

# Liberty recovery 'puts 2009 in the past'

SURE KAMHUNGA

Financial Services Editor

LIBERTY Holdings cheered shareholders yesterday by reporting a strong rebound in performance in the year to December.

The insurer was upbeat about the future after an increase in diluted headline earnings to 931,6c from 15,9c, while cash inflows increased fivefold to more than R22bn.

The results erase the bitter memories of 2009 when its first-half results embarrassed management and led to calls for heads to roll.

At that time Liberty, which is majority owned by Standard Bank, incurred normalised headline losses of more than R1,2bn.

This was due to a combination of a hedging decision to reduce equity market risk that cost the firm R519m in losses, and rising policy lapses that hit its life unit hard as consumers struggled to keep up with payments during the recession.

Yesterday, the insurer said all that was in the past. Total revenue reached R51,4bn from R44,24bn, and total comprehensive income went up to R2,64bn from R236m in the comparative period in 2009.

The group declared a final dividend of 291c per share, and the total dividend was maintained at 455c.

CEO Bruce Hemphill said at a results presentation the group was keeping a conservative dividend policy to preserve cash in view of

## LIBERTY HOLDINGS

Full Year	2010	2009
Revenue (Rbn)	51,4	44,24
Pretax (Rbn)	4,4	1,1
Net income (Rbn)	2,644	0,236
Diluted HEPS (c)	931,6	15,9
Dividend PS (c)	455	455

uncertainty about tougher solvency requirements for insurers.

He said the latest results showed the success of strategies to restructure the core retail insurance business, where lapse rates had given management a headache, particularly during 2009. The firm had also taken measures to improve revenue generation at its other units.

"From the second half of 2009, our focus was on sustainable growth

of the business, including de-risking our balance sheet while ensuring customer retention," he said.

"We have also improved the retail channel and reduced the cost of distribution (of our products)."

The strategic focus was underpinned by initiatives to strengthen the insurance business and product diversification.

For the first time since 2009, customer retention had improved significantly as fewer customers cancelled or gave up on their policies.

Recession-hit consumers took any opportunity to lower their living costs and insurance policies were the inevitable casualty, leading to a high rate of lapses across the sector.

"The focus on quality in Retail SA

insurance sales has, as expected, resulted in lower volumes and lower new business margins.

"Margins have been negatively affected by acquisition cost inefficiency combined with continuing conservative persistency assumptions. Improving new business margin is a matter of priority," said Mr Hemphill. Group new business margin saw an improvement, increasing to 1,2% from 1,1% in the first half of last year.

Total group assets under management improved 13% to R409bn. Liberty's asset-liability positions had been managed within mandated risk limits and capital ratios remained strong.

kamhungas@bdfm.co.za

Recovery based on customer care and reducing policy withdrawals, writes **Sure Kamhunga**