

# Insurer now favours quality over volume

**B**RUCE Hemphill, the CEO of Liberty Holdings, feels like a man who has run a marathon.

It has been a long, slow recovery for the insurer, which suffered the embarrassment of massive losses in the first half of 2009. This inevitably led to some analysts questioning whether he was up to the job of running one of SA's largest insurers.

"It was not fun," he says, referring to the period when he had to face the investing community to explain where the wheels could have come off for the insurer to make a loss of more than R1,2bn.

At that time, the insurer was suffering a spate of insurance policy lapses as recession-hit policyholders opted out of their agreements to keep up with premiums.

In addition, a disastrous hedging decision to reduce equity market risk cost the firm about R519m, further adding red ink to the balance sheet.

Mr Hemphill admits it was a wake-up call for management. In particular, it put the spotlight on him as he had to demonstrate leadership by implementing strategies to revive Liberty.

The results released yesterday

seem to vindicate the measures taken during the past two years.

Yesterday, he told analysts and investors that headline earnings in the year to December reached 907,6c, up from 47,2c, while cash inflows increased fivefold to more than R22bn. Total revenue reached R51,4bn from R44,24bn, and total comprehensive income went up to R2,64bn from R236m.

He says the recovery started with an overhaul of the retail insurance business, where lapse rates were threatening its existence. This was because Liberty had been chasing volume growth at the expense of writing quality business.

"The focus has been on customer retention because we were suffering from significant withdrawal rates," he says.

"We put in a dedicated team of executives with the right skills to address the challenges and focus on consumer management programmes to ensure that the reduction in withdrawal rates are below the assumptions we made for (the period to) December (last year) and avoid further strain on the earnings stream," he says.

Another strategy was to strengthen Liberty's management



**DETERMINED:** Liberty CEO Bruce Hemphill briefs investors and the media on the company's interim results in Sandton yesterday. Picture: MARTIN RHODES

information systems to ensure that it has the latest information on customer behaviour, needs and expectations. Whereas before, it took up to six weeks to collect and analyse such information, the firm can now do it at the click of a button daily, he says.

Customer education has also been vital, he says, because it helps them understand why they should resist attempts to cash in their policies, even when times are hard.

Mr Hemphill says unprofitable broker contracts were terminated because they were adding an unnecessary layer of costs. Greater focus has also been made to expand business — particularly in the entry level market, targeting people with incomes of up to R5 000.

He says Liberty's strategic partnership with parent Standard Bank has helped, as cross-selling opportunities are available to the bank's captive market.

Liberty is using the same model to ride on the back of Standard to enter Africa, where it is operating in 12 markets. Mr Hemphill says this is the least-cost route of expanding into the continent because some of the markets have not matured enough, or reached levels that warrant investing in a standalone operation.

So far, Liberty has invested about R200m to acquire Kenya's Cfc Insurance Holdings, giving it a foothold into the East African market. "The way we see Africa is that it will have better gross

domestic product growth than SA over the next 10 years," he says.

"We have (therefore) secured ourselves at a good price a hold on that growth and have positioned ourselves to take advantage of the growth that is coming."

He says Stanlib has been strengthened with a new management team and specialist staff. Its CEO, Thabo Dloti, is on a three-year journey to improve earnings.

Stanlib is the largest unit trust manager and one of the largest asset managers in SA.

Mr Dloti says the firm is innovating to diversify revenue streams. Mr Hemphill says while market share is important, this should not necessarily be the focus at Stanlib. He wants more profitable growth.