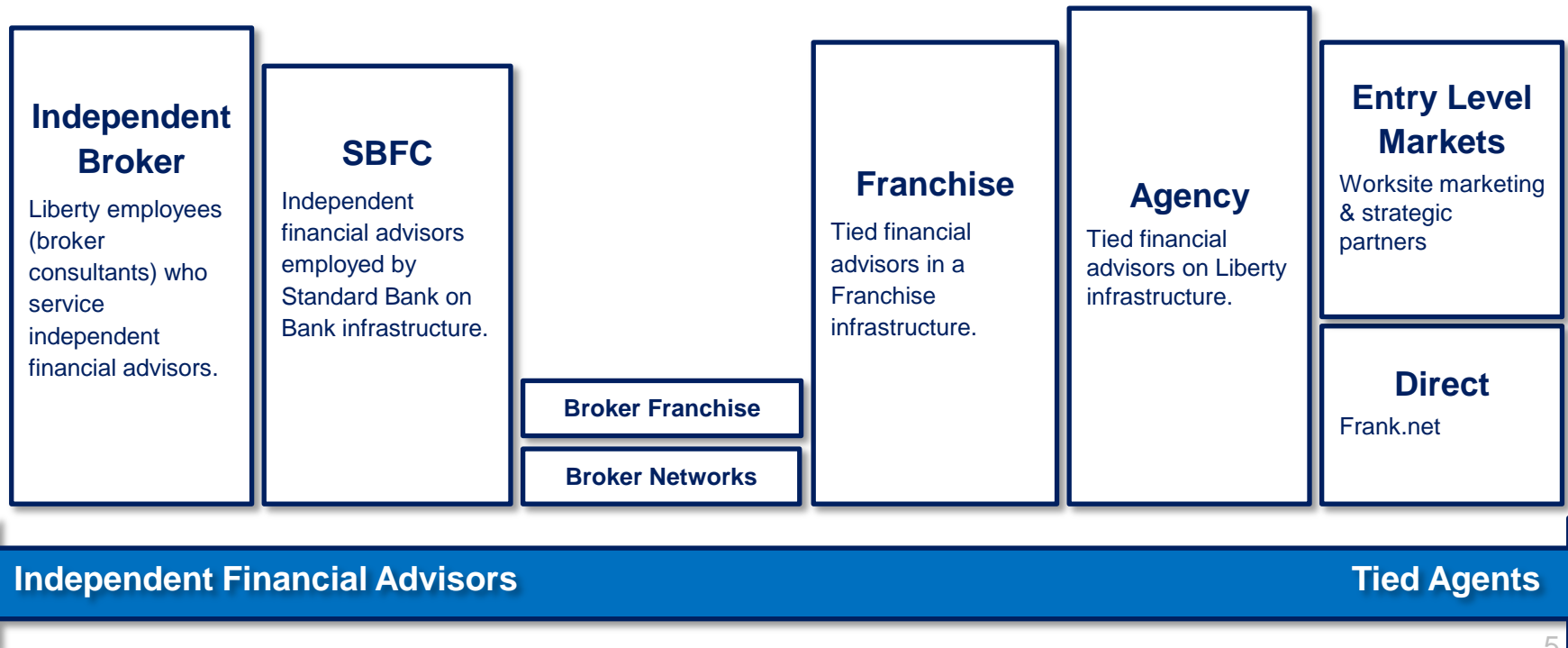
** Affluent income estimation as per Amps under-represented (110,000), BMR estimates 450,000

Some of the main policy & regulatory drivers

1. **Fair treatment of consumers**, with special focus on protecting vulnerable consumers (FSB TCF initiative)
 - Transparency of terms & charges
 - Avoidance of Conflict of Interest
 - Protection of Personal Information
 - Greater protection for retail customers
2. Reducing poverty and inequality by improving **access to financial services** for all South Africans
 - Retirement & Social Security Reform
 - Micro Insurance regulation
 - The right to underwrite
3. Improved **market efficiency and competition**
 - Product portability
 - Leveling the playing fields to limit regulatory arbitrage

A diversified multi-channel distribution model

- Customers have different purchasing preferences
- Conflict of Interest legislation may change historic trends
- Channels have different cost structures & operational leverage



Drivers of profitable growth

1. Sales Capacity

- Number of experienced & validating agents. Recruitment, development & retention
- Number of supporting brokers

