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Chairman's address

Geoff Black

To our customers and shareholders:

This is my inaugural Chairman's letter and I am pleased to provide an update on the Group's performance for the year ended 30 June 2020 and share some reasons why I am excited about serving you and working closely with the ClearView Board and Senior Management Team to help guide this dynamic company through the challenging period ahead.

There is no question that these are extraordinary times.

The COVID-19 health, economic and social crisis has fundamentally changed how we live, work and interact.

Since March, the majority of ClearView staff have been working from home continuing to serve our customers effectively. The ease and speed at which the organisation was able to transition to a remote working environment is a testament to the resilience of staff and the Group's robust systems and processes.

COVID-19 response

Thousands of Australians are experiencing financial and emotional hardship at this time, including many of our customers and their families.

I am proud that ClearView acted quickly and decisively from the onset of COVID-19 to support our customers by implementing a range of generous, practical measures. These include:

1. Allowing LifeSolutions policyholders to waive monthly premiums for up to three months, due to financial hardship caused by involuntary unemployment.
2. Enabling policyholders to put all or part of their cover on hold for up to 12 months, without having to go through the underwriting process again to reinstate cover.
3. Ensuring healthcare workers are not prevented from accessing life insurance (in accordance with the Financial Services Council's Frontline Healthcare Worker initiative).
4. Paying out $8.8 million to over 900 superannuation members through the COVID-19 economic response early release of superannuation program to date since the program started in April 2020.
5. Diligently adhering to our policy of not applying specific exclusions for claims arising from a pandemic event.

These measures have been well received, with a good number of policyholders accessing these options.

While ClearView has felt the economic impact of COVID-19, the full medium-to-long-term impact is unclear. Clearly the pressures on household budgets and mental illness associated with these stresses will impact future performance and the business has been proactive in addressing these issues through increased customer and adviser engagement.

Why ClearView?

Given my background and broad financial services experience, I have a deep knowledge and understanding of life insurance, wealth management and financial advice.

Financial matters such as wealth creation, retirement planning and life insurance can be complex and, while ClearView is working hard to simplify products and service, consumer access to high quality professional advice is critical.

I decided to join the ClearView Board and subsequently take on the role of Chairman because I believe ClearView is a dynamic, purpose-driven company, that is in a position to meet customer expectations in respect to their wealth creation, financial protection and financial advice needs.

ClearView is in a unique position to seize opportunities created by regulatory and structural change. It is not hindered by bureaucracy and legacy, and can play a key role in leading the industry through this challenging period.

With some major banks and institutions exiting wealth management, there is a clear path to the many aspirational Australian households that need professional financial advice to protect and manage their wealth.

They need sound advice to understand financial principles and navigate their way through complex legislation, financial strategies and products.

ClearView is committed to partnering with advisers to see more Australians receive quality advice; protect, grow and manage their wealth; and ultimately achieve their goals.

In the unfortunate event of accident, injury, sickness or premature death, ClearView exists to pay claim entitlements.

In FY20, ClearView provided $95.7 million in claim entitlements to customers and their families. We were there for them when they needed us.

Difficult market conditions

The financial services industry continues to grapple with major challenges including unprecedented regulatory and structural change and severe underperformance, due largely to escalating income protection (IP) claims.

While ClearView remains well-positioned to meet its obligations to staff, customers and other stakeholders, the Group's financial performance has been adversely impacted by rising claims and reinsurance costs.

Against this industry backdrop, ClearView has taken steps to reset the business with a focus on long-term sustainability. This has unfortunately necessitated quite significant pricing changes to existing IP policies, as we transition to a new sustainable product suite. In March, the Group launched an innovative Indemnity 60 IP option designed as a more affordable alternative to the existing indemnity products in the market. To date, this has been well received by advisers.

ClearView continues to invest in its infrastructure and, during the year, a number of critical IT projects commenced including the implementation of a new life policy administration platform. This platform is a key foundation to delivering high quality products supported by best-in-market customer service.

ClearView has made good progress improving its adviser footprint through its LaVista and Matrix brands. With the challenges facing advisers, ClearView is well positioned due to the depth of its experience.

FY21 will be a transitional year for ClearView, as it seeks to consolidate its infrastructure and deliver fit-for-purpose products that meet customer expectations and generate sustainable returns for shareholders.

In coming months, the business will unveil a simplified mission statement, with a sharper focus on serving the customer; refreshed corporate values and a reinvigorated Group strategy.

Corporate governance

The need for financial services companies to build consumer confidence and trust in the sector has never been greater.

A priority for the Board is to ensure that ClearView's stated values are upheld to foster a strong, customer-centric culture.

In order to do so, ClearView must maintain a sharp focus on corporate governance and ensure the right policies, processes and frameworks are in place.

In response to the increasing regulatory focus on governance, culture, remuneration and accountability, the Board and management are committed to enhancing the Group's risk management framework to ensure robust practices, and drive changes in the mindsets and behaviours of all staff to embed a sound risk culture across the organisation.

In FY20, ClearView continued to invest in governance and risk management, adding resources that strengthen its capability and expertise, under the Group's new Chief Risk Officer.

Capital management and dividends

In light of the adverse impact due to COVID-19, challenging market conditions, and APRA supervisory guidance, no FY20 dividend has been declared. APRA has also asked that life insurers consider limiting discretionary capital distributions in the coming months given these conditions.

Furthermore, ClearView does not intend to undergo any on-market share buy-back activity in the current environment. One of the Board's key priorities is prudent capital management.

The decision not to declare a FY20 dividend is understandably disappointing, especially given that no FY19 dividend was paid.

From a Group perspective, capital requirements are driven by the need to strengthen our position in uncertain times. Consequently, part of the Tier 2 capital raising that is being actively investigated will be used to repay debt and provide capital management flexibility.

I am pleased that since the onset of COVID-19, ClearView has managed to successfully retain its people and at the same time started to invest for the future.

However, ClearView will not pay staff bonuses for the 2019/20 Financial Year.

Acknowledgments

On behalf of the Board, I would to like thank Bruce Edwards for his dedication and contribution to ClearView during his tenure as Chairman. His insights will be missed and we wish him well in his retirement.

At the same time, it is an honour to welcome Jennifer Lyon to the ClearView Board as an Independent Non-executive Director. Jennifer is a respected, experienced actuary, entrepreneur and Director, who adds a new voice and perspective.

Since its inception, ClearView has strived to foster a diverse and inclusive workplace. In FY20, the Group continued to progress towards this goal, lifting the number of women on the Senior Management Team to three, up from two in 2019. It also reported that 48% of managers across the business are female.

Furthermore, ClearView now offers 16 weeks of paid parental leave and 10% of non-manager employees work part-time.

Finally, I would like to acknowledge Simon and his team for their ongoing dedication and commitment.

Together, I look forward to taking the business forward and working through the challenges and opportunities on the road ahead.

Geoff Black
Chairman

Managing Director's report

Simon Swanson

ClearView is well-positioned to meet its obligations to its customers, staff and shareholders, with a strong balance sheet and recurring revenue base, and a clear vision and strategy to become a leading diversified financial services company.

Despite extremely difficult market conditions, compounded by COVID-19, ClearView continued to invest in technology, governance and risk management; support its aligned financial advisers; and expand its IFA relationships, in the year ending 30 June 2020.

The group's flagship LifeSolutions product was added to 60 Approved Product Lists (APLs), boosting the number of financial planning groups that can recommend ClearView to 592, up 11% from the previous financial year, meaning that over 4,000 financial advisers can recommend ClearView products and services.

Our Wealth Management solutions are currently on 49 APLs, with a strong pipeline of potential advice groups. In addition, there is the opportunity to tap ClearView's life insurance relationships.

While Life Insurance remains the group's key profit driver, ClearView is also focused on accelerating the development of its Wealth Management business, and building out a self-sustaining Financial Advice business. We see an opportunity to meet rising demand for simple, effective superannuation and investment solutions that not only satisfy the evolving needs of consumers but drive practice efficiencies for financial advisers.

Our goal is to bridge the space between industry funds, which generally offer lower fees and limited features, and wrap platforms, which offer extensive product choice and functionality for higher fees.

We want to own that middle ground by delivering fit-for-purpose wealth management solutions and a superior customer and financial adviser experience, without unnecessary complexity and cost.

Our focus is on partnering with financial advisers to serve Australia's growing aspirational middle class.

Clear direction, amidst challenging conditions

ClearView's FY20 result was adversely impacted by a deterioration in life insurance claims, particularly income protection (IP) and lump sum death claims, and included material changes to claim assumptions.

While ClearView remains profitable, we are not immune to the challenges facing the broader industry. The life insurance sector is under enormous pressure, due to a myriad of factors including rising claims and lapses, large reinsurance cost increases and record low interest rates.

In the year ending 31 March 2020, the life insurance industry risk products lost $1.65 billion, largely attributable to a $1.4 billion loss on income protection (IP). This extended five-year industry IP losses to nearly $3 billion.

This reinforces the importance of APRA's IDII sustainability measures to stem losses and improve industry sustainability.

ClearView is supportive of APRA's intervention and we are undertaking a body of work to address fundamental issues with the design and pricing of IDII products, and ensure the profitable, sustainable long-term growth of our Life Insurance business.

As part of this, ClearView made an early decision to cease the sale of Agreed Value IP contracts in mid-March and moved swiftly to launch a simplified Indemnity 60 IP option, as a cost effective alternative to the existing indemnity payment type.

A comprehensive review of the LifeSolutions series is underway and work has commenced on optimising IP claims management including rehabilitation and return-to-work outcomes.

As a relatively young and nimble organisation, ClearView has acted decisively to address challenges presented by both deteriorating industry profitability and COVID-19.

In April, we faced some criticism for responding too quickly when we announced changes to LifeSolutions pricing. We are now seeing steep premium rate changes across the industry.

While being the *first-to-market* is an advantage in most circumstances, when it comes to price increases, there is a risk of first mover disadvantage. We weighed up that risk, and shifted our focus to policy retention to manage price changes and COVID-19 impacts, including providing alternatives to customers to improve premium affordability. We believe we acted responsibly to reprice for sustainability because the industry cannot continue on its current trajectory.

That said, with the rapid onset of the COVID-19 pandemic - and the subsequent economic and social upheaval - our size and distinct lack of legacy enabled us to adjust our plans and proactively respond by, for example, capping certain IP price rises, in light of the operating environment.

We also implemented a range of COVID-19 measures, including a three-month premium waiver, to support customers experiencing severe financial hardship to keep valuable cover in place.

These two measures alone cost the business $1.3 million (after tax).

Encouragingly, in the second half of 2019/20, the business experienced a significant improvement in lapse performance, reflecting the implementation of retention strategies.

As at 30 June 2020, ClearView also adopted material changes to claim assumptions, in expectation of an increase in IP claims, due to a likely increase in the incidence of mental health type claims off the back of COVID-19 and the potential difficulty of helping claimants return to work.

These changes, in particular to IP claim termination rates, adversely impacted our FY20 result by -$5.9 million.

These unexpected, short-term costs are the practical implication of being a client-centric, purpose-driven organisation.

There is a very human side to COVID-19 to which ClearView is sensitive. Part of the strengthening of reserves speaks specifically to the potential longer-term impacts of the COVID-19 pandemic on Australians in terms of financial stress and economic dislocation, mental health and, tragically, even suicide. We of course hope this does not eventuate. We have worked to ensure our teams have both the capability and capacity to manage the complexity of these issues in an effective and empathetic manner.

Our steadfast commitment is to support our customers and pay claim entitlements as quickly as possible. Similarly, we remain focused on supporting our staff through this pandemic.

Being able to keep our teams together, without the need to cut salaries or make redundancies, has been personally rewarding. Importantly, it will see ClearView emerge from this crisis intact and strongly positioned to capitalise on opportunities borne out of regulatory and structural change, demographic shifts and disruption.

The exit of the institutions from life insurance, wealth management and personal advice creates enormous opportunities for ClearView.

In the short-term, life insurance sales are expected to plateau, with consumers on edge over a potential secondary COVID-19 wave plus shifting industry dynamics such as changes to adviser remuneration, tougher education and training requirements, and shrinking financial adviser numbers.

However, over the long-term, as we continue to do the things we do exceptionally well: simple, transparent products; strong advice relationships; and excellent customer and adviser service, we will be rewarded.

FY21 is expected to be a transitional year for ClearView.

Progress is underway on key IT projects including the development of a new policy administration system and underwriting rules engine. The business is also maintaining a sharp focus on governance and risk culture, as we implement key recommendations from the Royal Commission and other reforms including design and distribution obligations (DDO).

On behalf of financial advisers, ClearView will continue to pursue sensible public policy that strengthens consumer protections. Our three key advocacy priorities remain stable life insurance commission rates; tax deductibility of advice fees; and the end of limited life insurance APLs so all advisers can choose the most appropriate life insurance solutions for their clients.

ClearView supports the Australian Securities and Investments Commission's (ASIC) recent decision to delay commencing its review of life insurance advice, under the Life Insurance Framework (LIF).

Irrespective of COVID-19, we believe it is still too soon to review the effectiveness of the LIF reforms, given it will take some time for their impact to be apparent. Any review should examine the contribution that recent regulation has made to Australia's underinsurance problem. Low increases to in-force premium portfolios across the industry suggest that the gap between the level of cover people need and the level of cover they have is fast becoming a chasm, given that CPI and aged-based price increases should boost the value of inforce portfolios (all things being equal).

Furthermore, any review should only take place after the *noise* from COVID-19 has fully dissipated.

Reflecting on the past year, COVID-19 has shown us the incredible resilience of the financial services industry, and its people, backing up just 18 months after the conclusion of the Royal Commission.

Since March, the vast majority of ClearView staff have been working effectively from home while financial advisers can now deliver advice remotely.

Trends that we once thought would take years, like the widespread adoption of video conferencing technology, have happened in months.

