ClearView FY20 Results and Strategy Update Investor Presentation

Presented by

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ClearView

Agenda

ClearView

- Key messages
- FY20 result overview
- COVID-19 response
- Update CVW strategy
- Business outlook

FY20 Result reflects tough market conditions….

- Underlying NPAT[1] of $14.7m (↓41% or ↓$10.4m); Reported NPAT of $13.0m (↑230%)
  - Decline in profitability driven by poor underlying claims performance in life insurance segment (↓$12.5m); and
  - Material changes made to claims assumptions in FY20 including an allowance for shorter term overlays to reflect expected COVID-19 related claims (↓$5.9m)
- But result should be viewed in light of broader industry performance and extremely difficult market conditions:
  - Material life insurance industry losses of $1.1bn[4] on IP[2] portfolios in 9 months to 31 March 2020
  - COVID-19 impacts likely to drive a further increase in IP[2] claims from secondary economic impacts of pandemic (and social and health challenges)
  - Addressable IFA market is becoming larger with open APLs but being obscured by irrational competitor pricing, shrinking IFA life sales and unsustainable product features
- To address these industry wide issues, APRA has intervened[5] to start forcing structural change including:
  - Banned sale of certain IP[2] products[3] that were drivers of poor industry performance
  - Required Pillar 2 capital charges on all life insurance companies[3]
  - Required DI action plans (response) from all industry participants to address industry wide structural issues

Notes

1. Underlying NPAT consists of consolidated profit after tax adjusted for amortisation (not including capitalised software), the effect of changing discount rates on insurance policy liabilities and costs considered unusual to the Group's ordinary activities.
2. IP is indiviual income protection or Individual Disability Income Insurance
3. Agreed value IP products are no longer permitted to be sold from 31 March 2020; Pillar 2 capital charges from 30 September 2020 on all market participants that sell IP products- pre impacts of COVID-19 were intended to be implemented by 31 March 2020
4. $1.1bn of losses in 9 months to 31 March 2020, extending five-year losses to over $3bn. Source: APRA Quarterly Life Insurance Performance statistics March 2020
5. APRA IDII review across all life insurance and friendly societies that offer IP products

Key responses to operating environment….

- ClearView has acted swiftly to address challenges presented by both deteriorating industry profitability and COVID-19
- ClearView's proactive response in FY20 included:
  - Ceased sale of agreed value contracts earlier than required by APRA – 12 March 2020
  - Launched new style IP[1] product in March 2020
  - Repriced LifeSolutions portfolio - commenced in April 2020 (on average 15% increase in prices) – focused on sustainability of margins
  - Shifted focus to policy retention to manage price changes and COVID-19 impacts, including providing alternatives to customers to improve premium affordability
  - Changed lapse assumptions to allow for 'shock' lapses from pricing increases and secondary economic impacts from COVID-19
  - Increased focus on claims management, including resourcing and assessment of automation of systems (over time) to improve case management outcomes
  - Changed claims assumptions to reflect both increased claims and reinsurance costs, but also potential impacts from COVID-19
  - Reduced cash costs of the business by 13% (↓$11.5m)

Notes
1. IP is income protection or Individual Disability Income Insurance

Key messages

- ClearView remains focused on its strong Balance Sheet and recurring revenue base:
  - Net shareholder cash position of $212m - shareholder capital conservatively invested
  - Business is now achieving underlying self-funding capability[3]
  - No FY20 dividend or buy-back (consistent with APRA guidance)
  - Actively investigating Tier 2 debt issuance
- Embedded Value[2] of $0.95 per share reflects strong cash flow generation off in-force portfolios
  - Includes material changes in claims and lapse assumptions (including COVID-19 overlays)
- ClearView has a strong foundation for materially improved performance in FY21:
  - Group Underlying NPAT[1] guidance of $20m-$24m in FY21[4]
  - FY21 is a base transitional year - as industry shifts (over time) to rational competitor pricing, increasing life sales and sustainable product features will lead to improvement in underlying profit margins and return on capital
  - ClearView's current actions to build customer loyalty, simplify and improve products, and invest in technology are focused on ensuring ClearView is easy for advisers and customers to do business with.
  - This strategy is likely to underpin medium-to-long term performance improvement objectives

Notes

1. Group consolidated Underlying NPAT consists of consolidated profit after tax adjusted for amortisation (not including capitalised software), the effect of changing discount rates on insurance policy liabilities and costs considered unusual to the Group's ordinary activities.
2. The EV has been calculated at a 4% discount rate margin. Discount rate margin represents the discount rate risk margin which refers to the margin above the assumed long term risk free rate. The long-term risk free rate adopted for the FY20 EV is 2% (June 2019: 2%)
3. Excluding allowances for COVID-19, Pillar 2 requirements and assuming experience is line with FY20 best estimate assumptions.
4. While estimates and allowances have been made in the updated claims and lapse assumptions used, given fluidity of COVID-19 pandemic and operating environment, potential impacts from any further deterioration in economic conditions or unanticipated delays in development of a vaccine, actual experience relative to the revised assumptions adopted will need to be closely monitored.

FY20 result

Financials – FY20 Result

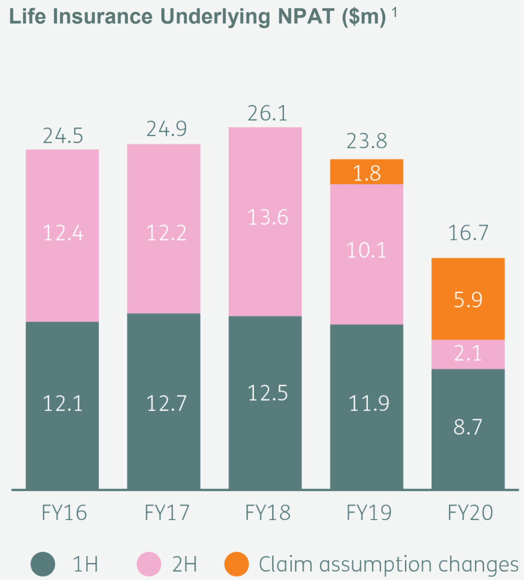
After Tax Profit by Segment, $M	FY20 $M	FY19 $M	% Change[6]	2H FY20 $M	1H FY20 $M	% Change[6]
Life Insurance	16.7	23.8	(30)%	8.0	8.7	(8)%
Wealth Management	3.6	3.6	0%	1.9	1.7	12%
Financial Advice	2.3	1.0	130%	1.7	0.6	Large
Listed	(2.0)	(1.5)	33%	(1.3)	(0.7)	86%
Business Unit Underlying NPAT[1] Prior to Claims Assumption Changes	**20.6**	**26.9**	**(23)%**	**10.3**	**10.3**	**-**
Claims assumption changes	(5.9)	(1.8)	Large	(5.9)	-	Large
Reported Underlying NPAT[1]	**14.7**	**25.1**	**(41)%**	**4.4**	**10.3**	**(57)%**
Policy liability discount rate effect[5]	2.2	6.6	Large	2.6	(0.4)	Large
Amortisation of acquired intangibles	-	(1.2)	Large	-	-	Large
Impairments[2]	(2.6)	(18.9)	Large	(2.6)	-	Large
Cost out program implementation costs	-	(3.8)	Large	-	-	Large
Other costs[3]	(1.2)	(3.8)	Large	(1.2)	-	Large
Reported Profit After Tax	**13.1**	**4.0**	**Large**	**3.2**	**9.9**	**Large**

