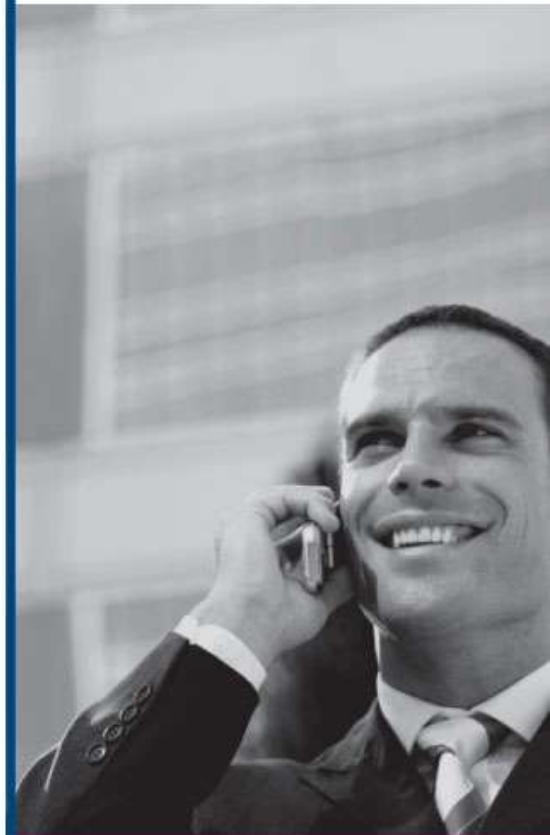
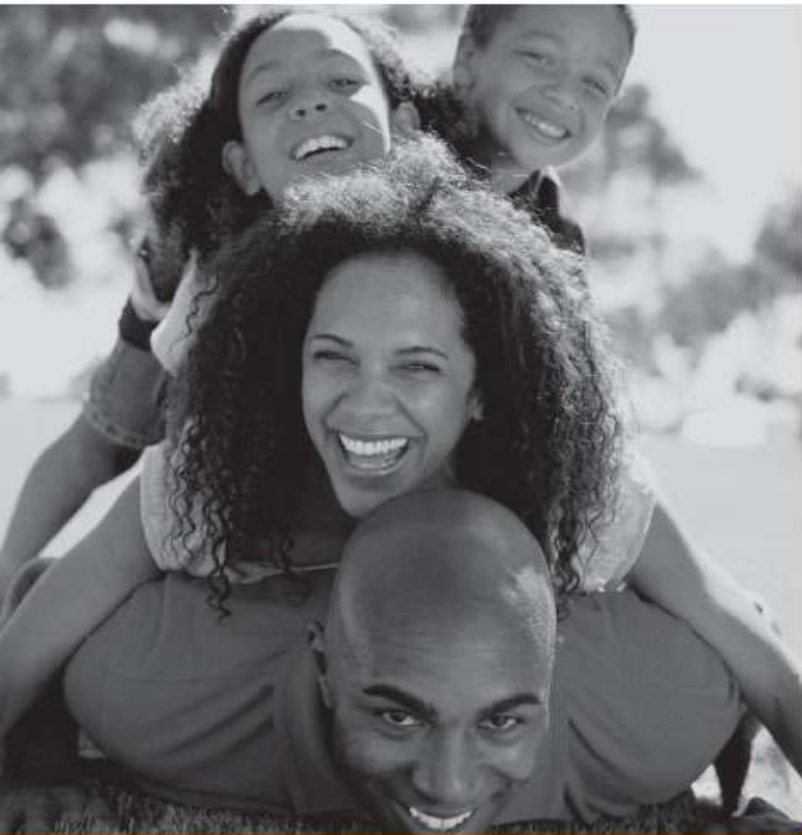