COVID-19 has also highlighted the importance of professional advice, evidenced by the 2.6 million workers who withdrew over $42 billion from their super, under the Government's Coronavirus early release scheme.

Many of these people will have withdrawn funds at the worst possible time, locking in market losses, and leaving themselves exposed to poor retirement outcomes.

As an organisation that is passionate about making professional advice accessible to more Australians, ClearView's focus is on achieving profitable, sustainable growth and being around for the long-term for our staff, customers and financial advisers.

I would like to thank the ClearView team for their contribution, during this difficult financial year. I would also like to acknowledge our financial advice partners who work tirelessly to help their clients access COVID-19 government support benefits, make smart informed decisions, and stay on course towards their goals and objectives.

Thank you for your ongoing support.

Simon Swanson
Managing Director

Directors' report

The Directors of ClearView Wealth Limited (ASX:CVW, ClearView or the Company) submit their report, together with the financial report of the consolidated entity (the Group) for the year ended 30 June 2020 (the financial year):

Directors

The following persons were Directors of ClearView during the financial year and since the end of the financial year unless otherwise noted:

- **Geoff Black** (Appointed as Director on 25 November 2019 and appointed Chairman on 1 July 2020)
- **Bruce Edwards** (Former Chairman - Resigned as Director on 1 July 2020)
- **David Brown** (Resigned as Director on 25 November 2019)
- **Gary Burg**
- **Michael Alscher**
- **Nathanial Thomson**
- **Jennifer Lyon** (Appointed as Director on 1 July 2020)
- **Simon Swanson** (Managing Director)
- **Susan Young**

Current directors

The biographies for the Directors of ClearView are detailed below.

Geoff Black BCom

Independent non-executive Chairman

Geoff has over 30 years' experience in life insurance and wealth management and is currently a director of Platypus Asset Management and was Head of Business Development at RGA Australia from 2015 until April 2019. Prior to joining RGA Australia, he held senior executive positions at TAL Australia and was formerly Managing Director of PrefSure Life and Lumley Life Limited. Geoff holds a Bachelor of Commerce from the University of Canterbury, Graduate Diplomas in Management and Financial Planning and is a Certified Practicing Accountant.

Geoff was appointed to the Board on 25 November 2019 and appointed as Chairman of the Board on 1 July 2020. Geoff is also a member of the Board Audit Committee, Board Risk and Compliance Committee and the Nomination and Remuneration Committee.

Gary Burg B.ACC (Wits), MBA (Wits)

Independent non-executive Director

Gary has significant experience in building life insurance businesses in South Africa and in Australia. Gary is Chairman of UCW Limited, an ASX listed company and is also a director of Alinta Energy Limited and Global Capital Holdings (Australia) Pty Limited, a company which manages principal investments on behalf of various investors. He is a former director of, and investor in, South African listed Capital Alliance Holdings Limited (which owned Capital Alliance Life Limited and Capital Alliance Bank Limited). Gary is also a former director and investor in a number of Australian based financial services businesses, including Prefsure Life Limited and Insurance Line Holdings Pty Limited.

Gary was appointed to the Board on 22 October 2012, and currently serves as a member of the Board Audit Committee, the Board Risk and Compliance Committee and the Nomination and Remuneration Committee.

Michael Alscher BCom

Non-executive Director

Michael is the Managing Partner and founder of Crescent Capital Partners Management Pty Limited. Prior to founding Crescent Capital Partners, Michael was a consultant at Bain International and the LEK Partnership where he spent considerable time working across banking and insurance clients. After leaving consulting, Michael was the Chief Operating Officer and a Director of Gowings Bros Limited. Michael is the current Chairman of Cardno Limited, Director of Intega Group Limited, Australian Clinical Laboratories Pty Limited, 24-7Healthcare Pty Limited and National Dental Care Pty Limited. He is also a former Chairman and Director of Cover-More Group Limited and LifeHealthCare Group Limited, and a former Director Metro Performance Glass Limited.

Since 22 October 2012 Michael has served as a Non-Executive Director and as an Alternate Director to Nathanial Thomson at different times, with the most recent appointment as Non-Executive Director being effective 20 November 2018. Michael currently serves as a member of the Nomination and Remuneration Committee.

Nathanial Thomson BCom (Hons), LLB (Hons)

Non-executive Director

Nathanial is a partner of Crescent Capital Partners Management Pty Limited. Nathanial has significant consulting experience for financial institutions at McKinsey & Co. He is the former deputy Chairman of Cover-More Group Limited prior to its listing on the ASX, a former director of Metro Performance Glass Limited, prior to its listing on the ASX, and is currently a director of Cardno Limited, National Dental Care Pty Limited, 24-7 Healthcare Pty Limited and Australian Clinical Laboratories Pty Limited.

Nathanial was appointed to the Board on 22 October 2012, currently serves as a member of the Nomination and Remuneration Committee and was previously a member of the Board Audit and Compliance Committee and the Board Risk and Compliance Committee.

Jennifer Lyon BSc (Maths) (Hons), FIAA, GAICD

Independent non-executive Director

Jennifer is an experienced actuary, small business owner and Director, and until recently served as a Director of recruitment firm SKL Executive. Jennifer has also formerly held a number of senior and Director positions including non-executive Director and President of the Actuaries Institute of Australia, Managing Director of Qed Actuarial, a specialist actuarial recruitment firm, a Director of Hall & Lyon which managed the distribution of actuarial education material, and worked at AMP and Towers Perrin in superannuation and financial services.

Jennifer has also served on the Board of ClearView's Superannuation Trustee Board, ClearView Life Nominees Pty Ltd since 1 July 2014 (until her appointment, acted as Chairperson). Jennifer was appointed to the Board 1 July 2020 and is a member and Chair of the Board Risk and Compliance Committee, and a member of the Board Audit Committee, and the Nomination and Remuneration Committee.

Simon Swanson BEC, BBus, ANZIIF (Fellow), CIP, FCPA

Managing Director

Simon is an internationally experienced financial services executive having worked for over 35 years across life insurance, funds management, general insurance and health insurance. He has successfully led the largest life insurer (CommInsure, Sovereign and Colonial) in three countries and spent half of his career in the Asia Pacific region.

Simon was previously a director of the Australian Literacy and Numeracy Foundation and former Chairman of ANZIIF's Life, Health and Retirement Income Faculty Advisory Board.

Simon was effectively the founder of ClearView in its current form and was appointed as Managing Director on 26 March 2010.

Susan Young BA (Hons), MA, FGIA, FCIS, MAICD, JP

Independent non-executive Director

Susan has over 30 years' experience in senior executive roles internationally, with 15 years of experience in investment banking, followed by senior management roles in the corporate and professional services sector. She retired as a Partner of Spencer Stuart, and previously held operational management roles as both a divisional CFO and Joint Venture CEO/President for a Lend Lease Group company. Susan is Governor of WWF Australia and previously served on the board of the Westmead Institute for Medical Research.

Susan was appointed to the Board on 14 December 2016 and is a member and Chair of the Board Audit Committee and Nomination and Remuneration Committee, and a member and former Chair of the Board Risk and Compliance Committee. She also serves as a Non-Executive Director on a number ClearView subsidiary Boards including on its superannuation trustee board, and held the position as its Chairperson from July 2014 until December 2016.

Former Directors

Bruce Edwards BSc, MA, FIAA

Independent non-executive Chairman

Bruce is a qualified actuary with over 25 years in actuarial consulting, including five years as Managing Director of KPMG Actuaries. In recent years, Bruce has held directorships with a number of life and general insurance companies and superannuation fund trustees, and has acted as Chairman for three life insurance distribution companies. Bruce also lectures in actuarial studies at Macquarie University and is a past President and active member of the Rotary Club of Sydney.

Bruce was appointed to the Board from 22 October 2012 and was appointed Chairman of the Board from18 May 2016 until his resignation effective 1 July 2020.

David Brown BCom, MSc, Dip Inv, Dip Mktg, ASIP, MAICD, F Fin

Independent non-executive Director

David has significant experience in investment management and asset allocation of superannuation and insurance funds. He is the Chief Investment Officer for National Superannuation Fund Ltd in Papua New Guinea and recently stepped down from being a Director of the PNG Institute of Directors. He is the former Head of Private Markets for Victorian Funds Management Corporation and former Senior Funds Manager for Queensland Investment Corporation. David is a former Director of LifeHealthcare Pty Limited and a former Chairman of the Australian Private Equity and Venture Capital Association Limited.

David was appointed to the Board from 22 October 2012 until his resignation 25 November 2019.

Company Secretary

Judilyn Beaumont, B.Bus, LLB joined ClearView in November 2019 as General Counsel and Company Secretary.

Appointed a Solicitor of NSW in 2001, Judilyn has extensive legal experience in the financial services industry acquired across private practice, regulatory and in-house roles. These roles have encompassed life insurance, superannuation, financial planning and investments.

From 2013-2019 Judilyn worked in-house at Suncorp, commencing as Senior Lawyer (Suncorp Life) and most recently holding the position of Executive Manager Legal – Insurance and Marketplace Advisory, Finance Legal & Advice (Suncorp Group). In this role she provided end-to-end business support, from product development to marketing and distribution.

Earlier in her career, she was a Senior Associate at Freehills in their financial services team, a Solicitor at Blake Dawson Waldron (now Ashurst) and earlier still, a Lawyer at the Australian Securities and Investment Commission where she provided advice on a range of matters including large regulatory investigations, development of regulatory policy and managed investment schemes.

Former Company Secretary

Athol Chiert, BCOM, BACC, CA was appointed Chief Financial Officer on 4 November 2008 and was also the Company Secretary until 15 November 2019. Athol has a life insurance and private equity background and was part of the team that founded ClearView in its current form. He was previously the CFO of PrefSure Holdings Limited and PrefSure Life Limited and also served as a director and executive of the Global Capital Group both in Australia and South Africa. Athol has over 20 years experience in the finance industry including holding directorships on investee and subsidiary entities. Athol commenced his professional career as an accountant with Arthur Andersen. Athol is a committee member on a number of not for profit organisations.

Directorships of other listed companies

Directorships of other listed companies held by Directors in the three years preceding the end of the financial year are as follows:

Name	Company	Period of Directorship
Gary Burg	UCW Limited	24 March 2016 - current
Michael Alscher	Cardno Limited	6 November 2015 – current
	Intega Group Limited	20 August 2019 – current
Nathanial Thomson	Cardno Limited	6 November 2015 – 28 January 2016; and 24 May 2016 – current

Meetings of Directors

The number of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 June 2020, and the number of meetings attended by each Director are as follows:

	Board		Board Audit Committee		Board Risk and Compliance Committee		Nomination and Remuneration Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Geoff Black[1]	10	10	4	4	5	5	5	5
Bruce Edwards	16	16	6	6	6	6	8	8
David Brown[2]	6	3	2	1	1	-	-	-
Gary Burg	16	16	6	6	6	6	8	8
Michael Alscher[3]	16	13	-	-	-	-	6	5
Nathanial Thomson	16	16	6	4	6	4	8	8
Jennifer Lyon[4]	-	-	-	-	-	-	-	-
Susan Young	16	16	6	6	6	6	8	8
Simon Swanson	16	16	-	-	-	-	-	-

1 Geoff Black was appointed independent non-executive director on 25 November 2019.
2 David Brown resigned as a director effective 25 November 2019.
3 Michael Alscher was appointed to Nomination and Remuneration Committee on 1 September 2019.
4 Jennifer Lyon was appointed independent non-executive director on 1 July 2020.

Directors' shareholdings

The following table sets out each Director's relevant interest in shares and rights or options in shares of the Company or a related body corporate as at the date of this report.

Director	Fully Paid Ordinary Shares	Executive Share Plan Shares
Geoff Black	50,000	-
Bruce Edwards	617,040	-
David Brown	-	-
Gary Burg	10,918,090	-
Michael Alscher[1]	-	-
Nathanial Thomson[1]	-	-
Jennifer Lyon	27,212	
Susan Young	83,092	-
Simon Swanson	5,550,000	10,000,000

1 Mr Alscher and Mr Thomson represent the interests of CCP Bidco Pty Limited and its Associates that non-beneficially hold 399,543,860 shares.

Indemnification of Directors and Officers

During the period, the Company purchased Directors and Officers Liability Insurance to provide cover in respect of claims made against the Directors' and Officers' in office during the financial period and as at the date of this report, as far as is allowable by the Corporations Act 2001.

The total amount of insurance premium paid and the nature of the liability cover provided are not disclosed due to a confidentiality clause within the contract.

As at the date of this report, no amounts have been claimed or paid in respect of this indemnity insurance, other than the premium referred to above. Directors' and Officers' Liability Insurance contributed a proportion of the total Group professional indemnity insurance premium.

The Company has not, during or since the financial period, indemnified or agreed to indemnify the auditor of the Company against a liability incurred as an auditor.

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016 and in accordance with that Corporations Instrument amounts in this report, and the financial report, have been rounded off to the nearest thousand dollars.

Auditor's independence declaration and non-audit services

The Directors have received an independence declaration from the auditors, a copy of which is on page 71.

Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in section 2 to the financial statements.

The Directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in section 2.6 to the financial statements do not compromise the external auditor's independence, based on advice received from the Board Audit Committee, for the following reasons:

- All non-audit services comply with the ClearView audit independence policy and have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 'Code of Ethics for Professional Accountants' issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and reward.

Annual Corporate Governance Statement

ClearView is committed to achieving high corporate governance standards. In accordance with the 3rd edition ASX Corporate Governance Council's Principles and Recommendations, the Company's annual Corporate Governance Statement, as approved by the Board, is published and available on the Company's website at: www.clearview.com.au/about-clearview/corporate-governance.

Operating and financial review

ClearView Wealth Limited (ClearView or the Company) is an APRA-registered non-operating holding company (NOHC) of regulated wholly-owned subsidiaries that offer life insurance, superannuation, investments and financial advice.