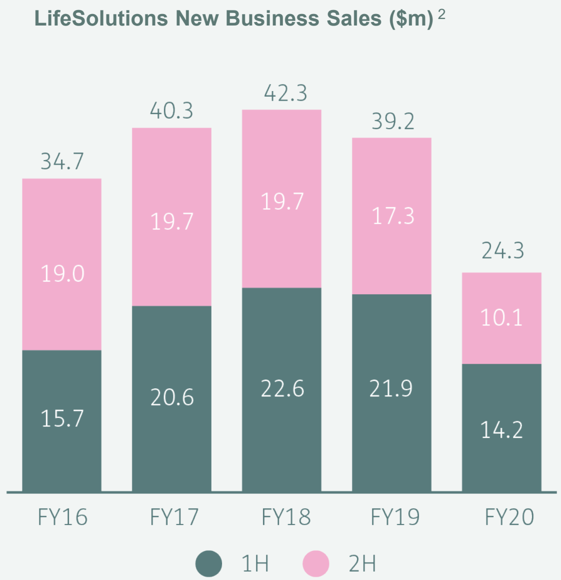
1. Underlying NPAT consists of consolidated profit after tax adjusted for amortisation (not including capitalised software), the effect of changing discount rates on insurance policy liabilities and costs considered unusual to the Group's ordinary activities.
2. Impairments:
   - FY20 – Impairment to receivables from ClearView Retirement Plan (CRP) due to write down of DTA in CRP from a reduction in accumulated tax losses carried forward ($2.6m).
   - FY19 – Impairment related to certain software development costs (obsolete or reduced functionality) ($6m) and the carrying values of goodwill and client books in the Financial Advice cash generating unit ($12.9m)
3. Other Costs:
   - FY20 - related to costs associated with the HUB24 transaction ($1.2m). Further costs to be incurred in FY21 as project progresses.
   - FY19 - related to costs associated with Direct Remediation Program ($0.9m), Royal Commission costs ($1.5m) and retention bonus payments paid to key individuals in September 2018 ($1.4m)
4. IBNR is incurred but not reported claims
5. The policy liability discount rate effect is the result of changes in the long-term discount rates used to determine insurance policy liabilities and the incurred IP disabled lives claims reserves. The life insurance policy liability (based on AIFRS) and IP incurred disabled lives reserves are discounted using market discount rates that typically vary at each reporting date and create volatility in the policy liabilities and the disabled lives claims reserves, and consequently, earnings. ClearView reports this volatility separately
6. % movement, FY19 to FY20, 2H FY20 to 1H FY20, unless otherwise stated

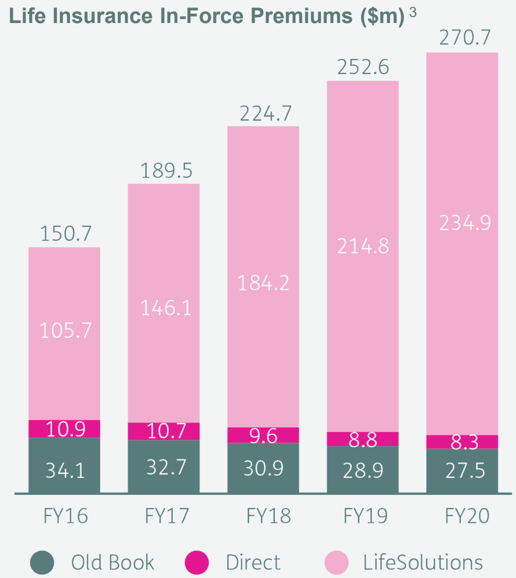
Key Observations:

- Deterioration in claims, in particular IP and death claims
- Significant improvement in lapses in line with repricing and retention strategies
- Material changes to claims assumptions at 30 June 2020; impacts on 2H result (-$5.9m):
  - IP termination assumption change (change in basis) - $3.1m
  - IP COVID-19 termination assumption change - $1.2m
  - IBNR[4] assumption changes (IP and Lump Sum) - $1.6m
- Benefits of expense management in current environment
- Impacts of premium waivers from financial hardship requests and capping of certain IP price rises in light of environment (-$1.3m)

Life Insurance







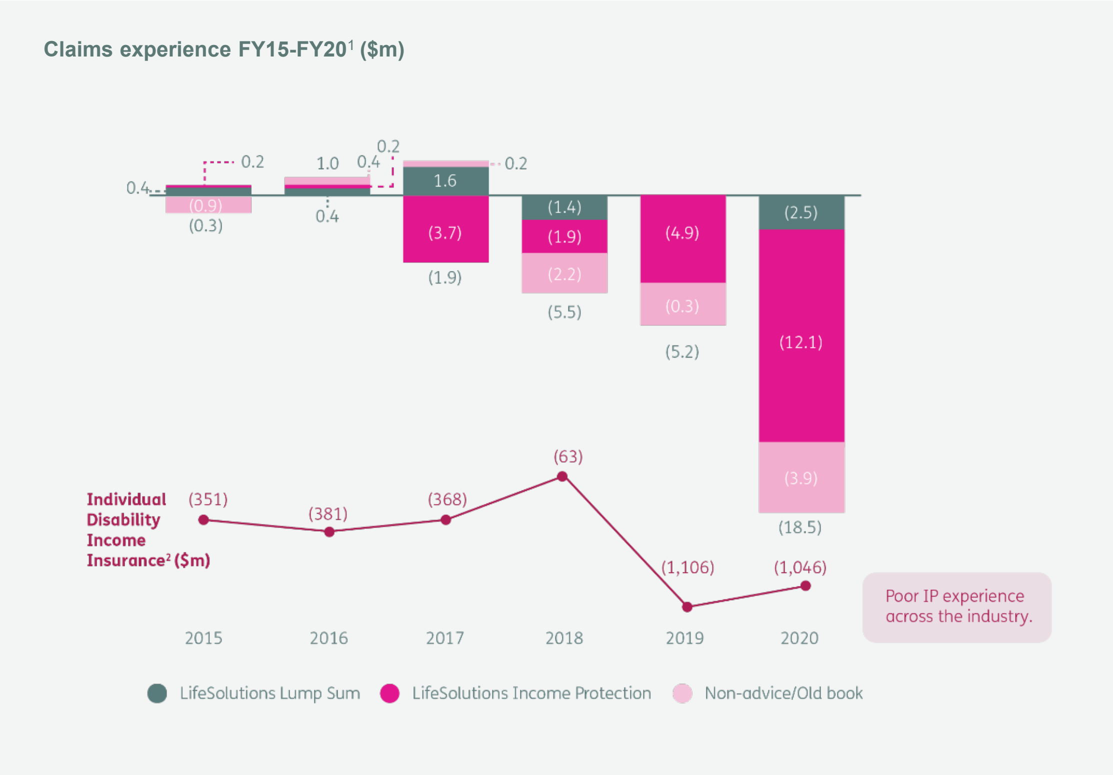
Life Insurance:

- Challenging and uncertain market environment
- On a like for like basis, excluding the impacts on claims assumption changes on each reporting period, Underlying NPAT[1] would have reduced by 30% to $16.7m (FY19: $23.8m)
- Initiatives underway to achieve more sustainable IP claims and pricing outcomes - APRA IDII Sustainability Measures
- Repricing April 2020 (comes through annual policy renewal cycle)
- Retention focus
- Circa 7% new business market share in declining market[4]
- Avoiding loss leading product sales, take the (sales) pain upfront benefit as others follow
- Material in-force portfolio growth given size of new business as a proportion of in-force book:
  - Growth of in-force is key profit driver
  - Poor claims performance holding back effect of translating into corresponding profit growth
  - Life insurance in-force will trend to new business market share over time

Notes

1. Underlying NPAT consists of consolidated profit after tax adjusted for amortisation (not including capitalised software), the effect of changing discount rates on insurance policy liabilities and costs considered unusual to the Group's ordinary activities.
2. Life Insurance contemporary new business or sales represents the amount of new LifeSolutions annual written premium sold during the period, net of policies cancelled from inception and excludes age based/ CPI increases.
3. In-force premium is defined as annualised premium in-force at the balance date.
4. Source NMG Risk Distribution Monitor Q2 2020 – 6.7% market share calculated on rolling 12 months to 30 June 2020. Q4 new business impacted by decision to cease sale of agreed value products and repricing to profitable segments

Life Insurance – Claims Experience



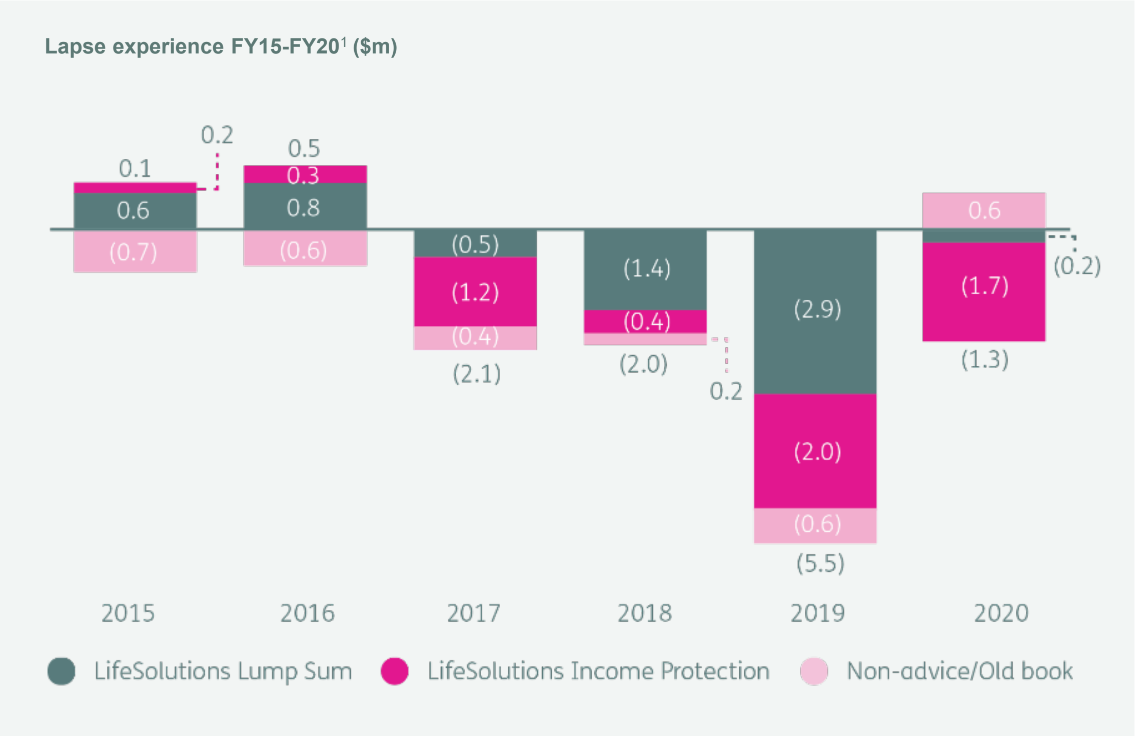
Claims Experience:

- Regulatory intervention as a result of material industry losses on income protection – sustainability of product (including features and pricing)
- ClearView's proactive response includes:
  - Recently launched new style IP product in March 2020
  - Repricing commenced April 2020 - sustainability of margins
- Material changes to claims assumptions at 30 June 2020:
  - Increase IP claims cost by 35% (gross of reinsurance)
  - Increase Death (full cover) claims cost - LifeSolutions by 25%; Closed portfolios by 20%
  - Allowance for shorter term overlays to reflect expected COVID-19 related claims (incidence and terminations)
  - Adverse impact of $5.9m after tax in 2H FY20 from change in IP claims and IBNR[3] assumptions
- Increase claims management resourcing, deeper engagement with claimants and enhancing systems support

Notes

1. Experience measured against the assumptions applicable at each reporting date.
2. Individual Disability Income Losses for relevant year end period. For FY20 the Individual Disability Income Losses is for the 9 months ended 31 March 2020 as the June 2020 quarterly result not available. Source: APRA Quarterly Life Insurance Performance statistics March 2020
3. IBNR is incurred but not reported claims

Life Insurance – Lapse Experience



Lapse Experience:

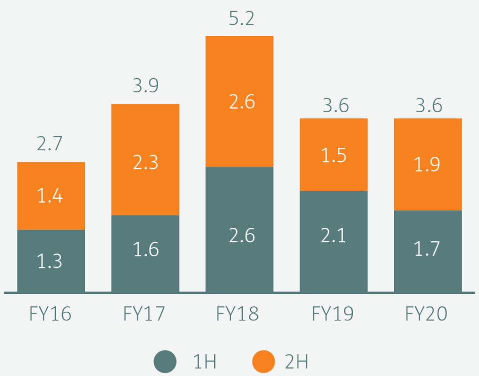
- Shifted to customer retention focus to manage price changes and COVID-19 impacts
- Providing alternatives to customers to improve premium affordability
- Significant improvement in lapse performance in 2H FY20 aligned with customer retention strategies
- Changes to lapse assumptions to allow for shorter term shock lapse overlays to reflect price changes and secondary economic impacts from COVID-19:
  - 5% in FY21 and 2.5% in FY22 for LifeSolutions
  - 2.5% closed portfolios in FY21
  - Completed analysis of the higher risk occupation classes and propensity to lapse within portfolio to inform assumptions given potential impacts from the pandemic

Notes

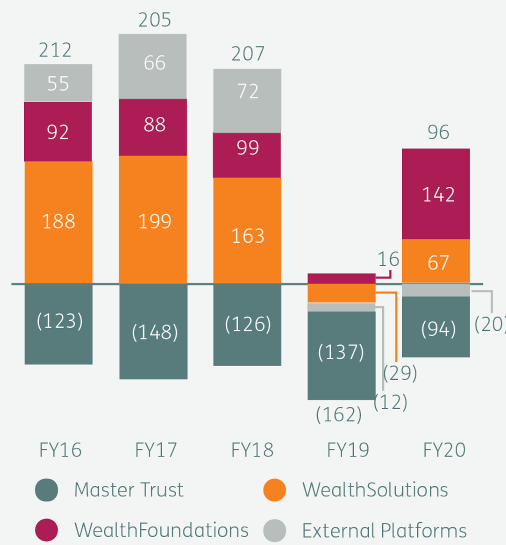
1. Experience measured against the assumptions applicable at each reporting date.

Wealth Management

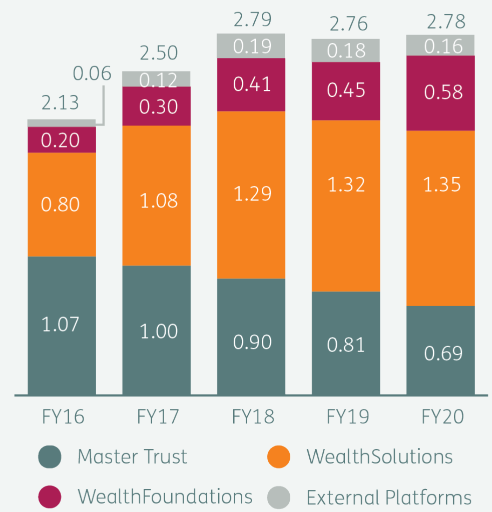
Wealth Management Underlying NPAT[1] ($m)



Net Flows[2] ($m)



FUM[3] ($b)



Wealth Management:

- Significant improvement in contemporary net inflows:
  - Price reduction on wrap platform (WealthSolutions)
  - Introduction of lower cost true index options in WealthFoundations product
- Increased flows were offset by pricing changes, investment performance and mix of business, leading to reduction in net fee income (net margin earned – 0.63% vs 0.68%)
- Mix of products making up the portfolio has changed materially with contemporary products now representing 75% of total FUM
- Lower fee income was offset by reduced cost base benefits across the group
- Progress continues on the transition of wrap platform business (WealthSolutions) onto the HUB24 platform and addressing and closing out tax credit issue

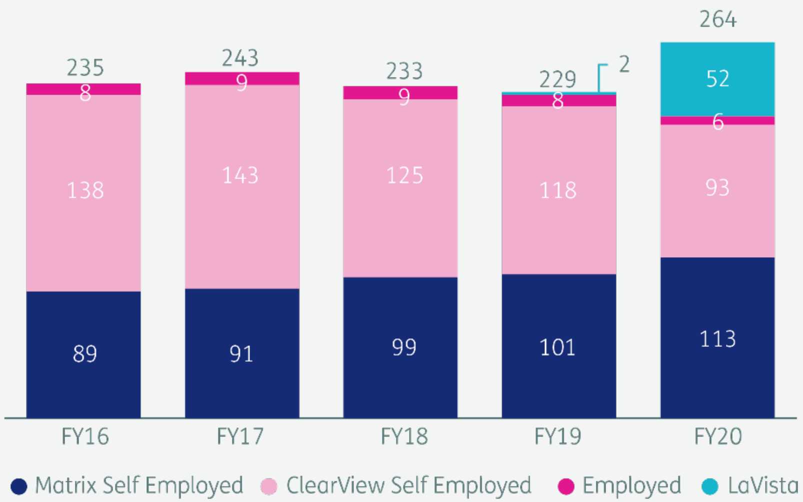
Notes

1. Underlying NPAT consists of consolidated profit after tax adjusted for amortisation (not including capitalised software), the effect of changing discount rates on insurance policy liabilities and costs considered unusual to the Group's ordinary activities.
2. Wealth Product Net Flows is defined as inflows less redemptions into FUM[1] but excludes management fees outflow. ClearView Master Trust product net outflows given that the product is not marketed to new customers.
3. FUM includes Funds Under Management (ClearView Master Trust, WealthFoundations and ClearView Managed Investment Schemes), Funds Under Administration on WealthSolutions and FUM in ClearView MIS platform funds on external platforms

Financial Advice

Financial Advice Underlying NPAT[1] ($m)

Adviser Numbers

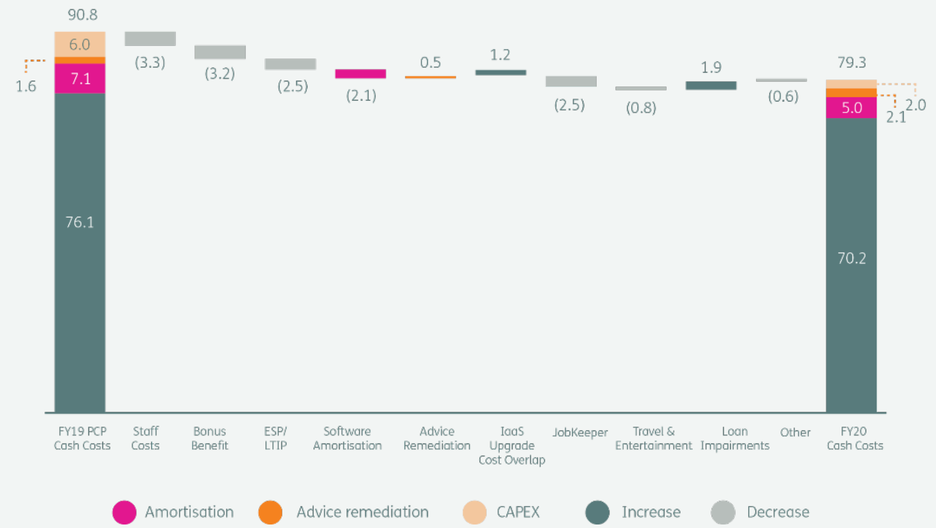


Financial Advice:

- Increase in membership fees of $1.5m (including LaVista contribution of $0.4m):
  - Successful implementation of the new pricing model in November 2019 (flat membership fee model) with limited impact to overall adviser practice numbers
  - Transition of older franchised agreements to the new pricing model (including buy out of last remaining outstanding BOLR[2] arrangement)
  - Launched LaVista and recruitment is largely in line with target (strong pipeline, but conversions are taking longer given licence application timelines)
  - Partially offset by reduction in grandfathered rebates that contributed $1.1m in FY20 (FY19:$1.4m) – expected to cease from FY21
- Costs impacted by advice remediation program including compensation costs - all remediation programs completed
- Reduced cost base benefits across the group - scale now at stepped fixed cost phase, where addition of new staff occurs only once when the next group of practices join and AFSL volumes have been reached

Notes
1. Underlying NPAT consists of consolidated profit after tax adjusted for amortisation (not including capitalised software), the effect of changing discount rates on insurance policy liabilities and costs considered unusual to the Group's ordinary activities.
2. BOLR is buyer of last resort contractual arrangements

Operating expenses

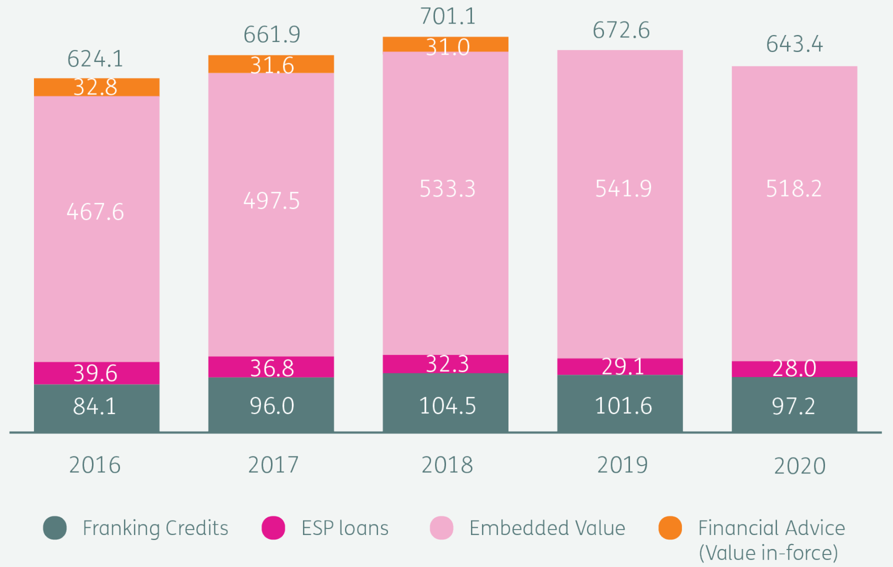


- FY20 total cash costs of $79.3m (FY19: $90.8m) – reduction in cash costs of $11.5m (-13%). This is driven by the cost out program that was implemented in the 2H FY19 and other benefits as outlined below:
  - Staff and related savings across functional and shared services areas (-$3.3m)
  - In light of adverse impact due to COVID-19, challenging market conditions, and industry performance, no FY20 bonuses (-$3.2m)
  - Reduction in employee share plan and longer term incentive costs in FY20 (-$2.5m)
  - Reduction in software amortisation costs (-$2.1m), partially offset by advice remediation costs from ongoing compliance monitoring and file reviews in advice business – now completed (+$0.5m) and duplication of costs from the upgrade of core IT infrastructure in FY20 (+$1.2m)
  - COVID-19 related impacts:
    - JobKeeper benefit to 30 June 2020 (-$2.5m);
    - Travel and entertainment given restrictions in place from COVID-19 (-$0.8m) but offset by increased annual leave and LSL costs (+$0.6m).
  - Impairments for credit loss provisions (+$1.9m):
    - Increase in credit loss provisions for ESP loans on Balance Sheet (-$1.2m) and adviser loans (-$0.7m)
- Impacts of lower IT capitalisation, resulting in operating costs expensed of $77.2m (FY19: $84.8m) – reduction in costs of $7.6m (-9%)
  - Driven by lower IT head count and changes to capitalisation policy in FY19 - lower quantum of the total costs incurred capitalised (relative to prior years)
- Areas of investment in FY21:
  - Design, Build & Implement New Customer Solutions on an integrated end-to-end PAS
  - Investment in claims (area of focus given the resourcing needs for IP claims), risk and compliance and retention functions

Embedded Value and Capital

Embedded Value

Embedded Value[1] at 4% Discount Rate Margin



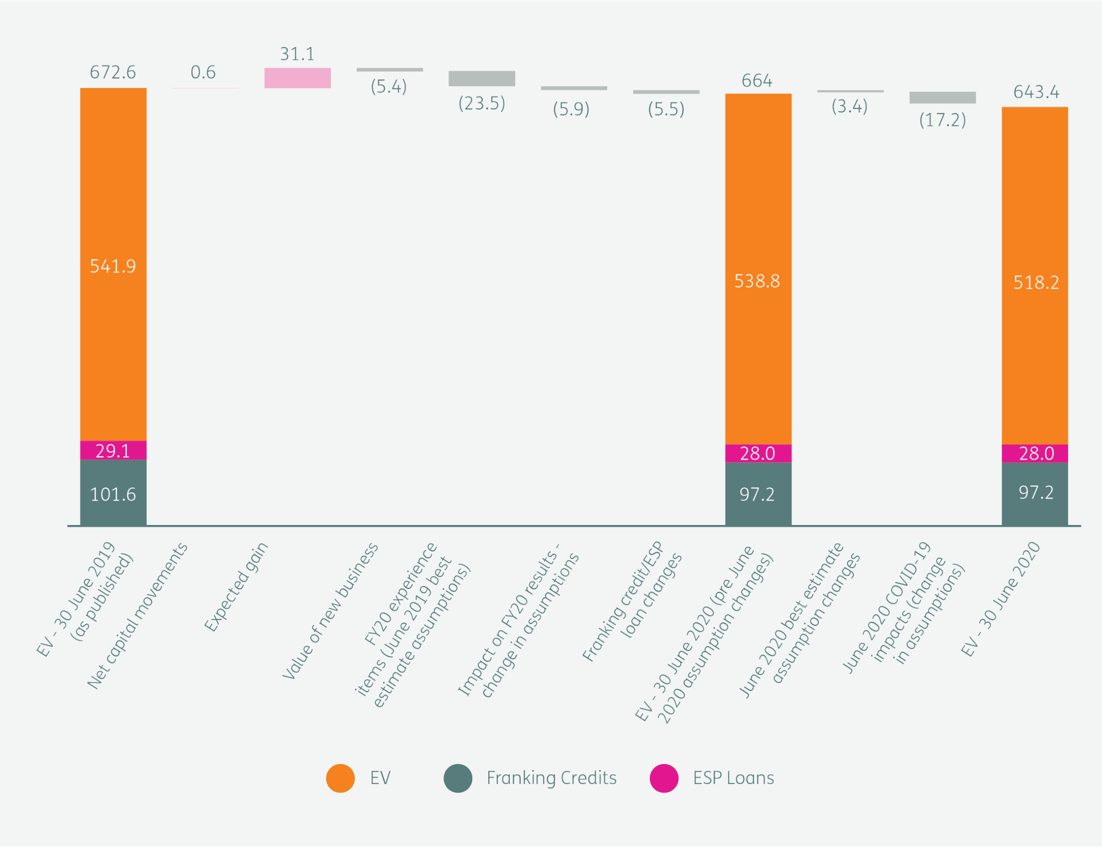
- Embedded Value (EV)[1] (including ESP loans and franking credits) of $643m; 95.3 cents per share
  - Based only on cash flows from in-force portfolios - excludes value of any future growth potential
  - FY20 includes material changes in claims and lapse assumptions (including COVID-19 overlays)
  - Has been calculated at a 6% discount rate (4% discount rate margin above the long-term risk free rate adopted of 2%). This is consistent between FY19 and FY20. Discount rate margin represents the discount rate risk margin above the assumed long term risk free rate
  - EVs include a value for future franking credits, accrued franking credits and Employee Share Plan (ESP) loans
  - From June 2019 onwards, no value of in-force is calculated for the Financial Advice business

