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LIBERTY, the JSE-listed life insurer, has posted impressive turnaround in profits for the year to December 31, finally managing to contain policy lapses which escalated during the global economic downturn, it said yesterday.

This could be a clear sign that the global recession is beginning to abate.

Liberty said headline earnings surged to R2.5bn from R135m in 2009, making 2010 one of its best earnings performances in many years.

Liberty, a unit of Standard

Bank, Africa's biggest bank by assets, added that diluted headline earnings a share totalled 931.6 cents during the reporting period, compared with 15.9 cents a year earlier.

Liberty CEO Bruce Hemphill said the company had managed to reduce policy withdrawals, which were a major problem in 2009.

"Policy withdrawals are now comfortably below assumption," he said.

Life insurance has always been

a grudge purchase, making it the first cost to be cut by households when policyholders meet tough economic conditions, resulting in policies lapsing or being surrendered before maturity.

That this is not happening to the same extent as in the previous two to three years is a good sign that disposable incomes are beginning to bounce back.

Dawie Roodt, a senior economist at Efficient Group, said the slowdown in policy lapses could

be attributable to the fact that the economy was picking up some steam and Liberty could have been very conservative in writing policies during the reporting period.

Liberty's views on policy lapses echo those of the official institutions in South Africa.

According to the Association for Savings and Investments in South Africa (Asisa), the value of surrendered individual policies decreased from R18.7bn in the

second half of 2009 to R17.2bn in the first half of last year, a reduction of 8%.

The latest data would be released only towards the end of the current quarter.

Asisa said South African life insurers reported a 15% surge in new individual business for the first half of last year, compared to the same period in 2009.

During the first six months of last year, new individual premium income of R32.8bn was collected,

while R28.5bn was received in the first half of 2009.

Compared to the second half of last year, however, the long-term insurance industry experienced a slight drop of 2% in new individual business.

It is understood that recurring premium business is cyclical in nature and tends to be stronger in the second half of every year.

Liberty's insurance premiums surged from R22.6bn to R22.8bn during the reporting period.

Slowdown in policy lapses boosts Liberty

In 2009, Liberty and its competitors were battered by the 2009 economic downturn in South Africa when more than a million jobs were lost and household debts surged.

Insurers were also hurt by the stock market slide, which ate into the value of their equity portfolios, but Liberty yesterday said its set of figures also boosted its investment performance.

The stock price of Liberty has gained about 7% this year, outperforming Johannesburg's all-share index.

The index, according to Reuters, was currently flat.