The subsidiaries of the ClearView Group hold a number of licences enabling them to operate across three core business segments:

- **Life Insurance:** ClearView Life Assurance Limited (CLAL) manufactures ClearView products under a retail life insurance Australian Financial Services (AFS) licence. CLAL's LifeSolutions product is its single, contemporary product series for retail customers that is only available through financial advisers;
- **Wealth Management:** ClearView Financial Management Limited (CFML),ClearView Life Nominees Pty Limited and CLAL manufactures wealth management products (managed investments and superannuation) under AFS licensees and a registrable superannuation entity (RSE) trustee licence. These investment and retirement solutions are also distributed through financial advisers; and
- **Financial Advice:** ClearView's financial advice subsidiaries are market leading providers of licensing solutions to financial advisers. These feature two AFS Licensed dealer groups providing traditional dealer group licensing support together with the recently launched LaVista Licensee Solutions which provides outsourced B2B licensee services to other AFS Licensees.

This capability and licence structure enabling the Group to operate across all three segments is now relatively unique in the Australian market.

Strategy

The growth of Australia's non-bank financial services sector is underpinned by favourable, long-term fundamentals including:

- Economic and population growth;
- Compulsory superannuation;
- Demand for life insurance, wealth management and financial advice; and
- An aging population with significant wealth and risk management ('life insurance' type) needs.

Furthermore, rising household debt-to-income levels reinforce the need for quality advice and life insurance. The steady increase in debt levels in Australia has been driven by stagnant wage growth, easing constraints on bank lending and the structural decline in the level of nominal interest rates allowing borrowers to service larger loans.

Australia's compulsory retirement savings system alongside lifecycle demands like private school education and home deposits is driving demand for wealth management products and advice.

Retirees need assistance with pension draw-down management, investment management and allied products and services such as longevity management and sequencing risk management.

COVID-19, which is a respiratory illness caused by a new virus, was declared a world-wide pandemic by the World Health Organisation in early 2020. COVID-19, as well as measures to slow the spread of the virus, have since had a significant impact on global economies and equity, debt and commodity markets.

Whilst there is relative uncertainty as to how COVID-19 will unfold, including the social and economic consequences, the longer term fundamentals and need for the products across the business segments remains in-tact. The potential shorter-term impacts and outcomes of COVID-19, including allowances and assumptions that have been made in relation to the pandemic are detailed later in the report.

As a diversified financial services group of companies referred to above, ClearView has three core business segments:

- **Life Insurance:** Managing risks that can undermine one's financial position, security and wealth due to a loss of income, unexpected costs or out living financial/family resources;
- **Wealth Management:** Accumulation and preservation of wealth to achieve personal goals and objectives such as a comfortable retirement; and
- **Financial Advice:** Critical to most Australians in order to manage their financial affairs soundly.

Our core strategy is to partner with financial advisers to help Australians protect and grow their wealth. We are committed to expanding our distribution footprint by delivering quality products and exceptional service to customers. Our key competitive advantage is supported by:

- Deep relationships with independent financial advisers (IFAs);
- Simplicity of infrastructure and systems relative to the complexity of competitors;
- Demonstrable and differentiated understanding of financial advice; and
- Ability to offer integrated life insurance and wealth management solutions.

The product strategy is based on simplicity and being easy to do business with:

- Offering a sustainable product and pricing with limited legacy issues. ClearView has already built the first iteration of the life product of the future in its Simple IP60 product.

- A simple Wealth product. Financial advisers face an increased cost to service clients - efficient operations and strong compliance measures in financial adviser practices is far more valuable than endless investment choices. WealthFoundations is well positioned to capitalise on the need for financial advisers to drive efficiency.
- Future state: a risk and wealth offering, combined sales effort leveraging distribution, and a focus on making product experience simple and efficient for financial advisers who need to maintain a sharp focus on practice efficiency meeting customer needs.

FY21 is a base transitional year with a focus on the profitable, sustainable growth of our life insurance business. Key focus areas for FY21 include customer retention, effective claims management, product design and pricing. This is reflected below:

FY21 key focus areas

Building Customer Loyalty and Sustainable Products

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
- 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

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 to streamline (enhance and improve) customer experience

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

ClearView's strategy at a glance

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 and 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 and profitable financial advice business

Governance | Risk | Compliance

People | Culture

Technology

*Policy administration system

The path to the future

ClearView of the Future

Life Insurance

- Design, Build and Implement New Customer Solutions on an integrated end-to-end PAS*
- Risk and wealth integrated offer, combined sales effort leveraging distribution
- Industry shifts (over time) to rational competitor pricing, increasing life sales and sustainable product features; which
- Leads to improvement in underlying profit margins and return on capital

Wealth Management

- Operate in the 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 the need for financial advisers to drive efficiency

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, financial advisers, regulators and shareholders
- Our systems and processes are forward looking to anticipate risks as they emerge

* Policy administration system

Our focus is on developing and embedding a governance and risk management framework with effective risk management controls that become an enabler for greater company focus, discipline, accountability and performance.

Regulatory environment and changes

The financial services industry has faced unprecedented regulation, scrutiny and disruption over the past few years. Given the broader life insurance industry performance (in particular losses on income protection products) and extremely difficult market conditions, in response, the Australian Prudential Regulation Authority (APRA) has recently intervened to start forcing structural change.

ClearView is committed to meeting its obligations to all stakeholders including clients, advisers, shareholders and regulators.

In the face of shifting client and regulator expectations, ClearView continues to improve its products, processes and systems while building out the expertise and capabilities of our people. We are fully supportive of sensible public policy and changes designed to improve consumer outcomes.

Royal Commission

The Final Report of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (Royal Commission), released on 4 February 2019, contained 76 recommendations (and a range of related observations) which have significant implications for financial services entities. The proposed recommendations aim to raise the bar on ethical behaviour and accountability in financial services and rebuild trust in the sector.

The Treasurer has released an 'Implementation Roadmap' outlining a timetable for the introduction of legislative reform addressing the Royal Commission recommendations. Many reforms have been released by Treasury as draft legislation but a number are now law. ClearView has identified a number of key regulatory matters, which will have an impact on the industry including:

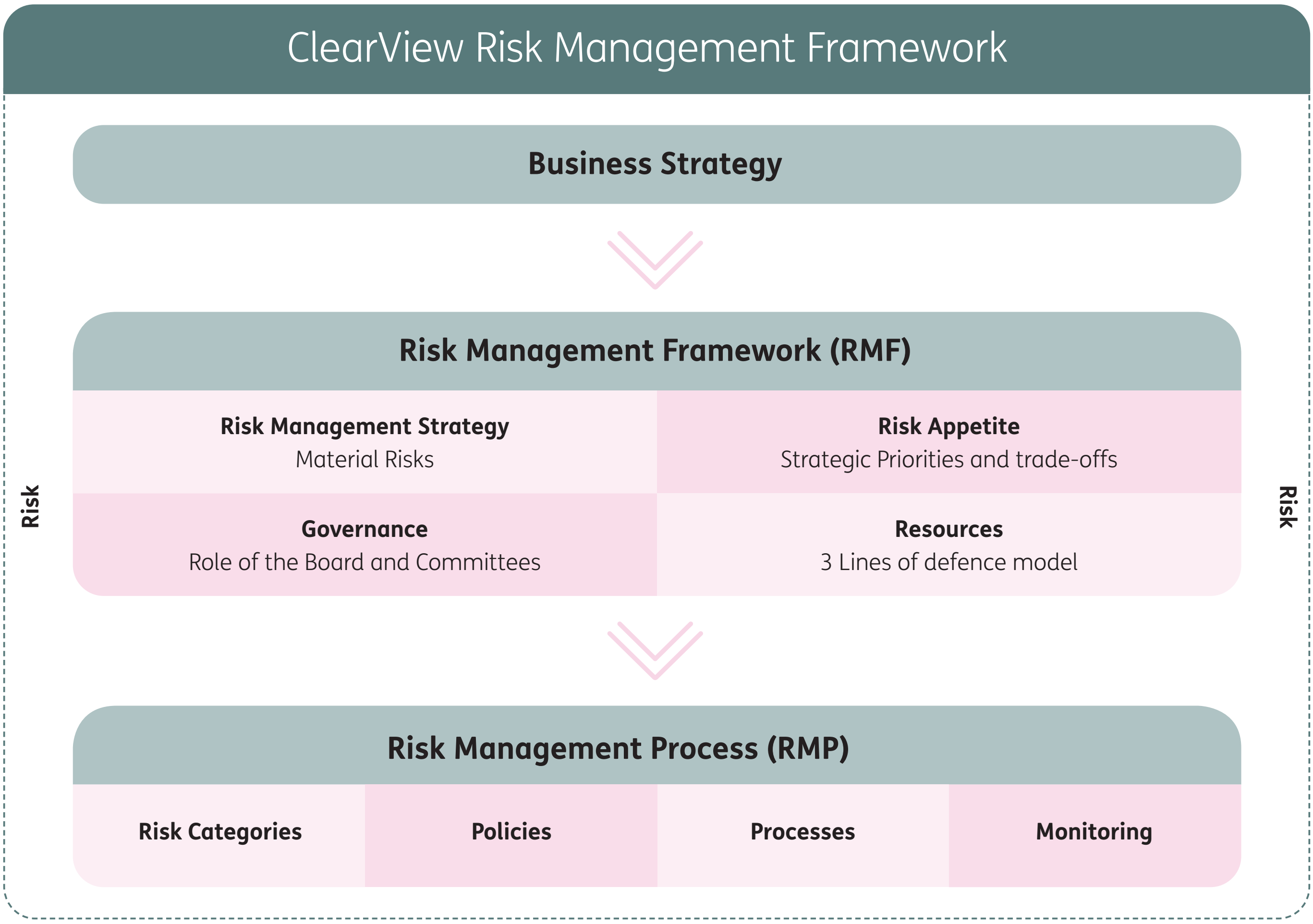
- Design and Distribution Obligations (DDO) and Product Intervention Powers;
- Life insurance-related reforms including the application of unfair contract terms to insurance and treating claims handling and settlement as a financial service;
- Superannuation-related legislative reforms including Protecting Your Super, and Putting Members' Interests First;
- Scrutiny on the management of conflicts of interest.
- Increased focus on the subjective notion of fairness and 'community expectations'; and
- Advisers are now subject to a Code of Ethics and will need to meet higher educational requirements. This is expected to result in a certain cohort of advisers leaving the industry.

ClearView continues to push for open life insurance Approved Product Lists (APLs) to give all financial advisers autonomy to choose the most appropriate solution for their clients based on their personal circumstances, needs and goals. The industry has made some progress in this area and further progress will lead to substantial benefit for consumers, advisers and ClearView.

Risk culture and remuneration

Risk management

ClearView's Risk Management Framework (RMF) enables the Group to develop and implement strategies, policies, and procedures to manage both financial and non-financial risks, including the governance that enables the Board and Management's oversight of these risks. The RMF incorporates the requirements of APRA's Prudential Standard CPS 220 Risk Management (CPS 220). The following diagram illustrates the key elements of the RMF:



The RMF is supported by three Board-approved documents:

- The Risk Appetite Statement (RAS) articulates the material risks that the Group is exposed to and specifies the type and level of risk ClearView is willing to accept in pursuit of strategic, business and financial objectives, giving consideration to the interests of members and policyholders. For further detail, see 'ClearView's Material Risks'.
- The Risk Management Strategy (RMS) describes the Group's strategy for managing current and emerging material risks, including an outline of risk management policies and processes and the risk governance structure.
- The Group Business Plan identifies and considers the material risks associated with ClearView's strategic objectives with a rolling three-year duration.

An Internal Capital Adequacy Assessment Process (ICAAP) is a key element of the RMF. An integrated approach to capital adequacy and risk management is adopted to ensure ClearView holds adequate levels of capital appropriate to the Group's risk profile and risk appetite. This involves risk management practices such as stress testing to understand, manage and quantify the Group's risks. The outcomes of these are used to inform risk decisions, set capital buffers and assist in strategic planning.

ClearView has adopted a *three lines of defence* approach to risk management whereby all employees are responsible for identifying and managing risk and operating within the Group's risk profile and appetite. The first line of defence comprises the business units which have ownership of risks and are responsible for day-to-day risk management decision-making involving risk identification, assessment, mitigation, monitoring and management. The second line of defence is the Group's Risk and Compliance function which assists the Board, BRCC and senior management team (SMT) in the ongoing development and maintenance of the RMF to ensure that it is appropriate to the Group's size, business mix and complexity. The third line of defence is the internal audit function that provides independent assurance to the Board, regulators, and other stakeholders on the effectiveness of risk management, internal controls and governance.

Review of the Risk Management Framework

Risk management is an integral part of the Group's management process and the independent risk function plays an important role in robust business decisions. In support of this, the Board established a standalone Chief Risk Officer (CRO) role and ClearView appointed a CRO in October 2019.

In response to the increasing regulatory focus on Governance, Culture, Remuneration and Accountability, the Board and management are committed to uplifting the Group's RMF to ensure robust risk management practices, that continues to embed a sound risk culture across the organisation. The following initiatives are underway to achieve these objectives.

Governance Risk and Culture (GRC) Risk Transformation Program

Enhancing the Risk Management Framework

Over the past year, the Board has set clear expectations on the delivery of the GRC Risk Transformation Program that has been established to enhance the Group's Risk Management Framework to ensure it remains robust, fit-for-purpose for the Group's size and complexity, as well as supporting its strategy in delivering balanced and sustainable outcomes for members, policyholders and investors. This includes incorporating enhanced risk management practices and anticipating and responding to regulatory change and regulatory and community expectations.

A number of key initiatives are in progress including further investment in the risk and compliance function that oversee the Group's financial and non-financial risk management, and first line risk resources in business areas to strengthen risk ownership, skills and capabilities across the three lines of defence. Enhancements have also been made to the Group Risk Management Strategy and Group Risk Appetite Statement, with work continuing to operationalise the risk metrics to foresee potential emerging risks, trends and issues across the Group's material risk types and to provide deeper insights to inform decision-making. Management are taking active steps to continue to improve the robustness of governance and reporting of all material financial and non-financial risks. This includes further investment in risk systems that will improve risk identification, reporting and data collection to better understand the root causes of issues, incidents and complaints.