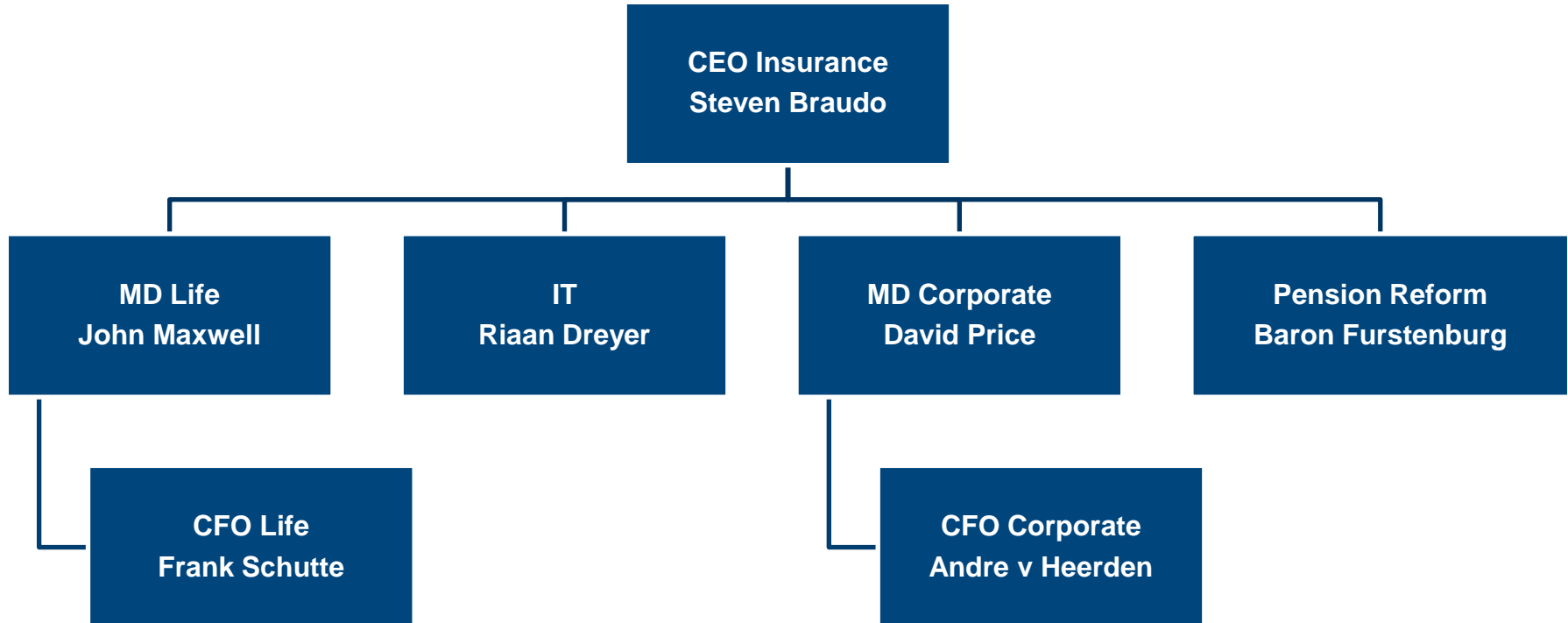
# Liberty Group



# **Steven Braudo – CEO**

## **Life assurance**

# Insurance- Senior management team





# **Life assurance - Corporate**



# The definition of Corporate

- The Corporate Benefit market consists of businesses purchasing products and services for employees
- The decision makers at these businesses are primarily the trustees of the company's retirement schemes
- Employees' contributions to benefit schemes (e.g. Retirement funds, risks benefits) are collected primarily via payroll deductions

## Corporate benefits – overview

R billions	Sep-2008	Dec-2007
Total assets under management	<b>35.9</b>	39.9
Corporate Select	<b>25.1</b>	27.2
Corporate Bond	<b>10.8</b>	12.7
Total assets in our umbrella funds	<b>12.8</b>	13.4

## Corporate benefits – overview

#	Sep-2008	Dec-2007
Total number of schemes administered by Liberty Corporate	<b>11 928</b>	11 874
Total number of members administered by Liberty Corporate	<b>404 171</b>	389 916
Total number of schemes in our Umbrella Fund	<b>7 907</b>	7 626
Total number of members in our umbrella funds	<b>235 819</b>	227 297