Notes

1. The EV has been calculated at a 4% discount rate margin. Discount rate margin represents the discount rate risk margin which refers to the margin above the assumed long term risk free rate. The long-term risk free rate adopted for the FY20 EV is 2% (June 2019: 2%)

Embedded Value movement analysis

Embedded Value[1] Waterfall: FY19 – FY20 ($m)



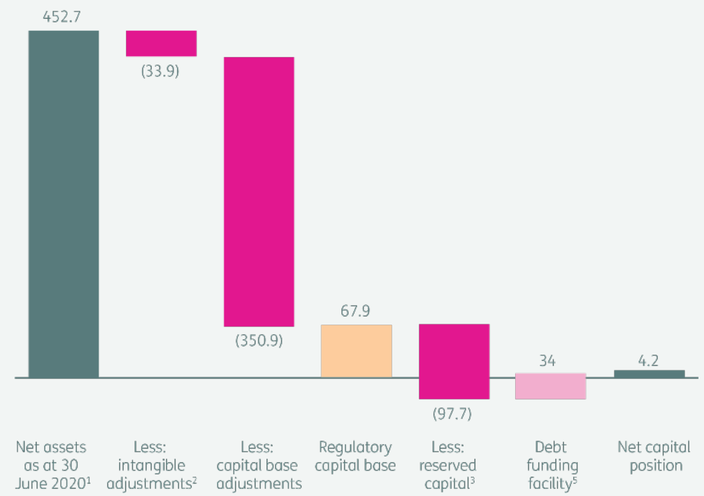
- EV impacted by poor claims experience in FY20 (overall $18.5m including impact of change in claims assumptions on FY20 result of $5.9m)
- Key assumption changes at 30 June 2020 included in EV calculations:
  - Claims assumptions including an assessment of potential impacts from COVID-19
  - Shock lapse assumptions been built into the EV, incorporating effects of the April 2020 price increases and COVID-19 overlays. This is in respect to price increases expected across the portfolio and potential lapses from customers which have had a detrimental impact from the economic impacts associated with COVID-19
  - Further shock lapses are also allowed for with respect to further proposed rate changes from May 2021[2] with partial benefits assumed from the retention program over the following 12 months thereafter[2]
  - The increases in reinsurance premiums (for business sold prior to 1 March 2019) and costs associated with the incurred claims treaty have been allowed for in the EV calculations. This will be effective for policies renewing from 1 March 2021

Notes

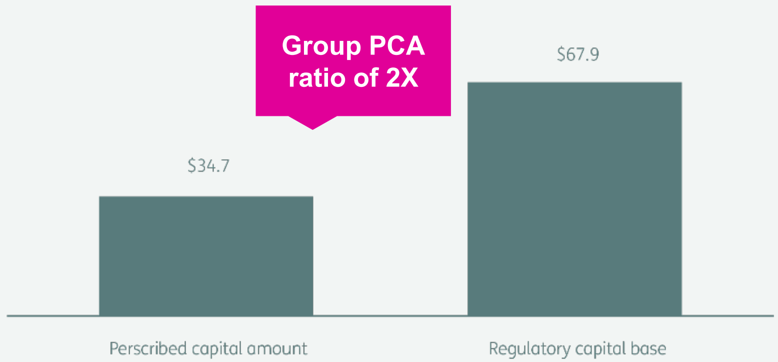
1. Embedded Value at 4% discount rate margin, including a value for future franking credits, accrued franking credits and Employee Share Plan (ESP) loans.
2. Further planned rate changes from May 2021 of 7% on average across the LifeSolutions portfolio and 5-10% on closed portfolios have been allowed for in policy liabilities and EV calculations at 30 June 2020.