Having a strong risk culture across the Group

ClearView places high priority on having a culture where governance, risk management and compliance are integral to day-to-day management decisions. The Board and Management recognise the importance of, and the role they play in, setting and embedding the desired risk culture, ensuring ClearView's risk culture is one of accountability, ownership and constructive challenge and in cascading the 'tone from the top'. Assessing and understanding the drivers of risk culture has been a key priority of the Board and Management. The Board and Management continue to progress the development of a sound risk culture framework, including the methodology to formally and consistently measure this across the Group. In addition, progress continues with enhancing the Group Remuneration Framework to ensure risk-related behaviours and outcomes are reflected in remuneration outcomes.

ClearView's material risks

ClearView's RAS clearly articulates the material risks that the Group is exposed to and specifies the type and level of risk ClearView is willing to accept in pursuit of its strategic, business and financial objectives. The RAS outlines ClearView's material risks from a strategic, customer, business and financial perspective and includes both Financial and Non-Financial Risks.

The material risk categories for ClearView are as follows:

Financial Risks

- Insurance Management
- Sustainability
- Liquidity and Credit
- Capital Management (Including Reinsurance)
- Investment Management and Market Risk (Interest Rate, Asset Liability Management)

Non-Financial Risks

- Operational
- Outsourcing and Supplier Management
- Information Security & Data Management
- Compliance
- Strategic
- Culture and Conduct
- Reputational
- Business Continuity, Disaster Recovery and Pandemic
- Environmental, Social and Governance

For each material risk, ClearView has set out the following:

- The maximum level of risk (risk tolerance) that it is willing to operate within, expressed as a risk limit and based on its risk appetite, risk profile and capital strength. Risk tolerances translate risk appetite into operational limits for the day-to-day management of material risks, where possible.
- The process for ensuring that risk tolerances are at an appropriate level, based on an estimate of the impact if risk tolerance is breached, and the likelihood that each material risk is realised.

The process for monitoring compliance with each risk tolerance and for taking appropriate action if it is breached; and the timing and process for review of the risk appetite and risk tolerances.

Remuneration

ClearView continues to review its remuneration framework with the intention of aligning it with the BEAR regime (on the basis it would apply to ClearView). Treasury published a draft proposal known as the Financial Accountability Regime (FAR) in January 2020. The current FAR roadmap has the revised draft emerging around the end of the FY20 financial year. The plan is for the framework to be applied in two stages. ClearView is also closely monitoring the regulatory guidance and changes recently issued by APRA.

In the interim, the remuneration framework continues to be developed and changes have been made to senior management team remuneration structures including deferral arrangements for short- term bonuses (from FY20) and appropriate vesting arrangements (including deferral mechanisms) for long-term incentives (also for new issues).

FY20 results overview

The world is grappling with unprecedented circumstances including significant economic, social and health challenges caused by the COVID-19 pandemic. ClearView is not immune to these challenges, however, in these difficult times, we are fortunate to have a sound business model, strong Balance Sheet and a recurring revenue base that creates a level of security for our staff, customers, adviser network and other stakeholders.

ClearView Life's insurance business key attributes both current and in relation to COVID-19 include:

- Operates in the retail life insurance segment;
- Offers risk insurance products that provide 24/7 worldwide cover without pandemic exclusions;
- A diversified customer base (87% of inforce portfolio written via financial advisers); and
- Does not participate in the group life insurance segment.

The majority of the revenue base is generated from premiums and fees charged in respect to in-force life insurance policyholders, funds under management and financial adviser services and licensing.

In the current environment, ClearView's relatively strong Balance Sheet and liquidity position supports its ability to continue meeting its obligations to policyholders and customers.

- Net shareholder cash position of $212 million - shareholder capital is conservatively invested in the large institutional Australian banks, with a focus on retaining a strong and conservative cash position.
- The majority of our shareholder capital is not exposed to mark-to-market movements.
- Past policy acquisition costs of $347 million are reflected on Balance Sheet and this asset converts to cash as future premiums are collected (subject to lapse risk). This asset is not counted for regulatory capital purposes under the APRA capital standards.
- Embedded Value (EV) of $643.4 million or 95.3 cents per share at 30 June 2020. The EV calculation reflects the cash flow generation from the in-force portfolios.
- ClearView Life was recently rated BBB+, Outlook Stable IFS rating by Fitch.
- ClearView Life's LifeSolutions product range is heavily reinsured with Swiss Re Life and Heath Australia (Swiss Re). An incurred claims treaty is now in place to protect reinsurance recoveries for both lump sum and income protection claims to manage the counterparty risk.
- ClearView has in a place a $60 million Debt Funding Facility, which had been fully drawn down as at 30 June 2020. The Facility was recently extended for a further three-year period, with a new maturity date of 1 April 2024.

COVID-19 specific responses

ClearView assessed certain stress test scenarios, as part of its response to managing risk in relation to COVID-19. The 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).

These scenarios considered business impacts (both capital and profitability) from COVID-19, including direct COVID-19 claims impacts (based on assumed infection, mortality and morbidity rates), indirect claims impacts (economic downturn induced), asset value impacts, adverse impact on delivery of key projects, reduced sales and elevated lapses, and premium suspension impacts.

ClearView Life's regulatory capital position is resilient to each of these scenarios.

Despite substantial uncertainty in relation to the impacts of COVID-19 (for example, the impact of the second wave in Victoria and the removal of government support measures), based on the current available data and trends in Australia, the 'baseline' view is that it seems unlikely that there will be a high number of direct COVID-19-related insured death claims. We note that mortality to date has tended to be in the older uninsured segment of the population and the number of cases has been relatively lower in Australia to this point. As such, the secondary economic impacts appear to be the key risk areas. This is likely to drive an increase in claims and lapses in the months ahead.

Given the evolution of the COVID-19 pandemic and the operating environment, initial scenarios have been updated as part of the Business Plan process. Four key environmental factors were considered as part of this process:

- Economic impacts of the pandemic (recession and unemployment rates);
- Structural changes to ClearView's distribution channels and size of the market;
- Return of rational pricing and longer term sustainability of margins (over time) within the life insurance industry amidst regulatory intervention; and
- Increased costs of doing business (reinsurance, regulatory and compliance costs).

Profitability can be sensitive within each scenario, in particular to claims and lapse assumptions.

ClearView's response includes:

- Focus on customer retention (including investment in a retention team) to manage price changes and COVID-19 impacts by providing alternatives to customers to improve premium affordability;
- New product development, starting with the alternative Indemnity 60 life product;

- Increase claims management resourcing, deeper engagement with claimants and enhancing systems support;
- Broaden distribution footprint to enter the larger addressable IFA market;
- Simple WealthFoundations product (integrated with life) aimed at IFAs seeking practice efficiency;
- Path to parity in Financial Advice to build a commercially sustainable business;
- Reprice to profitable segments over time (stay ahead of the curve);
- Material changes to the claims assumptions at 30 June 2020, including an allowance for shorter-term overlays to reflect expected COVID-19 related IP claims (incidence and terminations) and an increase in complex claims; and
- Changes to the lapse assumption to allow for shorter-term shock lapse overlays in response to price changes and secondary economic impacts from COVID-19.

Further details are provided later in the report.

ClearView has successfully implemented its business continuity plan, asking employees to work from home to prioritise their health and safety. This occurred relatively seamlessly by implementing robust processes to enable staff to operate effectively and efficiently from home.

ClearView also notes the following initiatives for customers as part of its COVID-19 response:

- No specific exclusions for claims arising from a pandemic event;
- Worldwide cover, meaning our customers are covered should something happen outside Australia;
- Healthcare workers are not prevented from accessing life insurance (in accordance with the Financial Services Council's Frontline Healthcare Worker initiative);
- LifeSolutions policies allow monthly premiums to be waived for up to three months, due to financial hardship caused by involuntary unemployment; and
- Policyholders can put all or part of their cover on hold for up to 12 months, without having to go through the underwriting process again to reinstate cover

The ClearView Crisis Management Team and the Board are meeting regularly to monitor the situation and are well prepared to take further corrective or remedial actions as required.

Overview of financial result

The ClearView Group achieved the following results for the year ended 30 June 2020.

After Tax Profit by Segment, $M	FY20 $M	FY19 $M	% Change[1]	2H FY20 $M	1H FY20 $M	% Change[1]
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[2] 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[2]	**14.7**	**25.1**	**(41)%**	**4.4**	**10.3**	**(57)%**
Policy liability discount rate effect[3]	2.2	6.6	Large	2.6	(0.4)	Large
Amortisation of acquired intangibles	-	(1.2)	Large	-	-	Large
Impairments[4]	(2.6)	(18.9)	Large	(2.6)	-	Large
Cost out program implementation costs	-	(3.8)	Large	-	-	Large
Other costs[5]	(1.2)	(3.8)	Large	(1.2)	-	Large
Reported Profit After Tax	**13.1**	**4.0**	**Large**	**3.2**	**9.9**	**Large**
Embedded value[6]	643.4	672.7	(4%)	643.4	669.0	(4%)
Net asset value[7]	452.7	439.1	3%	452.7	449.4	1%
Reported diluted EPS (cps)[8]	2.08	0.62	235%	0.53	1.55	(66%)
Underlying diluted EPS (cps)[8]	2.34	3.94	(41%)	0.72	1.62	(56%)

1 % movement, FY19 to FY20; 2H FY20 to 1H FY20; unless otherwise stated.
2 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 incurred disabled lives claims reserves and costs considered unusual to the Group's ordinary activities.
3 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.
4 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 ($2.6 million).
FY19 – Impairment related to certain software development costs (obsolete or reduced functionality) ($6 million) and the carrying values of goodwill and client books in the Financial Advice cash generating unit ($12.9 million).
5 Other Costs:
FY20 - related to costs associated with the HUB24 transaction ($1.2 million). Further costs to be incurred in FY21 as project progresses.
FY19 - related to costs associated with Direct Remediation Program ($0.9 million), Royal Commission costs ($1.5 million) and retention bonus payments paid to key individuals in September 2018 ($1.4 million).
6 Embedded Value at 4% discount rate margin, including a value for future franking credits, accrued franking credits and Employee Share Plan (ESP) loans. Embedded Value at 30 June 2020 includes various assumption changes. Refer to further detail in the sections that follow.
7 Net Asset Value as at 30 June 2020 excluding ESP Loans.
8 Impacted by ESP shares vested/forfeited during the period and changes to the number of ESP shares 'in the money' given the changes in ClearView's share price period on period.

Underlying NPAT, the Board's key measure of Group profitability and basis for dividend payment decisions, decreased 41% to $14.7 million (FY19: $25.1 million) and fully diluted Underlying EPS decreased 41% to 2.34 cps (FY19: 3.94 cps).

Reported NPAT, increased 230% to $13.1 million (FY19: $4.0 million) and reported diluted EPS increased 235% to 2.08 cps (FY19: 0.62 cps).

The decline in FY20 profitability was predominantly driven by poor underlying claims performance in the life insurance segment ($12.5 million adverse impact) and material changes that were made to claims assumptions in FY20, including an allowance to reflect an expected increase in COVID-19 related claims ($5.9 million adverse impact).

The result reflects broader industry trends and should be viewed in the context of overall industry performance, amidst extremely difficult market conditions. For the year ending 31 March 2020, the life insurance industry risk products lost $1.65

billion, largely attributable to a $1.4 billion loss on income protection (IP). This extended five-year industry IP losses to nearly $3 billion.

COVID-19 is also likely to drive a further increase in IP claims from the secondary economic impacts of pandemic (and social and health challenges).

In response to deteriorating performance across the industry, the Australian Prudential Regulation Authority (APRA) has recently intervened to start forcing structural change.

In light of the recent ClearView claims experience as noted above, material changes were made to the claims assumptions at 30 June 2020. The changes in claims assumptions adversely impacted the incurred claims reserves and FY20 result as follows:

- IP claims termination assumption change (change in claims basis) (-$3.1 million)
- IP COVID-19 termination assumption change (-$1.2 million); and
- Incurred but not reported (IBNR) assumption changes (IP and Lump Sum) (-$1.6 million).

On a like for like basis, excluding the impacts on claims assumption changes on each reporting period, Underlying NPAT would have reduced by 23% to $20.6 million (FY19: $26.9 million).

There was a significant improvement in lapse performance in 2H FY20, reflecting the implementation of repricing and customer retention strategies (including distribution initiatives that were implemented in FY19).

Details of the benefits of expense management in the current environment (and related government grants) are provided in the following section.

The impacts on the FY20 result in light of the Group's COVID-19 response include the grant of premium waivers for financial hardship requests and capping of certain IP price rises (-$1.3 million).

Items that have been identified by the Board as not representative of underlying business performance are not included in Underlying NPAT. The determination of these items was made after consideration of their nature and materiality and is applied consistently from period-to-period. Items not included in Underlying NPAT primarily result from costs relating to major restructuring initiatives, impacts on policy liability and disabled lives incurred claims reserves from changes in discount rates, impairments of assets, amortisation of acquired intangibles and other transactions outside the ordinary course of business.

The following items impacted the reported NPAT and comprised the items outlined in the table above:

Reconciling items ($M) (Net of Tax)	FY20	FY19
Policy liability discount rate effect	2.2	6.6
Amortisation of acquired intangibles	-	(1.2)
Impairments	(2.6)	(18.9)
Cost out implementation costs	-	(3.8)
Other costs	(1.2)	(3.8)
Total	**(1.6)**	**(21.1)**

Policy liability and disabled lives reserves discount rate effect

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.

For policy liability, this represents a timing difference in the release of profit and has no impact on underlying earnings. This movement in policy liability creates a cash flow tax effect.

For the incurred IP disabled lives claims reserves, this represents a change in the claims costs given the discounting of the incurred claims reserves at market discount rates.