# Corporate strategic summary

- Regulation
  - Decide plan in light of the pension's reform update: "Detailed government white paper not expected until the end of 2008, but possibly a high level government framework before then"
  - Hired Government employee who was drafting legislation – joined 1 October
- Ensure plans to address legacy issues are executed
- Competitors
  - Find the Liberty differentiator
- End user
  - Product range needs to be updated
- Technology
  - Compass upgrade
  - Build Electronic Data Interface to streamline administration process

Simplify complexity and reposition the Corporate offering



# Peer group product positioning matrix

Product	Liberty	OM	Sanlam	Discovery	Momentum	Alex Forbes	Hollard
Administration	✓	✓	✓	⋯	✓	✓	✓
Risk benefits (Group Life, disability)	✓	✓	✓	✓	✓	✓	✓
Consulting services	✓	✓	✓	✗	✓	✓	⋯
Disability management	✓	✓	✓	✓	✓	✓	✓
Guaranteed annuities	✗	✓	✓	✗	⋯	✗	✗
Pensioner payroll	✓	✓	✓	✗	✓	✓	✗
Medical aid offering	⋯	✓	✓	✓	⋯	✗	✗
Investments	✓	✓	✓	✓	✓	✓	✓
Retention of cash strategies	✗	✓	✓	✓	✗	✗	✓
Banking product	✗	✓	✓	⋯	⋯	✗	✗
Other				▪ Loyalty	▪ Loyalty		

We require and can deliver a holistic product offering

## Corporate benefits – sales and net cashflows

<b>New business* for the nine months to 30 September 2008</b>	<b>2008</b>	<b>2007</b>	<b>% change</b>
Single premium new business	<b>1 202</b>	1 023	17.5
Recurring premium new business	<b>308</b>	277	11.2
Indexed – total new business	<b>428</b>	379	12.9

<b>Cashflows - nine months to 30 September 2008</b>	<b>2008</b>	<b>2007</b>	<b>% change</b>
Net outflows (ex IEB book)	<b>(2 024)</b>	(1 167)	(73.4)
Net flows - IEB book	<b>(586)</b>	3 892	n/a

Note: Includes Liberty Africa

\* Excludes premium escalations

# Current strengths and opportunities

## Current strengths

- Retail distribution capability
- Proven capabilities in management of SME clients
- Competitive provider of
  - asset management
  - group risk cover

## New opportunities

- Create a Direct Consulting and Actuarial business – target the medium size segment
- Investing in human capital – required to strengthen product and service offerings
- Bancassurance opportunity
- Cross-sell opportunities with Individual and Health businesses
- Retention project to offer those leaving pension plans an individual product,
- Leading service via Electronic Data Interface

Take advantage of new opportunities

## Changing landscape - social & fiscal impact (NSSF)

Regulatory uncertainties introduced:

- Move to more compulsory savings environment and impact on current scheme membership
- Low earners below a certain threshold could move to the government scheme: debate around opting-out into accredited funds
- Who will administer scheme? The government or a PPP arrangement?
- Defined benefit or defined contribution or hybrid scheme
- The cap on tax incentives towards retirement saving

# Changing landscape - social & fiscal impact (NSSF) *cont.*

...but so are opportunities :

- Scenario planning has been carried out to evaluate the various options.  
Scenarios will be refined as proposals evolve
- Compulsory contributions is net positive for the savings pool
- Opportunities to incentivise the vast informal sector (currently non-tax payers) including savings and possibly risk
- General consensus is that a PPP format for collecting contributions and administering the fund is most likely. A central clearing house model is also under discussion.