2. Sales Productivity

- Basics of activity management in branch
- Leads & campaigns for cross sell & up sell

3. Product Mix

- The range of products have a fundamentally different margin
- Conflict on interest prohibits 'product focused incentives'
- Proper financial planning should lead to a diversified product basket

4. Cost of Acquisition (fixed & variable)

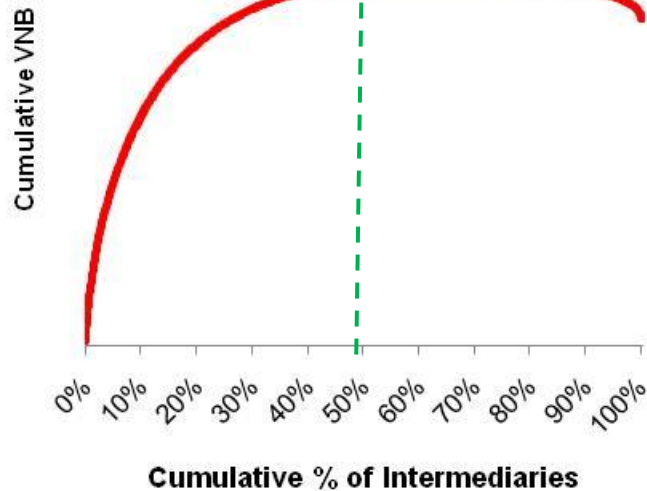
- Competitive market place for distribution
- High fixed cost infrastructure

5. Quality of Business

- Expected persistency of new business written

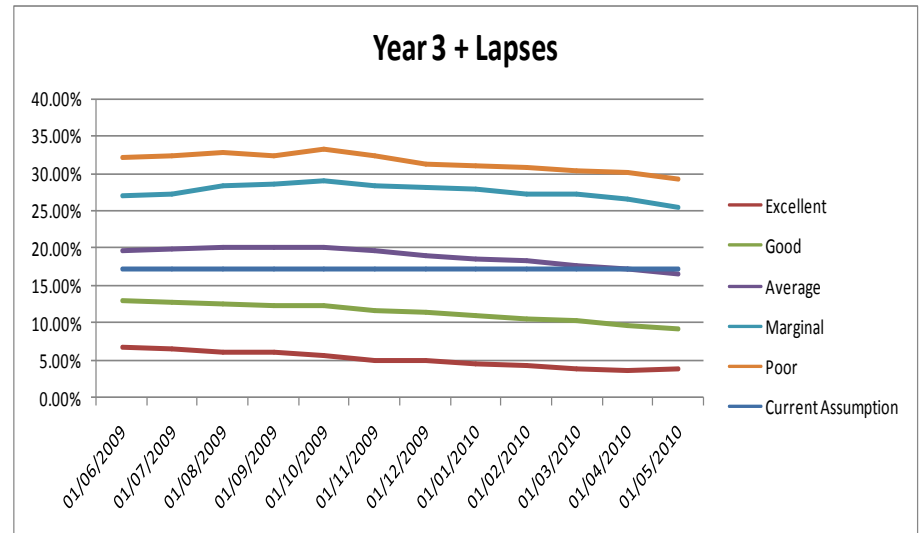
Are all Intermediaries profitable?

Value of New Business



- Only 50% of our advisors are profitable, with the balance being marginally profitable at best!

Intermediaries have vastly different lapse rates



- There is a clear trend that 'Excellent' & 'Good' advisors continually produce significantly better lapse rates, due to the quality of their sales process and customer care.

We have taken strong management action to improve the quality of business written:

- ✓ Elimination of compensation on internal churn
- ✓ Closed more than 1,000 unprofitable broker codes in 2010
- ✓ Terminated distribution agreements with 60 ELM broker call centres
- ✓ Rewarded tied agents for the retention of their book of business
- ✓ In total, Liberty turned away > 100,000 policies in 2010

We are confident that the quality of business written is substantially improved.
Management of short term cost pressures is a challenge

Looking forward – transition to a customer centric business



The retail business invested heavily in customer management capabilities

Conclusion:

- ✓ We have a very **simple strategy and plan of action**;
- ✓ Channel morale is good, and management is focussed on driving sales activity and client prospecting
- ✓ Product innovation is critical to create some excitement, and will be supported by improved marketing visibility
- ✓ Management is focussed on achieving improved value of new business

Questions?



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