In 2H FY20, ClearView invested in assets including inflation-linked bonds to duration match this liability (asset/ liability management). The extent that this investment impacted earnings with movements in long-term rates has also been reported below the line to offset the above-mentioned liability (claims cost) impact from changes in discount rates. In January 2020, a $29.5 million investment was made, with a hedge loss of $0.2 million after tax being incurred.

The net impact of the increase in long-term discount rates over FY20 caused an increase in after-tax reported profit of +$2.2 million (FY19: +$6.6 million).

Amortisation of acquired intangibles

Amortisation of intangibles (FY19: $1.2 million) is associated with the acquisition of wealth management and life insurance businesses from Bupa, and financial advice businesses, ComCorp and Matrix Planning Solutions. These are reported separately to remove the non-cash effect of the write-off of these acquired intangibles.

The reduction in the amortisation between periods is related to the acquisition of businesses from Bupa given these client books have now been written off in full. The balance of the acquired intangibles held in the Financial Advice segment were fully impaired as part of the impairment testing completed in June 2019.

Impairments

Impairment of carrying value of tax credit asset (FY20 impact)

The ClearView superfund, the ClearView Retirement Plan (CRP) has recognised a deferred tax asset for tax credits related to accumulated tax losses carried forward. Pursuant to the funding arrangement with ClearView Life, the CRP has also recognised a corresponding liability owed to ClearView Life of the same amount. These amounts relate to insurance premiums paid by members via rollover.

As previously communicated, there is currently insufficient taxable income in the CRP to utilise these tax credits. While strategies to utilise the carried forward losses in the CRP are well-progressed (a project as part of the broader wealth strategy), there is a risk this recovery is delayed or not fully achieved, which could result in an impairment of the carrying value of the asset.

In FY20, the carried forward assessed losses needed to be adjusted by the net current pension exempt income (ECPI) and net of the pension Foreign Income Tax Offset under the Tax Act prior to determining the carried forward tax losses position. As such, these assessed losses were reduced with the net impact being an impairment of the deferred tax asset recognised by the CRP of $2.6 million (as the losses are no longer considered recoverable). As a result, the liability owed by the CRP has been reduced by $2.6 million, and ClearView Life's receivable is reduced by the same amount. This has resulted in an impairment of the receivable from the CRP at 30 June 2020.

The carrying value of the asset within the Group at 30 June 2020 is $15.5 million.

Capitalised software impairment (FY19 impact)

In accordance with the impairment testing requirements under AASB 136 – Impairment of Assets, and subsequent to the FY19 IT strategy review, the carrying values of ClearView's capitalised software were revised.

As a result, certain software development costs were impaired at 30 June 2019 for obsolete or reduced functionality, or had their useful life reduced due to changes in the direction of the information technology strategy. This resulted in a software impairment of $6.0 million (after tax) at 30 June 2019.

An additional amortisation expense of $1.5 million was also recognised in FY19 due to the reduced useful life of the existing software intangibles and associated acceleration of amortisation (based on a revised intangible asset amortisation policy and the expected future benefits expected to be received).

The carrying value of capitalised software cost is $6.0 million at 30 June 2020 (FY19: $8.6 million).

Impairment of acquired Financial Advice client books and goodwill (FY19 impact)

In accordance with the impairment testing requirements under AASB 136 – Impairment of Assets, and subsequent to the dealer group review in FY19, the carrying values of goodwill and client books in this segment were revised. Goodwill and the client books were assessed and tested based on a discounted cash flow model (value-in use). This was prepared assuming a set of assumptions including the repricing of dealer services fees and the removal of grandfathered rebates and related revenue streams (over time).

Based on the testing performed, the $7.9 million carrying value of goodwill and $4.9 million of client books in the Financial Advice cash generating unit was impaired at 30 June 2019. The total impairment of both these assets ($12.9 million) was reported as a cost considered unusual to the group.

Based on impairment testing, the net assets of the Financial Advice segment are now included in the Embedded Value calculations, with an overall net reduction of $28.3 million in June 2019 (including previously reported value of franking credits of $7.7 million) in the Embedded Value at 30 June 2019.

Cost out program implementation costs (FY19 impact)

These relate to the upfront implementation costs associated with the cost out program in 2H FY19 and includes redundancy costs, IT transformation costs and an onerous rent provision. These costs are associated with a major restructuring initiative and are considered unusual to the ordinary activities.

Costs unusual to ordinary activities

Costs that are considered unusual to ClearView's ordinary activities are not reflected as part of Underlying NPAT.

In FY19, these related to costs associated with the Direct Remediation Program ($0.9 million after tax), Royal Commission costs ($1.5 million after tax) and retention bonus payments paid to key individuals in September 2018 ($1.4 million after tax).

In FY20, ClearView incurred a $0.7 million cost in relation to the settlement of a contractual commitment with a ClearView Financial Advice practice. Furthermore, on entering into contractual agreements with financial advisers of ClearView Financial Advice more broadly, certain client books were transferred to the relevant financial advisers with payments being made weekly over a three year period which resulted in the revenue ($0.8 million) being recognised upfront.

The net impact of the new arrangements entered into therefore broadly offset each other in FY20. A further amount of $0.3 million of revenue is likely to be recognised upfront in FY21 on finalisation of the remaining contracts.

(See Financial Advice result for more information)

Cost base, technology review and changes

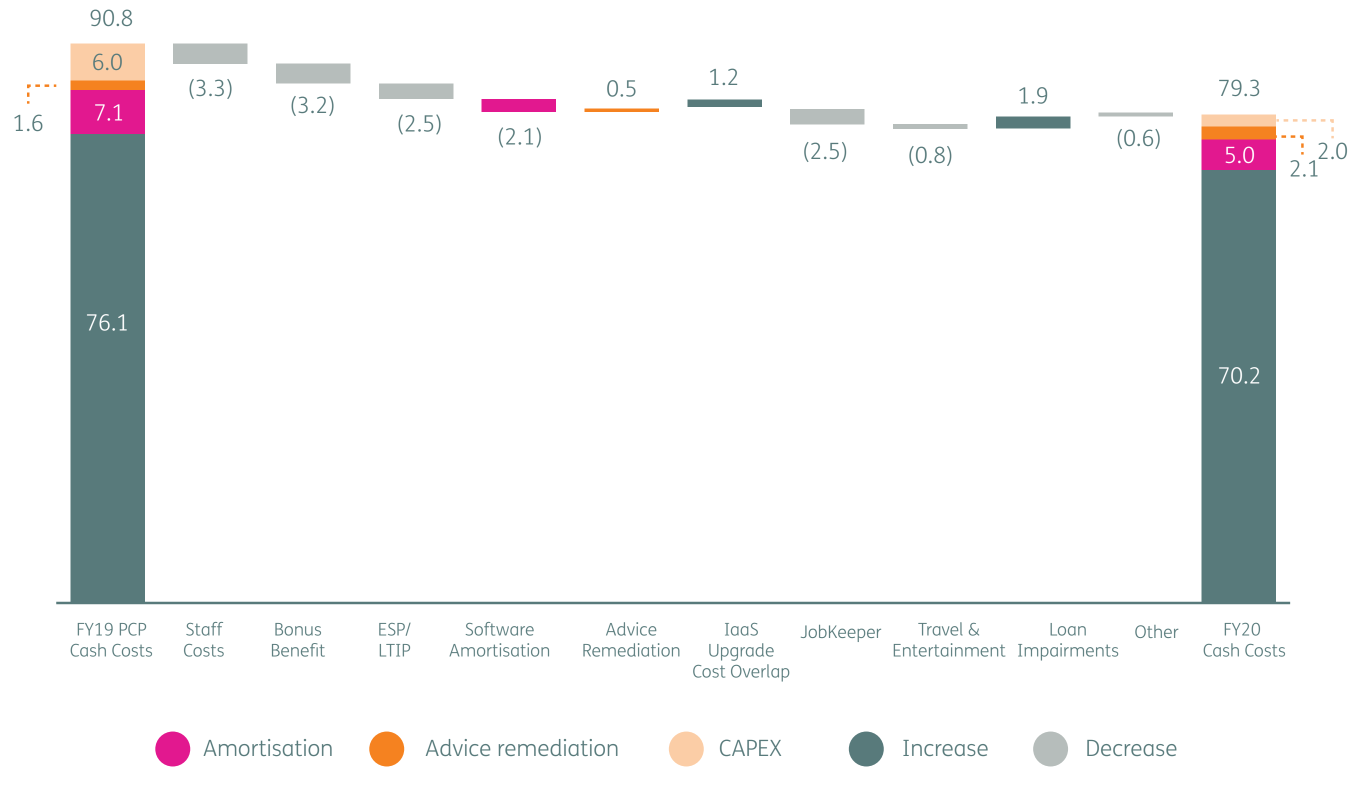
Total cash costs of $79.3 million (FY19: $90.8 million) in FY20 reflect a reduction in cash costs of $11.5 million (-13%). This was driven by the cost out program implemented in the 2H FY19 and other benefits as outlined below.

The comprehensive IT strategy review that was completed in 2H FY19 assessed the Group's technology; scoped the future technology needs of our business; and established a clear development roadmap for a robust, scalable platform that can grow as the business grows.

ClearView continues to explore the implementation of a new life insurance Policy Administration System (PAS) and Underwriting Rules Engine (URE), with a proof of concept successfully completed for the PAS in 2H FY20 (formal implementation assessment and plan now underway) and the selection of a URE provider complete (implementation phase in progress). The design, build and implementation of new customer solutions on an integrated end-to-end PAS is a key strategic focus. Further details on the PAS project will be provided as it progresses.

There was a substantial reduction in IT capital expenditure in 2H FY20 (including IT program office related head count). This, coupled with the impacts of changes to the capitalisation policy in FY19, resulted in a lower quantum of the total costs incurred that has been capitalised on the Balance Sheet. Operating costs expensed, therefore, reduced by $7.6 million (-9%) to $77.2 million (FY19: $84.8 million), which is reflected in the following chart.

Chart 1: Cash cost expense analysis FY19 vs FY20 cost base



Material cost reductions in FY20 include:

- Staff and related savings from the cost implementation program across functional and shared services areas (-$3.3 million);
- In light of the adverse impact of COVID-19, challenging market conditions and industry performance, no FY20 bonuses are payable (-$3.2 million);
- Reduction in employee share plan and longer term incentive costs in FY20 (-$2.5 million); and
- Reduction in software amortisation costs (-$2.1 million).

Partially offset by:

- Advice remediation costs from ongoing compliance monitoring and file reviews in the Financial Advice business – now completed (+$0.5 million);

- Increase in credit loss provisions for ESP loans on Balance Sheet (-$1.2 million) and adviser loans (-$0.7 million); and
- Duplication of costs from the upgrade of core IT infrastructure in FY20 (+$1.2 million).

Work is close to completion on upgrading ClearView's core IT infrastructure including desktop technology. The company has consolidated its data centres and is transitioning suppliers, which will deliver a more robust and effective IT infrastructure as a service.

As the managed services costs associated with the new Infrastructure as a service environment were implemented (during the transition phase), there has been a short-term cost overlap with the incumbent IT managed services in 2H FY20.

The focus of these changes is to ensure that ClearView can improve both client and adviser service and adapt to ongoing industry changes in a fast, effective manner.

Key expense reductions related to COVID-19 and managing the business during this period include:

- Opting into the JobKeeper program based on the eligibility of meeting the basic decline in turnover test by the centralised employment entity in the group, ClearView Administration Services Pty Limited (CAS). CAS received a JobKeeper benefit of $2.5 million to 30 June 2020 and is expected to be eligible to participate in the program until the end of September based on the legislation in place at the date of the report; and
- Reduction in travel, conference and entertainment expenditure in light of the restrictions in place from COVID-19 (-$0.8 million) but was predominantly offset by the increased annual leave and long service leave costs (+$0.6 million) over this time.

The business is now focused on effective cost management and executing its renewed IT strategy and road map. A reinvestment is also being made into the business with the further investment in claims (area of focus given the resourcing needs for IP claims), strengthening of the risk and compliance team to support ongoing regulatory change and retention initiatives.

The table below reconciles the FY20 operating expenses analysed in Chart 2 with the reported operating expenses in the annual financial statements.

Chart 2: Reconciliation of operating expenses to reported operating expenses per financial statements

Reconciliation of operating expenses to reported operating expenses per financial statements	FY20 $M	FY19 $M
Operating expenses per chart 1	**77.2**	**84.8**
Custody and investment management expenses	9.3	9.8
Depreciation and software amortisation	(5.7)	(7.8)
Stamp duty	9.9	10.4
Depreciation of right of use assets	(1.6)	-
Medical costs	1.5	2.2
Interest expense	1.5	0.7
Reinsurance technology costs	0.5	-
Wealth management project	2.0	-
Cost out program implementation costs	-	5.4
Recoverable adviser related costs	2.5	2.4
Direct remediation and Royal Commission costs	-	3.4
Impairments	2.6	-
Retention bonuses	-	2.1
Expense associated with buy out of adviser contractual arrangement	0.7	-
Other expenses	2.1	1.1
Operating expenses per financial statements	**102.5**	**114.6**

Operating segment review

Life Insurance

The FY20 financial performance is detailed below.