# Changing landscape - social & fiscal impact (NSSF) *cont.*

..... opportunities *cont.*

- Opportunities for innovators – technology, products, service delivery and increased transparency
- Change in the annuity market (may also require govt issuance of longer term bond instruments)

# Life assurance - Individual

# Individual Life – context

## 2008 Perspective

### External Perspective

- Market share drift
- Low product innovation
- Heavily reliant on intermediary
- Adverse economic environment

### Internal Perspective

- Poor customer persistency
- Run-off of closed books
- High unit cost
- Consolidation of IT platforms
- Internal focus

Stabilise through 2009 and position for growth

## Desired 2010 position

### External Perspective

- SA market share target of 25%
- Product innovation on a segmented basis
- Client loyalty & relationship through ongoing service experience

### Internal Perspective

- Improved persistency
- Strategy for management of closed books
- Improved cost efficiency
- Increased margin & operating earnings

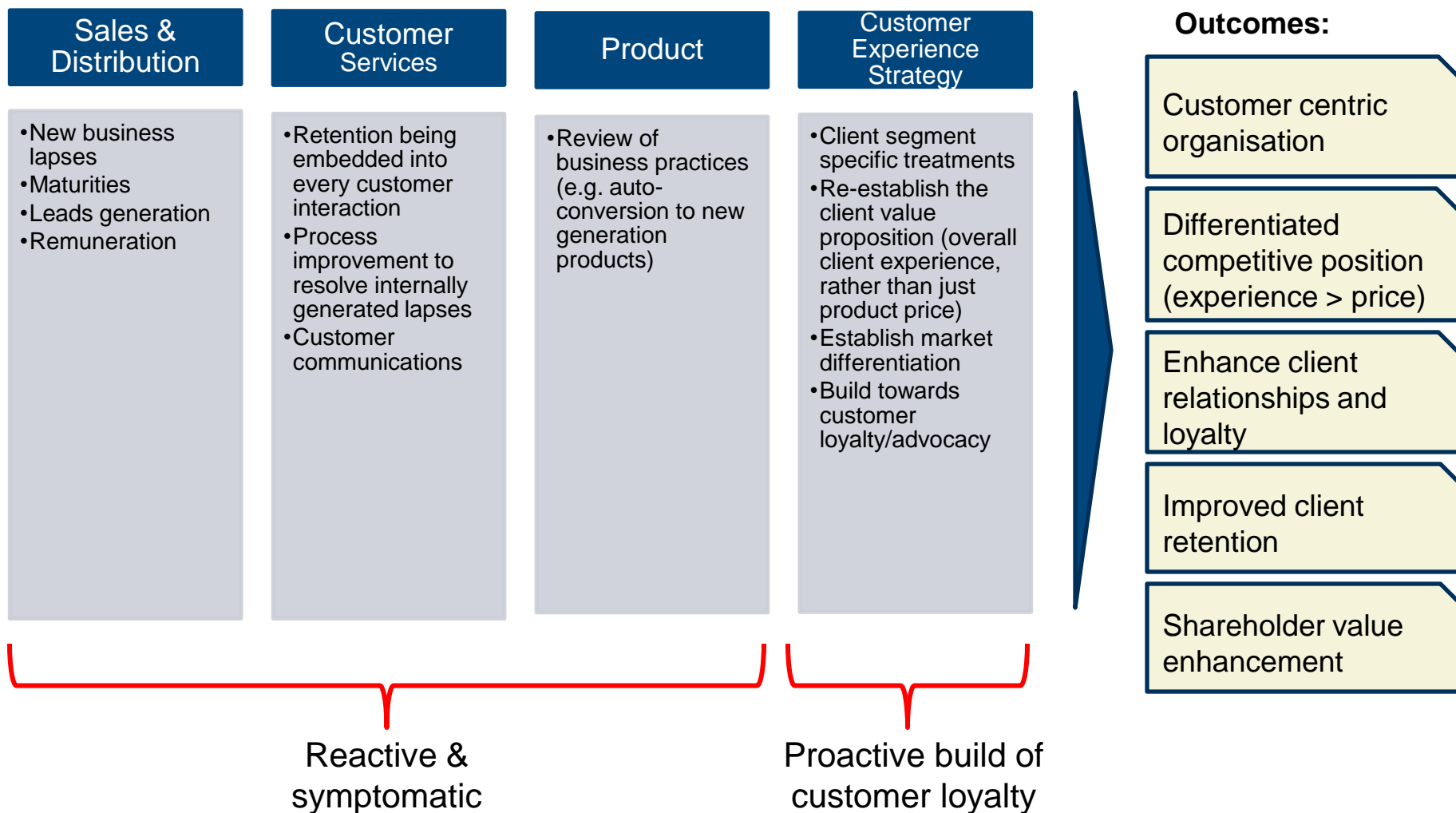


# Individual Life strategic summary

- Retention of customers
  - Customer service experience
- Product innovation
  - Find the Liberty differentiator
- Manage expenses
  - Differentiate between open and closed books from previous acquisitions
  - Reduce spend on internally focussed projects
  - Improve productivity and cost efficiency
- **Build capacity** to allow for expansion into Africa and other territories where growth and potential may be higher

**Manage existing business effectively and create capacity for international expansion**

# A multi-pillar approach to customer retention



## Importance of getting retention right

	Individual life - Operating earnings FY 2007	Group embedded value earnings FY 2007
Current performance	R1.4 billion	R 4.4 billion
Stabilise retention	15 - 20%	5 - 10%
Improve retention by 10%	10 - 15%	5 - 10%

**Retention is a key earnings and embedded value driver**

# Product development

- Develop **innovation** process
- Develop manpower and intellectual capital
- Segment by distributor as well as by customer
- Develop additional practical tools to assist intermediaries and customers, including internet-based tools
