

Discovery makes deep insurance inroads

Life arm posts steady growth and is top seller of new business, while overall group profit soars 49%

EDWARD WEST

Finance Editor

DISCOVERY Holdings, SA's largest healthcare funder and medical scheme administrator, is making deep inroads into the market shares of SA's large life assurance groups with its life insurance products.

Discovery CEO Adrian Gore said Discovery Life had gained the number one market share position in terms of new business sold, and the group's distribution channels were getting stronger and bigger, according to a recent survey by Swiss Re.

Discovery Life had grown consistently over about 10 years, with the products using a "dynamic pricing model" and providing better benefits than the competition, Gore said in an interview about the group's results for the six months to December 31.

He said the overall life insurance market remained big in SA and the group's ability to continue growing within it was "substantial". Discovery Life's gross inflows under management grew 7% to R2,12bn in the six months.

Discovery Life held a 24% market share of broker business and a 26% market share in the large policies market, which was the focus market for the group. Core individual risk new busi-



DISCOVERY MAKES MAJOR INROADS

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ness grew 16% in the six months. Discovery Life's profit from operations rose 21% to R782m.

The Discovery group lifted profit from operations by a whopping 49% to R1,18bn, which Gore described as "remarkable" given the economic environment.

While he admits the growth rate may be difficult to repeat in the second half, "we have strong growth potential going forward".

The group lapse rate at Discovery Health had fallen to 3% from 4% previously, where typically health insurers suffered

lapse rates of 10%-15% during the kind of recessionary conditions prevalent during the six months.

New business at Discovery Health grew 23% and profit from operations rose 12% to R568m. Discovery Invest's loss was reduced substantially to R20m

from R79m in the six months to December 31 2008, while the UK-based PruProtect's performance improved to a R39m loss from a R93m loss previously, with new business up 245% to R100m.

Gore said the start-ups Discovery Invest and PruProtect had

DISCOVERY HOLDINGS		
Half-year	2009	2008
Revenue (Rbn)	719	4,78
Pretax (Rbn)	117	0,783
Net income (Rm)	829	490
Headline EPS (c)	155,9	88,6
Dividend PS (c)	33	25,5

made significant progress. "In this period we restructured PruHealth and PruProtect to duplicate more effectively Discovery's integrated business model in SA," he said.

Discovery Invest attracted 8% of inflows in the retail-linked investment product market.

Regulatory requirements to acquire a 24,99% stake in Ping An Health were under way and Gore said implementation of the deal may start in "a month or two".

Ping An is the second-largest insurer in Asia and the third-largest in the world, with about 47-million customers and group capital of about R11bn.

Discovery Health's performance exceeded expectations.

Gore said the debate about a national health insurance system in SA had "matured", with a range of modelling taking place. The status quo in SA's healthcare system was off the debating table, as was a "draconian" approach that would have destroyed the private healthcare industry.

weste@bdfm.co.za

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