Life Insurance result:

12 Months to June 2020 ($M)[1]	2019			2020			%
	1H	2H	FY19	1H	2H	FY20	Change[2]
Gross life insurance premiums	117.0	116.6	233.6	124.2	126.5	250.7	7%
Interest income	1.5	1.4	2.9	1.0	1.3	2.3	(20%)
Net claims incurred	(17.0)	(18.9)	(35.9)	(22.6)	(35.5)	(58.1)	62%
Reinsurance premium expense	(34.1)	(37.5)	(71.6)	(41.1)	(45.3)	(86.4)	21%
Commission and other variable expenses	(30.6)	(25.6)	(56.2)	(24.3)	(22.4)	(46.7)	(20%)
Operating expenses	(26.9)	(25.0)	(51.9)	(24.4)	(21.6)	(46.1)	(11%)
Movement in policy liabilities	7.1	3.9	11.0	(0.3)	0.6	0.3	(98%)
BU Operating NPBT	**17.0**	**14.9**	**31.9**	**12.4**	**3.5**	**15.9**	**(50%)**
Income tax (expense) / benefit	(5.1)	(4.8)	(9.9)	(3.7)	(1.4)	(5.1)	(48%)
BU Operating NPAT	**11.9**	**10.1**	**22.0**	**8.7**	**2.1**	**10.8**	**(51%)**
Interest expense on corporate debt (after tax)	-	-	-	-	(0.3)	(0.4)	Large
Underlying NPAT	**11.9**	**10.1**	**22.0**	**8.7**	**1.7**	**10.4**	**(53%)**
Policy liability discount rate effect (after tax)	2.2	4.4	6.6	(0.4)	2.6	2.2	(68%)
Impairments	-	(5.0)	(5.0)	-	(2.6)	(2.6)	(47%)
Cost Out Program Implementation Costs	-	(1.5)	(1.5)	(0.1)	(0.5)	(0.6)	(63%)
Direct Remediation Program and Royal Commission Costs	-	(2.0)	(2.0)	(0.5)	0.1	(0.4)	(81%)
Other costs	-	(0.9)	(0.9)	-	0.3	0.3	Large
Reported NPAT	**14.1**	**5.1**	**19.2**	**7.7**	**1.7**	**9.4**	**(52%)**

1 Shareholder view excludes the life investments contracts (i.e. unit linked business) and deconsolidates retail unit trusts and reflects fees earned by the shareholder less expenses incurred. Inter-segment revenues/expenses are not eliminated in the shareholder view.

2 % change represents the movement from FY19 to FY20.

Life Insurance

Underlying Life Insurance NPAT, decreased by 53% to $10.4 million (FY19: $22.0 million). Reported NPAT, decreased by 52% to $9.4 million (FY19: $19.2 million).

Chart 3: Analysis of BU Operating NPAT FY18- FY20:

Life AoP ($M)	2020				
	1H	2H	FY20	FY19	FY18
Expected Underlying NPAT[1]	**15.5**	**15.3**	**30.8**	**31.9**	**32.2**
Claims Experience	(4.7)	(7.8)	(12.5)	(3.4)	(5.5)
Lapse Experience	(1.4)	0.1	(1.3)	(5.6)	(2.1)
Expense Experience	0.3	(0.1)	0.2	1.1	0.5
Other	(1.1)	0.6	(0.5)	(0.2)	0.9
BU Operating NPAT before claims assumptions	**8.6**	**8.1**	16.7	**23.8**	**26.0**
Claims Assumption Changes	-	(5.9)	(5.9)	(1.8)	-
BU Operating NPAT	**8.6**	**2.2**	**10.8**	**22.0**	**26.0**

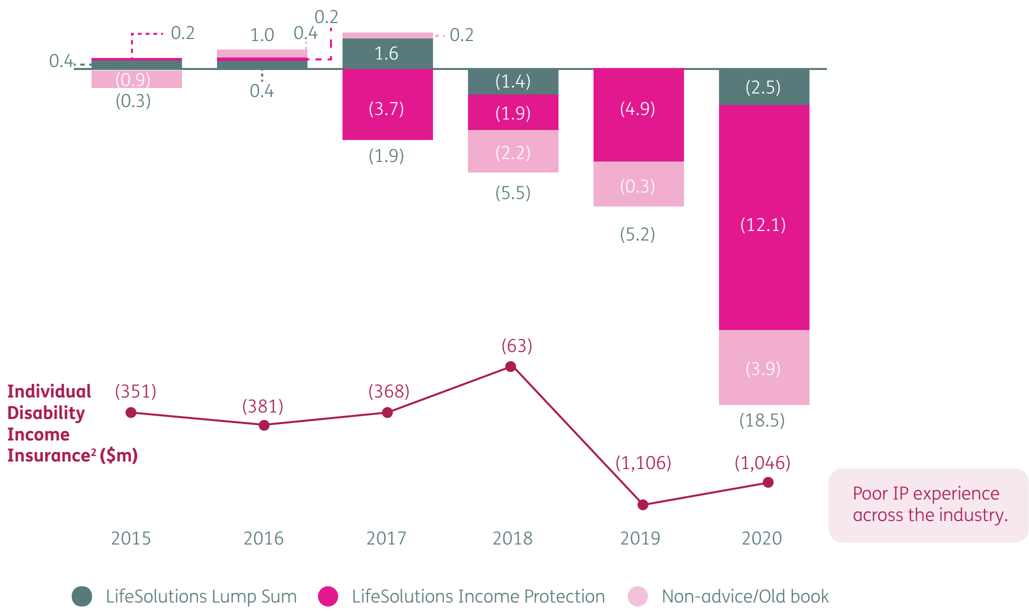
The FY20 result was impacted by a deterioration in claims, in particular IP incidence and termination experience, and an increase in death related claims across the portfolio. However, there was a significant improvement in lapse performance in 2H FY20, reflecting the implementation of repricing and retention strategies. This resulted in a lapse profit of $0.1 million in 2H FY20.

As at 30 June 2020, material changes had been made to the claims assumptions, in light of the adverse experience. These changes are explained below.

On a like for like basis, excluding the impacts on claims assumption changes in each reporting period, Underlying NPAT would have reduced by 30% to $16.7 million (FY19: $23.8 million).

ClearView's focus remains on retention initiatives (in light of the repricing and COVID-19 impacts), claims management, continuing to review our pricing profile and addressing the fundamental issues with IP products offered in the market.

Chart 4: Claims experience ($m)



1 Expected Underlying NPAT of $30.8 million reflects expected profit margins on in-force portfolios based on actuarial assumptions.

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

The adverse claims experience can be broken down as follows:

- Changes to the claims assumptions of $5.9 million (FY19: $1.8 million)
- ClearView LifeSolutions lump sum portfolio adverse experience of $1.5 million in FY20 (FY19: $0.1 million adverse experience);
- ClearView LifeSolutions IP portfolio reflects adverse experience of $7.1 million in FY20 (FY19: $3.1 million adverse experience); and
- Direct portfolios (closed to new business) reflects adverse experience in FY20 of $3.9 million (FY19: $0.2 million adverse experience).

FY20 included some adverse claims experience across the ClearView LifeSolutions lump sum portfolio. Prior to this, the experience had been broadly neutral over a five-year period, albeit with some volatility between periods. ClearView continues to have significant reinsurance support for its LifeSolutions portfolio including an incurred claims treaty to manage the reinsurer concentration risk.

The direct portfolios, including the book that was closed to new business in FY17, has reflected a deteriorating trend over the more recent years, noting that the surplus reinsurance program of the portfolio acquired from Bupa in 2010 retains more risk than the ClearView LifeSolutions products but has historically reflected claims profits over a longer period of time, albeit with some volatility between periods.

For the year ending 31 March 2020, the life insurance industry risk products lost $1.65 billion, largely attributable to a $1.4 billion loss on income protection (IP). This extended five-year IP losses to nearly $3 billion.

The poor performance in IP is being driven by underpricing and generous benefits that have not kept up with societal trends.

APRA recently completed an individual disability income insurance (IDII) thematic review which involved asking companies to conduct a self- assessment in relation to strategy and governance, pricing and profitability, improving data quality and resourcing.

In December 2019, APRA imposed several IDII sustainability measures on the industry including certain changes to policies offered and Pillar 2 capital charges on life insurance companies and friendly societies that sell IP products.

ClearView is supportive of APRA's initiatives to strengthen consumer protections, improve the design of life insurance products and encourage more Australians to gain adequate cover. Based on its understanding of APRA's position, ClearView has prepared an IDII action plan that includes a body of work required to ensure our IDII products continue to be appropriate and satisfy the regulatory intent and requirements of this initiative.

APRA's measures require the industry to examine the appropriateness and sustainability of their products and take necessary action to satisfy the requirements of all stakeholders by 30 June 2021, or risk further action which may include additional capital charges and/or 'Directions' to cease writing IP insurance.

ClearView has the ability to implement changes relatively quickly, particularly in relation to issues associated with terms and benefits offered by the market for IP products. ClearView has already commenced a comprehensive review of its LifeSolutions IP product series with a focus on product pricing and design.

ClearView ceased the sale of Agreed Value contracts for IP in mid-March and launched a new indemnity type IP option in 2H FY20 to offer a lower maximum monthly benefit at a lower premium rate. Although it is early days, this product has been positively received by the market with sales of $0.5m in 2H FY20.

Furthermore, the customer retention strategies that have been adopted include providing consumers with alternatives such as reduced indexation benefits or shifts to alternative product features that keeps the premiums more affordable (relative to the price increases adopted).

The premium rate changes were implemented from April 2020 to reflect increased claim costs, revised claims assumptions on IP products and changes in reinsurance costs.

ClearView has started to implement early intervention techniques to improve claims outcomes and is increasing claims resourcing levels to ensure appropriate case management by claims assessors. A further assessment of technology automation is also underway.

IP claims are likely to increase in the COVID-19 environment and ClearView expects to see an increase on mental illness claims. This is reflected in ClearView's shorter term overlay assumptions adopted.

The material changes to the claims assumptions adopted at 30 June 2020 (and included in both the policy liability and EV calculations) are as follows:

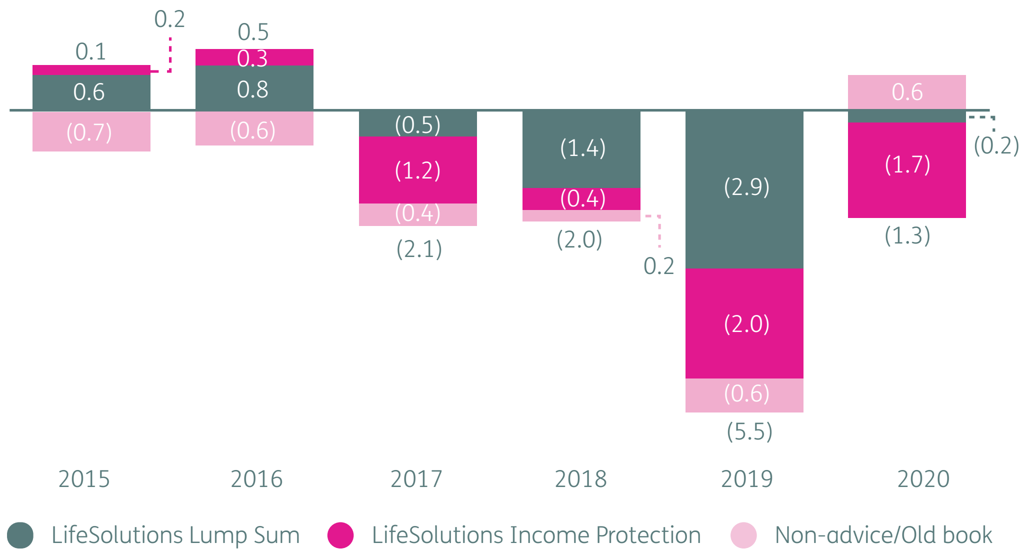
- Increased IP claims cost by 35% (gross of reinsurance)
- Increased LifeSolutions (Death full cover) claims cost by 25%
- Increased Legacy and Non-advice (Death full cover) claims cost by 20%; and
- Allowance made for shorter term overlays to reflect expected COVID-19 related claims (incidence and terminations)

These changes in assumptions, in particular to the IP claims termination rates and incurred but not reported (IBNR) assumptions, adversely impacted FY20 result by -$5.9 million (FY19: -$1.8 million). The breakdown is as follows:

- IP claims termination assumption change (change in claims basis) (-$3.1 million);
- IP COVID-19 termination assumption change (-$1.2 million); and
- IBNR* assumption changes (IP and Lump Sum) (-$1.6 million).

The actuarial best-estimate assumptions adopt a long-term view and are based on expectations that claims experience will average out over time.

Chart 5: Lapse experience ($m)



The adverse lapse experience (relative to the lapse assumptions in the Life Insurance policy liability determined at 30 June 2019) across products resulted in an experience loss in HY20 of $1.4 million (HY19: $2.9 million loss).

This is broken down as follows:

- ClearView LifeSolutions lump sum portfolio reflects adverse experience in FY20 of $0.2 million (FY19: $2.9 million adverse experience);
- ClearView LifeSolutions IP portfolio reflects adverse experience in FY20 of $1.7 million (FY19: $2.0 million adverse experience); and
- Direct portfolios (closed to new business) reflects positive experience in FY20 of $0.6 million (FY19: $0.6 million adverse experience)

The business has experienced a significant improvement in lapse performance in 2H FY20 reflecting the retention strategies and benefits from the distribution initiatives implemented in FY19.