- Rationalise existing products where required and focus on fewer, higher-quality launches and shorten time to market

**Make product innovation a differentiator**

# Closed and open book environments have key processing differences

## Closed book requirements

- Manage IT and servicing costs down to offset declining policy volumes
- Simplify and optimise servicing processes
- Maintain acceptable service levels
- Re-focus resources away from old, non-strategic product types

Reduce opportunity cost of maintaining book without compromising the brand

## Open book requirements

- Focus on effective end-to-end product development processes
- Rapid time to launch of innovative products
- Platform(s) with sufficient flexibility to offer product features demanded by market
- Flexibility in defining business processes

Requires platform(s) and operational strategy suited to new business

**Different cost management strategies required**

## Individual life – an active customer retention program

- Customer surveys of departing clients have indicated that the leading causes of departure are:
  - Financial circumstances;
  - Perceived product performance or competitive feature;
  - Poor customer service experience.
- Analysis has shown that several legacy business rules or procedures are often an internal cause of policy lapse.
- Prior to January 2008, customer retention was focussed on maturing policies only. The scope of retention activity has been increased significantly

**The objective of the retention programme  
- an active retention attempt for every departing customer**

## Individual life – what are we doing on the ground?

- Staff awareness campaign and training
- Maturing policies
- Potential lapses in first 24 months
- Lapses after 24 months
- Surrenders routed to high advice call centre
- ELM end-to-end process simplified
- Lean 6 Sigma and risk growth projects

**The objective of the retention programme  
- an active retention attempt for every departing customer**

## Individual life – an active customer retention program

In total **57,309** policies have been retained by the customer retention project over the first 7 months of 2008.