Capital position at 30 June 2020

Group Capital Position Bridge - $m



Regulatory Capital Coverage - $m



Commentary

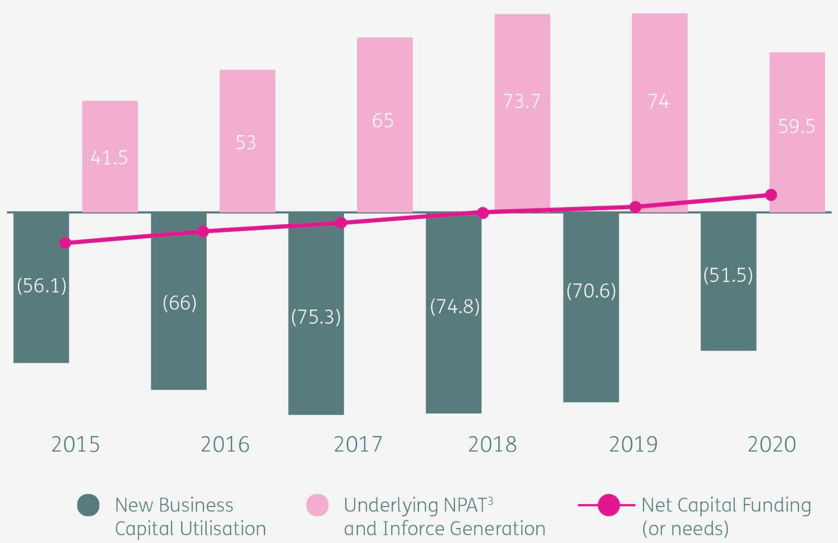
- Capital base adjustments include removal of deferred acquisition costs ($347m) that are not permitted to be counted in the regulatory capital base.
- Intangible adjustment includes the removal from the capital position of the carrying value of tax credits receivable[2] ($15.5m)
- Net capital position above the internal benchmarks at 30 June 2020 of $4.2m across the Group.
  - Includes $34m drawn down under debt facility[5]
- Board is actively investigating longer term capital solutions (such as the issue of Tier 2 subordinated notes) for Group capital position
- Proceeds from issue of such Notes is intended to be used to repay at least part of the debt and to fund or support regulated funding requirements of ClearView Life from time to time
- On-market buy-back program is on hold
- No FY20 final dividend declared in line with supervisory guidance
- Pillar 2 capital charge to be in place for ClearView Life from end of September 2020
- Incurred claims treaty for income protection now in place (signed post Balance date) that removes reinsurance asset concentration risk issue[4]

Notes

1. Net Asset Value as at 30 June 2020 excluding ESP Loans. Net assets includes the deferred acquisition costs (DAC) component of insurance policy liabilities.
2. Intangible adjustments relate to goodwill, acquired intangibles and capitalised software. It also includes a $15.5m tax asset for tax credits within the ClearView Retirement Plan (CRP) relating to insurance premiums paid via rollover. There is currently not sufficient taxable income in the CRP to utilise these tax credits. While strategies to utilise the carried forward losses in the CRP are in progress there are risks and uncertainties involved. Furthermore, a project for the CRP (part of a broader wealth strategy) is well progressed.
3. Reserved capital includes the minimum regulatory capital, risk capital which is additional capital held to address the risk of breaching regulatory capital and a working capital reserve (if applicable) held to support the capital needs of the business beyond the risk reserving basis.
4. ClearView has implemented an incurred claims treaty with Swiss Re for lump sum and income protection business, where claims (including reserve components) are paid when a claim is incurred which reduces the concentration risk exposure. As a result of entering into the new income protection treaty, ClearView is winding down the limits on the $70 million irrevocable letter of credit issued by a major Australian bank on behalf of Swiss Re. ClearView will be able to increase the dollar limit on the letter of credit in the future, subject to Swiss Re having sufficient capacity at that time. There is no Asset Concentration Risk charge under LPS 117 relating to the Swiss Re exposure as at 30 June 2020.
5. The Debt Facility is repayable on 1 April 2024. $60m of the debt facility has been drawn down as at 30 June 2020.

Underlying capital generation

Underlying Capital Generation[1] - $m



Notes

1. Excluding costs considered unusual to ordinary activities in each relevant financial year as disclosed as part of full year results, tax impacts due to the interest rate effect on policy liabilities and growth in regulatory and ICAAP reserves.
2. Deferred acquisition costs are the upfront costs associated with policy acquisition that are collected via the premiums from policyholders over the life of the policy.
3. Underlying NPAT consists of consolidated profit after tax adjusted for amortisation (not including capitalised software), the effect of changing discount rates on insurance policy liabilities and costs considered unusual to the Group's ordinary activities.
4. Before allowances for COVID-19, Pillar 2 requirements and tax credit issue

Commentary

- ClearView generates positive cash flows from in-force portfolios which is subsequently reinvested into new business generation:
  - Now achieving underlying self-funding capability[4]
  - New Business capital utilisation is related to upfront costs associated with policy acquisition that is collected via premiums over life of the policy – converts to cash over time subject to lapse risk. These are referred to as deferred acquisition costs (DAC)[2]
  - In-force capital generation reflects a combination of the Underlying NPAT[3] achieved and DAC[2] released (collected) from the in-force portfolios in a particular financial year
  - Reduced capital needs over time reflects growth from in-force portfolio given increased scale of business from start up phase
  - Capital needs from a group perspective are driven by need to replace at least part of the debt with a permanent capital solution ($34m). Furthermore, part of the Tier 2 capital raising will also be used to fund or support the regulated funding requirements of ClearView Life from time to time.
  - To the extent the tax credit issue is resolved ($15.5m carrying value), this would generate capital that can be used to further repay part of the debt component not included in the capital calculations

COVID-19 Response

COVID-19 Response

Focused efforts around six priorities

Protect our people and customers

- Monitoring and implementation of national health guidelines – communicate with full transparency
- Provided assistance to customers – premium waivers, suspension of cover, accessibility for health workers and capping of certain cohorts of IP price increases
- Successfully implemented the business continuity plan in March 2020
- Asked all our employees to work from home in order to ensure their health and safety
- This occurred relatively seamlessly with no material disruption to our operations or service

Model our capital exposure, stress test P&L and liquidity

- Assessed certain stress test scenarios
- Projections included a ‘Base’ (Pre-COVID-19) case, a ‘Plausible COVID-19’ case (reasonably foreseeable, conservative scenario), and a ‘Severe COVID-19’ case (severe scenario)
- Stress scenarios considered business impacts (both capital and profitability) from COVID-19.
- Regulatory capital position appears resilient to each of these scenarios
- These continue to be closely monitored with scenarios updated as part of the Business Plan process – four key environmental factors were considered as part of this process

Defend against revenue declines

- Take a customer centric view to this situation to ensure we build trust, loyalty through and beyond this crisis
- Pivot resources to pockets of need including lapses and claims management in the environment
- Shifted focus to policy retention, including providing alternatives to customers to improve premium affordability

Stabilise operations to ‘new normal’

- Crisis Management Team and Board are meeting regularly to monitor the situation and are well prepared to take further corrective or remedial actions as required should situation deteriorate beyond stress scenarios
- Stabilise services, appropriately manage lapses and claims
- Increased adviser engagement
- Build operational contingency plans for all aspects of business
  - Front line facilities, costs, technology

Conserve capital and cash flow

- No FY20 bonuses across the business; no increases in fixed remuneration in FY21
- ClearView does not intend to undergo any on-market share buy-back activity given the current environment and market conditions
- No FY20 final dividend – APRA has requested that life insurers consider limiting discretionary capital distributions
- $60m debt funding facility extended to 1 April 2024
- Tier 2 Subordinated Note issue actively under consideration (longer term capital solution)
- Expenses closely monitored and opted into JobKeeper program

Play Offence, not just defence

- Define how we will outperform through and beyond the crisis
  - Product/service/customer investments
- Prepare for ‘bounceback’ and recovery
  - FY21 is a base transitional year with a focus on sustainability of our life business
- Plan for and leverage a ‘leap-frog’ change in customer behaviours – reset of strategy to ClearView of the future