Further changes have also been made to the lapse rate assumptions to allow for shorter-term shock lapse overlays to reflect price changes and any secondary economic impacts from COVID-19. The shock lapses assumed were as follows:

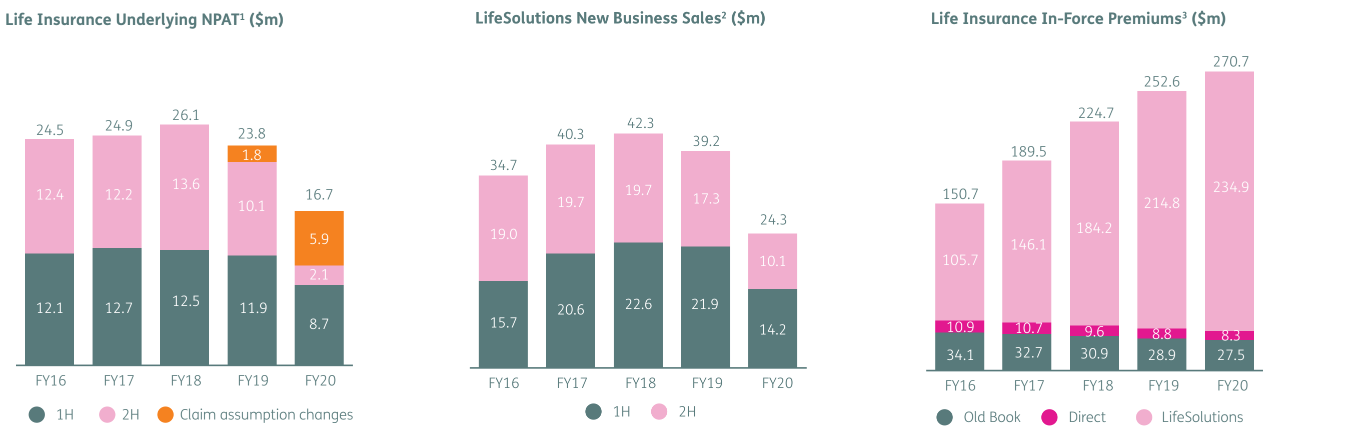
- 5% in FY21 and 2.5% in FY22 for LifeSolutions; and
- 2.5% for the closed books in FY21.

Other points to note:

- Non-deferred expense experience profit in FY20 ($0.2 million).
- Investment earnings are impacted by the reallocation of shareholder capital to the Life Insurance segment (given the increased capital requirements as the portfolio grows) but offset by lower interest rates on physical cash between periods.
- Subsequent to the half-year end, ClearView invested $29.5 million across its CFML funds: Macquarie True Index Fund which invests in very high quality bonds, principally issued by Australian Governments; and the Vanguard Inflation Linked Fund which invests in CPI-linked, very high quality Australian government bonds. This has been done to help achieve asset/ liability matching.

- The increased reinsurance expense reflects changes to reinsurer pricing and is also aligned to the growth in in-force portfolios (which reflects the upfront reinsurance support provided in the first year of a policy by the reinsurer).
- In order to manage ClearView's financial exposure to its reinsurer ClearView entered into an incurred claims treaty with its main reinsurer Swiss Re Life and Health Australia (Swiss Re) in December 2019 for its lump sum portfolio. Under the treaty, ClearView LifeSolutions lump sum claims are settled on a comprehensive earned premium and incurred claims basis. Each quarter, Swiss Re will settle the incurred but not reported claims (IBNR) and reported but not admitted claims (RBNA) based on best estimate assumptions, consistent with ClearView's statutory and regulatory reported results and based on the applicable Australian Accounting Standards (excluding risk margins, profit margins and capital margins). As at 30 June 2020, $35.6 million had settled under the treaty.
- Subsequent to year-end ClearView also entered into an incurred claims treaty with Swiss Re Life for its IP portfolio.
- Under the treaty, ClearView LifeSolutions IP claims are substantially settled on an earned premium and incurred claims basis. Each quarter, Swiss Re will settle a substantial component of the outstanding income protection claims liabilities, the incurred but not reported claims (IBNR) and reported but not admitted claims (RBNA) based on best estimate assumptions, consistent with ClearView statutory and regulatory reported results and based on the applicable Australian Accounting Standards (excluding risk margins, profit margins and capital margins).
- A further $74 million will be received from Swiss Re on entering the income protection incurred claims treaty. Swiss Re will be retaining the duration and matching risk on the incurred claims treaty.
- ClearView pays an interest charge on the liabilities related to the settlement of the incurred liabilities. This cost started to come through in 2H FY20 on the lump sum incurred claims treaty, but will increase further on implementation of the IP incurred claims treaty. This has been included in the increased reinsurance costs assumptions in the embedded value calculations at 30 June 2020.
- As a result of entering into the new 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.
- Lower life insurance initial commission in FY20 was driven by the implementation of the LIF reforms (the upfront commission cap reduced to 80% in calendar year 2018, 70% in calendar year 2019 and 60% in calendar year 2020) coupled with reduced new business volumes. These acquisition costs are deferred and amortised within the policy liability over the expected life of the policies, in accordance with accounting standards.
- Changes in variable expenses relate to stamp duty and medical policy acquisition costs driven by changes in new business volumes between periods.

Chart 6: Life Insurance key performance indicators



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.

ClearView LifeSolutions is now on 592 APLs (up 11% on 532 in FY19). Formerly aligned licensees and advisers are starting to broaden their APLs, due to changing client expectations and the consolidation or closure of larger dealer groups. Gaining access to larger licensees will materially expand ClearView's distribution footprint over time.

- In-force premiums increased 7% to $270.7 million in FY20. The Life Insurance in-force movement is driven by the net impacts of new business, premium rate increases, lapse and CPI/aged-based variances.
- The Life Insurance in-force portfolio at 30 June 2020 is made up of ClearView LifeSolutions, ($234.9 million; +9%); non-advice ($8.3 million; -5%) and the Old Life Book ($27.5 million -5%).
- The mix of products making up the in-force portfolio has changed materially with the flagship product ClearView LifeSolutions, now representing 87% of total in-force premiums. This links to the margin shifts across the portfolio.
- The direct business was closed in 2H FY17 which means the in-force portfolio is in run off.
- Gross premiums increased 7% to $250.7 million with sales of contemporary life insurance products down 38% to $24.2 million.

The advised retail life insurance market has numerous challenges that are impacting sales in the short- to-medium-term. Key contributors to reduced industry new business volumes include:

- Bank distribution withdrawal (bank referral network reduction);
- Life specialists ageing and retiring (as part of overall adviser exits);
- The need for advisers to devote more time to FASEA (studying not selling); and
- LIF commission reductions, making it less worthwhile for advisers (costs versus effort).

Life insurance APLs are finally beginning to open up, which is creating opportunities for ClearView to do business with more IFAs. Restricted life insurance APLs have historically been used by institutionally-owned licensees to channel clients into in-house product and prevent aligned advisers from recommending competitor products. However, the exit of the banks from life insurance and personal advice has forced many former institutionally-aligned advisers to join boutique AFSLs or establish their own AFSL.

ClearView's strong presence and reputation in the IFA market, as well as its diversified model, positions it to strongly support advisers and forge new relationships. The addressable IFA market is becoming larger with open APLs, however, this is currently being obscured by irrational competitor pricing, shrinking IFA life sales and unsustainable product features.

In the shorter-term the industry dynamic appears to be a limiting factor to life sales, but the industry repricing cycle has commenced coupled with the reworking of product features. The longer-term sales effort is likely to expand beyond pure risk advisers. The shift of risk-focused financial advisers to holistic strategic advice opens an avenue for a simple and effective wealth management solution. The existing ClearView distribution 'scale' is waiting to be utilised in a dual-purpose way to service customers. This is reflected in our distribution footprint:

- Growing list of 49 Wealth APLs for WealthFoundations; and
- Presence on 592 Life Insurance APLs.

For the year to 30 June 2020, the IFA market represented 90% of ClearView LifeSolutions sales, compared to 83% in FY19.

The widening of the distribution landscape and potential opening of APLs, coupled with the narrowing in supply of manufacturers due to market consolidation, positions ClearView well in the advised life insurance market which is expected to benefit from changes in the group and direct life insurance markets.

Operating segment review

Wealth Management

The FY20 financial performance is detailed below.

Wealth Management financial result:

12 Months to June 2020 ($M)[1]	2019 1H	2019 2H	2019 FY19	2020 1H	2020 2H	2020 FY20	% Change[2]
Fund management fees	17.7	16.7	34.4	16.7	15.8	32.5	(6%)
Interest income	0.3	0.2	0.5	0.3	0.2	0.5	(5%)
Funds management expenses	(4.9)	(4.6)	(9.5)	(4.8)	(4.5)	(9.3)	(2%)
Variable expense[3]	(3.0)	(2.9)	(5.9)	(2.8)	(2.6)	(5.4)	(8%)
Operating expenses	(7.5)	(7.8)	(15.3)	(7.4)	(6.7)	(14.1)	(7%)
Underlying NPBT	**2.6**	**1.7**	**4.3**	**2.0**	**2.1**	**4.1**	**(3%)**
Income tax (expense) / benefit	(0.5)	(0.2)	(0.6)	(0.3)	(0.2)	(0.5)	(21%)
Underlying NPAT	**2.1**	**1.5**	**3.6**	**1.7**	**1.9**	**3.6**	**(0%)**
Amortisation of acquired intangibles	-	(0.1)	(0.1)	-	-	-	N/A
Impairments	-	(1.1)	(1.1)	-	-	-	N/A
Cost Out Program Implemenation Costs	-	(0.4)	(0.4)	-	-	-	N/A
Wealth Project Costs	-	-	-	-	(1.4)	(1.4)	Large
Other costs	-	(0.2)	(0.2)	-	-	-	N/A
Reported NPAT	**2.1**	**(0.3)**	**1.8**	**1.7**	**0.5**	**2.2**	**20%**

1 Shareholder view excludes the life investments contracts (i.e. unit linked business) and deconsolidates retail unit trusts and reflects fees earned by the shareholder less expenses incurred. Intersegment revenues/expenses are not eliminated in the shareholder view.
2 % change represents the movement from FY19 to FY20.
3 Variable expenses include the platform fee payable on WealthSolutions and the internal advice fee payable to the Financial Advice segment on the Master Trust product

Wealth Management

Wealth Management Underlying NPAT is broadly neutral at $3.6 million (FY19: $3.6 million) and Reported NPAT up 20% to $2.2million (FY19: $1.8 million).

Fees earned on average FUM balances are the key profit driver in the segment. Investment earnings are impacted by the reallocation of shareholder capital between segments and movement in market interest rates earned on the capital invested in short-term deposits and fixed interest assets between periods.

ClearView does not invest directly in assets but outsources the selection and ongoing management of underlying shares and securities to third party fund managers.

The FY20 result reflects a significant improvement in net inflows of $189 million in contemporary products ($25 million outflows in FY19). Net outflows from the closed Master Trust product also improved to $94 million in FY20, down 31% on FY19 (net outflows of $137 million).

This resulted in an increase in FUM of 1% to $2.78 billion. Investment performance was broadly neutral in FY20 (FY19: 7%). The mix of products making up the portfolio has changed materially with contemporary products now representing 75% of total FUM.

Overall, a decrease in gross fee margin (1.16% vs 1.23%) and net fee margin earnings (0.68% vs 0.63%) led to a reduction in fees to $32.5 million (down 6%):

- WealthSolutions fee income fell 4% compared to an increase in average FUM balances of 1%. WealthSolutions fees are down to $11.6 million (includes external platforms of $1.7 million) (FY19: $12 million). This was adversely impacted by a reduction in the net average fee rate to 0.76% (vs 0.80% in FY19), reflecting price changes to position the product more competitively.

- WealthFoundations fee income increased 11% to $4.7 million (FY19: $4.2 million) compared to an increase in average FUM of 20%. This was adversely impacted by a lower net average fee rate of 0.89% (vs 0.96% in FY19), reflecting the launch of new products and price changes.
- The Master Trust product is effectively a closed book with a portion of FUM in pension phase. The FY20 result includes impacts from the margin compression of the gradual run-off of the Master Trust product that is being replaced by lower margin new business written for new contemporary products (fee income down 11% to $16.3 million broadly in line with average FUM balances (-12%) (FY19: $18.2 million)).

Key drivers to the margin changes were as follows:

- Pricing changes adopted in 2H FY19 on the WealthSolutions platform product;
- Introduction of lower cost true index options in WealthFoundations product; and
- Changes in mix of business, between products and investment options.

The repricing of the WealthSolutions platform product had two main objectives:

- Improve fee competitiveness, particularly given competitor solutions and product positioning; and
- Progressively enhance model portfolios and platform funds to increase the suite of models available and create a compelling value proposition for customers and advisers.

This resulted in a significant improvement in flows, with net inflows of $67 million into WealthSolutions in FY20 (net outflows of $29 million in FY19).

Further margin compression on the traditional wealth management products are expected in FY21, both through further changes in the mix of business coupled with price reductions in light of the market environment and competitor product positioning.

The current wealth management retail market continues to be impacted by platform (product) pricing and technology competition, technology cost and disintermediation (removal of rebates).

Historically, wrap platforms have been the popular choice for managing clients' superannuation and investment products. These platforms provided high levels of functionality along with both investment and tax reporting capabilities. In contrast, master trust platforms diminished in popularity due to lack of functionality and competitive pricing.

The effect of industry shifts is that simple but effective investment products and platforms will allow financial advisers to focus on financial advice and the product manufacturer to focus on the delivery of effective solutions.

ClearView's response to these issues has been a major project designed to:

- Seek a modern replacement solution for its wrap technology that is well priced in the market but provides the ability for the wealth business to deliver simple and effective investment products across platforms;
- Have a technology capability that is able to provide a simple master trust style product that is efficient for advisers to meet customer needs;
- Address and close out the tax credit issue in our superfund; and
- Deliver new products to the market in the future.

ClearView has selected HUB24 Limited (HUB24) as its strategic wrap platform provider following a comprehensive market review. Under the arrangement, it is intended that the FUM in the WealthSolutions platform product will be migrated from the current WealthSolutions wrap platform to HUB24, subject to trustee and responsible entity approvals that it is in members' and unit holders' best interests, and all legal and regulatory requirements are met. On transition of the FUM to HUB24 there will be a net reduction in administration fees in the platform business of circa $1.6 million (before tax) per annum.

Furthermore, it is intended that ClearView's primary superannuation life insurance portfolio be transferred to the HUB24 Superfund (and continue to be administered by ClearView) in 1H FY21, subject to relevant trustee approvals and regulatory requirements. On transition, this will resolve any further build up of the tax credit receivable. This will then allow for the utilisation of the assessed losses over time.

The partnership is expected to deliver on ClearView's goals to seek a modern replacement solution for the wrap technology, substantially address the tax credit issue in the CRP and deliver competitive new products in the future. Both parties also intend to collaborate on future investment and insurance product initiatives.