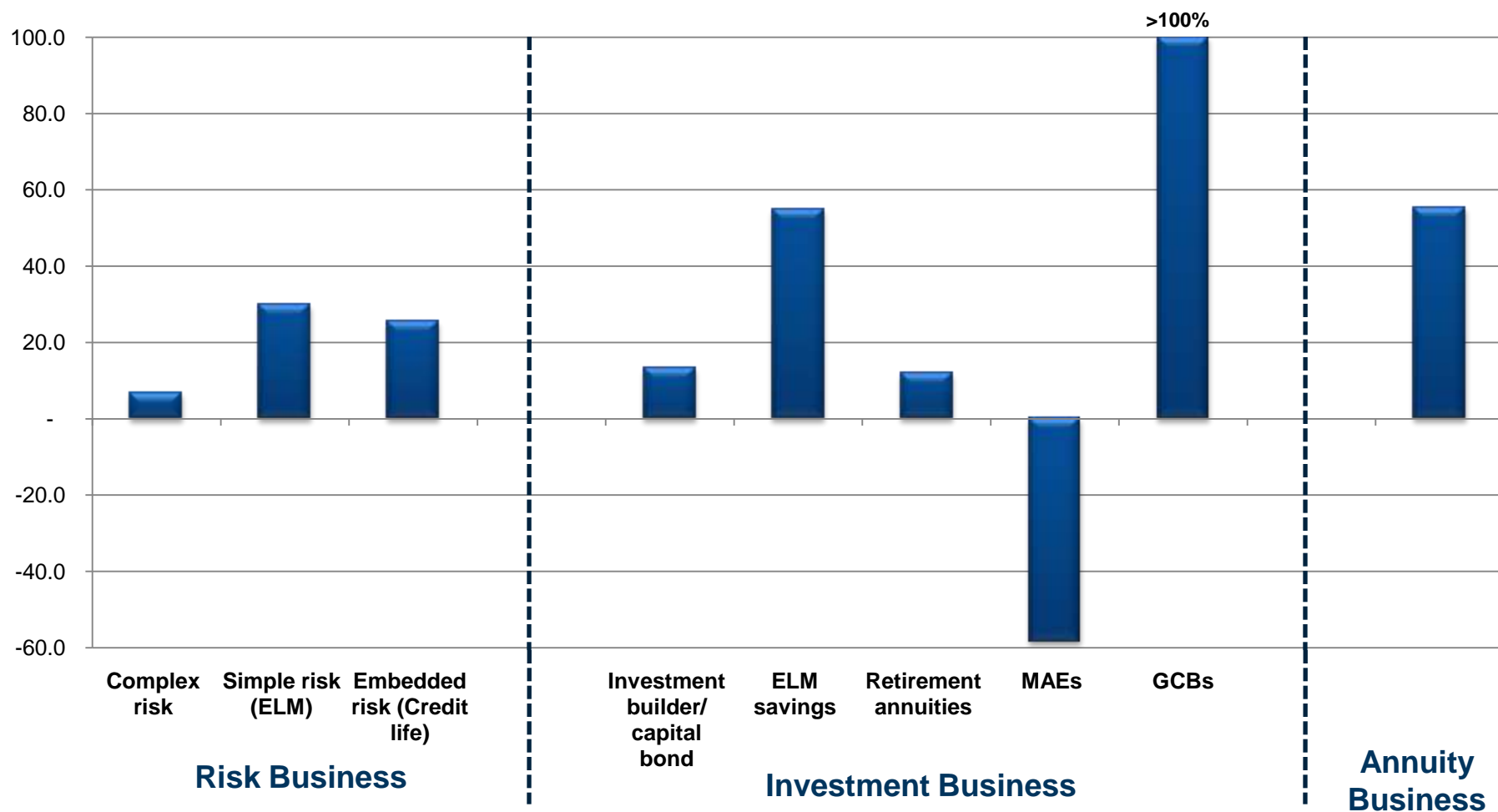
This represents a success rate of **14%**.

It is anticipated that as the various initiatives are refined and expanded, the scale and success rate of the retention project will increase.



# Individual Life – sales by product line

## Indexed New Business – September YTD Growth y-o-y



## Individual Life – sales and net cashflows

<b>New business* for the nine months to 30 September 2008</b>	<b>2008</b>	<b>2007</b>	<b>% Δ</b>
Single premium new business	8 967	8 805	1.8
Recurring premium new business	2 158	1 798	20.1
Indexed – total new business	3 055	2 679	14.0

<b>Cashflows - nine months to 30 September 2008</b>	<b>2008</b>	<b>2007</b>	<b>% Δ</b>
Net cashflows	35	1 119	-96.9

Note: Includes Liberty Africa

\* Excludes premium escalations

# Conclusion

- Individual Life is a strong cash generative business
- Need to focus on **executing** strategy in respect of:
  - Retention
  - Product innovation
  - Expense management
- Capacity is required to export our competencies to other territories

The conceptual framework has been crafted, it is now time to execute