Update on ClearView Strategy

Strategy

ClearView

Our vision	Making a difference by creating financial freedom
Why ClearView	Australian owned Transparent and simple products & services Partner of choice for quality advice businesses Strong service ethic Passionate about industry advocacy Help customers in their time of need Open architecture Sustainable, fit for purpose investment products
Strategy	Focused on the Middle to Upper Income Market for financial advice, life insurance, superannuation and investments
Key to success	Defined strategy, focused execution, clear accountability

FY21 is a base transitional year…with a focus on profitable, sustainable growth of our life business

FY21 key focus areas: customer retention, effective claims management, pricing, product design, pricing and risk transformation…

Retention

- Build customer loyalty by offering best sustainable alternatives
- Maintain strong adviser relationships with aligned view of sustainability
- Increase engagement and strengthen relationships with customers
- Focused on service and enhanced customer retention initiatives

Pricing and Product Design

- Pricing changes implemented April 2020 (flows through on policy renewal) – focus on profitable segments[1]
- Changes to product design and features – launch of IP60 product
- APRA IDII sustainability measures including APRA DI action plan
- Build out of WealthFoundations product and integration into life insurance

Building Customer Loyalty and Sustainable Products

Claims

- To best assist customers in their time of need
- Optimise resourcing and case management - IP specialists supported by external partners
- Implement analytics and early intervention techniques to improve IP claims outcomes (return to work)
- System automation and investment

Reinsurance and Capital

- IP incurred claims treaty implemented
- Permanent capital solution under investigation – Tier 2 Capital
- Reinsurance price changes to ensure adequate margins earned across the supply chain
- IP product redesign in conjunction with reinsurer

Notes

1. Further planned rate changes from May 2021 of 7% on average across the LifeSolutions portfolio and 5-10% on closed portfolios have been allowed for in policy liabilities and EV calculations at 30 June 2020.

Our mission is to deliver effective, sustainable products and services while being easy to do business with for financial advisers and customers

ClearView Today: Sustainability of the Life Insurance Business

Focused execution of management plans for: Retention, claims, pricing, product design, reinsurance, capital and risk management

Life for Tomorrow: The Path to the ClearView of the Future

Design, Build & Implement New Customer Solutions on an integrated end-to-end PAS*

Customer

Wealth for Tomorrow: Accelerating Wealth as ClearView's Growth Engine

Grow the wealth business and bring diversification and scale to ClearView of the Future

Financial Advice: Implement Path to Parity

Grow an independently sustainable & profitable financial advice business

Governance | Risk | Compliance

People | Culture

Technology

*Policy administration system

Strong Foundations exist…….

- **ClearView's Competitive advantage**
  - Deep relationships with IFAs – track record of success
  - Simplicity of infrastructure and systems relative to the complexity of competitors
  - Demonstrable and differentiated understanding of financial advice
  - Ability to offer integrated life insurance and wealth management solutions

- **Key market dynamics**
  - Addressable IFA market is becoming larger with open APLs coupled with a reduction in number of market participants
  - But being obscured by irrational competitor pricing, shrinking IFA life sales (currently) and unsustainable product features forcing increased regulatory intervention
  - Shift of risk leaning financial advisers to investment sales opens an avenue for a simple and effective wealth management solution as a lead to life insurance sales
  - Existing Distribution 'Scale' waiting to be utilised in a dual purpose way to service customers
    - Growing list of 49 Wealth APLs for WealthFoundations
    - Presence on 592 Life Insurance APLs

That leads us on the path to the ClearView of the Future….

Life Insurance

- Design, Build & Implement New Customer Solutions on an integrated end-to-end PAS*
- Deep understanding of our customer needs
- Combined sales effort – wealth and life
- Industry shifts (over time) to rational competitor pricing, increasing life sales and sustainable product features
- Leads to improvement in underlying profit margins and return on capital

Wealth Management

- Operate in centre between industry funds and wrap platforms
- Target advisers who write both life insurance and wealth management
- Simplicity, transparency and efficiency are the hallmark of our product solutions
- WealthFoundations is well positioned to capitalise on need for financial advisers to drive efficiency

ClearView of the Future

Financial Advice

- Strategic Advice to middle to upper income customers
- Best in class systems
- Effective risk management capability
- Strategic advice makes us different
- Effective B2B service offer for those seeking a 'stand alone' position

Risk Management

- Our people are at the centre of our risk management strategy
- Our risk management systems are designed to deliver sustainable outperformance for all our stakeholders be they our customers, partners, people, regulators and shareholders
- Our systems and processes are forward looking to anticipate risks as they emerge

Business Outlook

Business Outlook

- ***Group Underlying NPAT[1] guidance of $20m-$24m in FY21***

- Key potential impacts that are critical to achievement of guidance is repricing[3] and secondary economic impacts of COVID-19, in particular flow on effects to IP claims and affordability of premiums
- While estimates and allowances have been made in the updated claims and lapse assumptions used, given fluidity of COVID-19 pandemic and operating environment, potential impacts from any further deterioration in economic conditions or unanticipated delays in development of a vaccine, actual experience relative to the revised assumptions adopted will need to be closely monitored
- APRA IDII sustainability measures that need to be undertaken by the industry to improve sustainability of disability income insurance are also important for the achievement of longer term margins
- ClearView is also focused on accelerating the development of Wealth Management business, and a self-sustaining Financial Advice business
- Actively investigating Tier 2 debt issuance, with intention of repaying at least part of Debt Funding Facility and to fund or further support the needs of regulated entities from time to time
- ClearView does not intend to undergo any on-market share buy-back activity given current environment and market conditions (in line with APRA communications to consider limiting discretionary capital distributions)
- No FY20 dividend in light of the above and prudent capital management
- Sound business model, strong Balance Sheet and recurring revenue base that creates a level of security for our customer base, adviser network and stakeholders
- Embedded Value[2] calculations include updated assumptions and reflects cash flow generation from the in-force portfolios – 95c per share
- Current actions to build customer loyalty, simplify and improve products, and invest in technology to ensure the group is easy for advisers and customers to do business with, is likely to underpin medium-to-long term performance improvement objectives

Notes

1. Group Underlying NPAT consists of consolidated profit after tax adjusted for amortisation (not including capitalised software), the effect of changing discount rates on insurance policy liabilities and costs considered unusual to the Group's ordinary activities.
2. Embedded Value at 4% discount rate margin, including a value for future franking credits, accrued franking credits and Employee Share Plan (ESP) loans.
3. Repricing commenced April 2020. Further planned rate changes from May 2021 of 7% on average across the LifeSolutions portfolio and 5-10% on closed portfolios have been allowed for in policy liabilities and EV calculations at 30 June 2020.


End