As previously announced, the overall proposal represents a significant investment for ClearView with development, transition and implementation costs expected to be up to a net cost of $6 million. In FY20, $1.9 million of these costs were incurred, with the balance expected to be incurred over FY21 as the project progresses.

ClearView's contemporary technology that runs and administers the WealthFoundations and traditional master trust style products remains with ClearView.

The WealthFoundations product is well positioned to capitalise on the need for financial advisers to drive efficiency and operate in the centre between industry funds and wrap platforms. The product is administered on the ClearView customised version of the contemporary IRESS technology system (efficient and scalable platform). The product strategy is driven by simplicity, transparency and efficiency. The aim is to:

- Provide customer value and flexibility by having the capacity to blend portfolios, compete comfortably on price and provide more transparency than pooled solutions; and
- Drive practice efficiencies by being easy to do business.

The WealthFoundations product will target advisers who provide both life insurance and wealth management advice. Further build out of the product will be required in FY21, including:

- Upgrade of current front-end usability;
- Integration into our life insurance product; and
- Build out of an ordinary (non-superannuation) simple product.

These costs are expected to be absorbed within historical capital expenditure run rate costs for the business.

Operating expenses fell 7% in FY20, largely attributable to a reduction in software amortisation costs and other group benefits as previously outlined. The current cost base reflects the costs associated with the internal contemporary platform and WealthFoundations product that is yet to achieve scale relative to initial system and operational costs.

The rationale behind ClearView's wealth management strategy remains unchanged - the convergence of life insurance and wealth management creates a unique opportunity for companies that manufacture and distribute both products.

ClearView's contemporary Wealth Management solutions, which include a range of model portfolios and investment administration platforms, are only accessible through financial advisers.

The IFA segment represents ClearView's largest opportunity. Gaining support from the adviser network by offering quality products and service is important for diversifying sales and growing FUM.

ClearView's strategic objectives include:

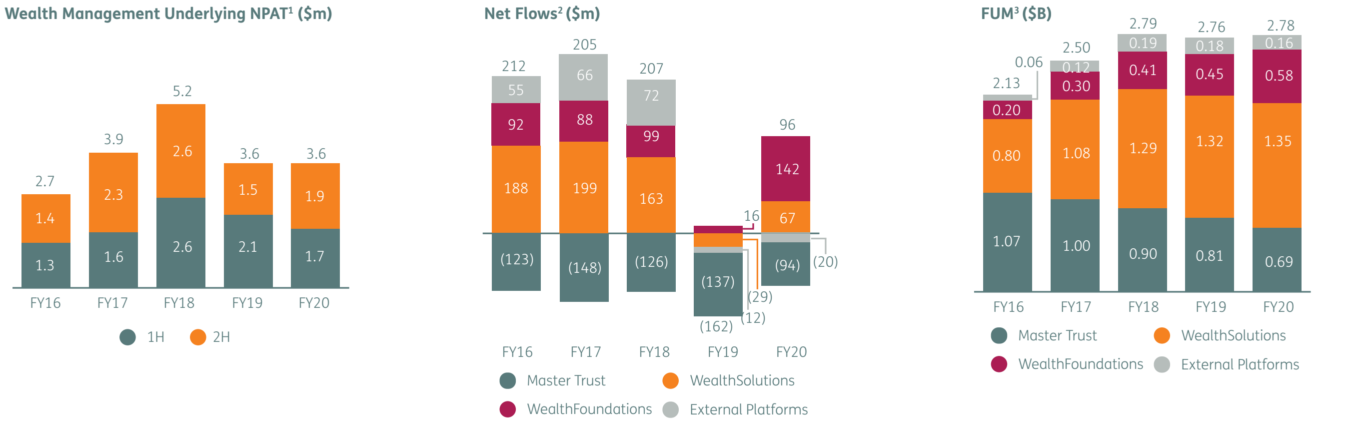
- Pursue an integrated growth strategy in life insurance and wealth management, reflecting customer needs and adviser (distribution) trends. Given changes in the distribution landscape, the number of specialist life advisers appear to be declining, with advisers providing a more broad based strategic advice service increasing.
- Diversify product and distribution exposure by offering both wealth and life insurance products.
- Leverage its corporate and licensing construct and advantages;
- Provide integrated (one-stop) solutions that are valued, well regarded and easy to understand, complemented by strong service and relationship support;
- Develop back-office efficiency and scale, and front office 'ease of doing business' with ClearView (online and otherwise); and
- Position ClearView's products for broader distribution opportunities.

The unprecedented level of merger and acquisition activity in the Australia financial services industry in the past few years has resulted in fewer companies providing both life insurance and wealth solutions. A number of ClearView's key competitors have, or are in the process of, divesting assets. This structural change, and the subsequent competitor distraction, provides a significant competitive opportunity for ClearView.

Companies that offer both life insurance and wealth management solutions have a unique opportunity to maximise their relationship with financial advisers and meet customers' needs in a more tailored way.

The following graphs illustrate the performance of the Wealth Management business.

Chart 7: Wealth Management key performance indicators



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 Contemporary Product Net Flows is defined as inflows less redemptions into FUM but excludes management fees outflow and ClearView Master Trust product net flows 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.

FUM balances increased 1% to $2.78 billion at 30 June 2020 (average FUM balances are down 2%). Movement is driven by the net impacts of net flows, funds management fees and investment market movement-based variances:

- Made up of WealthSolutions ($1.3 billion; average FUM +1%), WealthFoundations ($0.6 billion; average FUM +20%), External Platforms ($0.2 billion; average FUM -9%) and Master Trust ($0.7 billion; average FUM -12%).
- The mix of products making up the portfolio has changed materially and this links to the margin shifts across the portfolio.
- Performance of investment markets remains key to attracting flows and supporting the Master Trust FUM given the product is not actively marketed to new customers. Investment market performance was broadly neutral compared to a 7% investment return in FY19.

Inflows represent a material portion of overall FUM balances. Gross inflows of $456 million were achieved in FY20 predominantly into contemporary products (+57%).

Operating segment review

Financial advice

The FY20 financial performance is discussed below.

Financial Advice result:

12 Months to June 2020 ($M)[1]	2019 1H	2019 2H	2019 FY19	2020 1H	2020 2H	2020 FY20	% Change[2]
Net financial planning fees	8.8	8.4	17.2	8.8	9.4	18.1	6%
Interest and other income	0.4	0.2	0.6	0.2	0.2	0.4	(40%)
Operating expenses	(9.1)	(7.2)	(16.4)	(8.5)	(7.2)	(15.7)	(4%)
Underlying NPBT	**0.1**	**1.3**	**1.4**	**0.4**	**2.4**	**2.8**	**97%**
Income tax (expense) / benefit	(0.0)	(0.4)	(0.4)	0.2	(0.8)	(0.6)	27%
Underlying NPAT	**0.1**	**0.9**	**1.0**	**0.6**	**1.6**	**2.3**	**127%**
Amortisation of acquired intangibles and impairment	(0.6)	(13.4)	(14.0)	-	-	-	N/A
Cost Out Program Implementation Costs	-	(0.4)	(0.4)	(0.3)	(0.0)	(0.3)	(20%)
Other net costs	-	(0.3)	(0.3)	-	0.1	0.1	Large
Reported NPAT	**(0.5)**	**(13.2)**	**(13.7)**	**0.3**	**1.7**	**2.0**	**Large**

1 Shareholder view excludes the life investments contracts (i.e. unit linked business) and deconsolidates retail unit trusts and reflects fees earned by the shareholder less expenses incurred. Inter-segment revenues/expenses are not eliminated in the shareholder view.
2 % change represents the movement from FY19 to FY20.

Financial Advice

Financial Advice Underlying NPAT $2.3 million (FY19: $1.0 million) and Reported NPAT reflects a profit of $2.0 million (FY19 loss: $13.7 million).

Net financial planning fees increased by $0.9 million (+6%) to $18.1 million. Key drivers of the net fee increases are as follows:

- Increase in membership fees driven by the successful implementation of the new pricing model (with limited impact to overall adviser practice numbers) and the transition of older franchised agreements to the new pricing model;
- Launch of LaVista with recruitment largely in line with expectations; and
- Partially offset by reduction in grandfathered rebates (sunset date of January 2021 with ClearView having terminated certain dealer service fee arrangements in HY20) that collectively contributed $1.1 million in FY20 (FY19: $1.4 million)

Changes to the remuneration and fee model in the dealer groups were introduced on 1 November 2019, representing a fairer, more sustainable revenue base. The launch of the B2B outsourced licensee services offer (LaVista) also allows ClearView to provide business support services to advisers who have obtained their own licences.

The fee income generated from membership fees (as a result of these changes) increased by $1.5 million, including a contribution of $0.4 million from LaVista.

Interest income reflects the reallocation of shareholder capital between segments and changes in market interest rates between periods.

Underlying NPAT was impacted by decreased operating expenses (-7%) driven by the cost benefits obtained across the group, as previously noted. Scale in the segment is now at a 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.

ClearView has continued to enhance and rollout its front-end compliance and monitoring technology (Lumen) across the dealer groups.

This is in line with the increased compliance and regulation required to ensure AFSLs and their authorised representatives comply with their legal obligations. ClearView continues to perform both 'front' and back end compliance processes (including file reviews) as part of its ongoing monitoring and compliance reviews under 'business as usual' functions. As part of this ongoing compliance and audit process, ClearView finalised a back file review of a limited number of financial advisers (including some that have left the dealer group) in FY20.

Costs were impacted in FY20 by the advice remediation program including compensation costs ($2.1 million in total including program costs). The outstanding remediation programs have now been completed and exclude any potential recoverable amounts from either the adviser or insurer. These costs have been included as part of Underlying NPAT in the full year result.

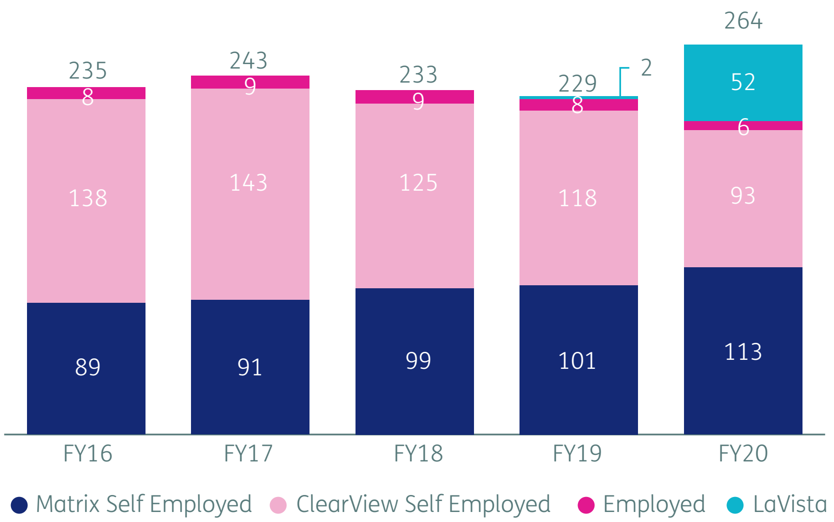
Costs that are considered unusual to ClearView's ordinary activities are not reflected as part of Underlying NPAT.

In FY20, on entering into a new contractual agreement with a financial adviser of ClearView Financial Advice, the buy-out of the contractual commitment of the buyer of last resort (BOLR) resulted in a $0.7 million cost to the Group. This effectively allowed the financial adviser to retain and service his book and for ClearView to pay out the value between market value and the contractual commitment under the previous arrangement. This reflected the last remaining contractual BOLR commitment within the Group. This cost is considered unusual to the ordinary activities of the Group.

On entering into the new contractual agreements with financial advisers of ClearView Financial Advice more broadly, certain clients were transferred to the relevant financial advisers with payments being made weekly over a three-year period. New contracts were entered into with a view to simplifying the arrangements equitably for both ClearView and the adviser, ensuring ongoing client best interest and fee for service duties are met as well as supports ongoing advice to the clients with minimal disruption. Under AASB 15 – Revenue from contracts with customers, given the transfer of client books (performance obligation) is completed on day one, the revenue has been recognised upfront, albeit the cash payments are deferred over three years. As such, an amount of $0.8 million was recognised in FY20 (net of a credit loss provision).

The net impact of the new arrangements entered into therefore broadly offset each other in FY20. A further amount of $0.3 million of revenue is likely to be recognised upfront in FY21 on finalisation of the remaining contracts.

The ClearView and Matrix dealer groups, together have 212 financial advisers operating under their licences. LaVista has 16 adviser practices (52 advisers) using its services at Balance Sheet date, with a strong pipeline of financial advisers seeking to utilise these services in future



A key priority for the business has been the repositioning and repricing of the dealer group offering to create a sustainable revenue model that better reflects the true cost of providing that support.

ClearView’s dealer groups have been consistently recognised for their commitment to advisers. In 2019, Matrix received the prestigious CoreData Licensee of the Year Award for the third consecutive year, cementing its position as a leading provider of services to financial advisers.

The key issues that continue to impact the financial performance of the segment include growing compliance costs, risks managing advice sector exposure (resulting in select growth in adviser numbers) and a general reduction in adviser productivity over time.

The future state for dealer groups requires the removal of grandfathered revenue streams which have supported their economic value for some time.

ClearView’s grandfathered revenue streams of $1.1 million in FY20 are the net amounts retained (FY19: $1.4 million). These are expected to cease from FY21. This excludes the financial support received from other ClearView entities, which are expected to reduce substantially in FY20.

Some institutions are voluntarily selling or closing their dealer group businesses. At the same time a large number of professional financial advisers are seeking to leave institutional dealer groups and gain their own Australian Financial Services Licence (AFSL).

In response, ClearView has:

- Launched LaVista, an outsourced B2B licensee services offer to meet the needs of the growing number of self-licensed financial advisers and support services to third party dealer groups. This positions ClearView to capture opportunities arising from structural change.
- ClearView now offers comprehensive licensing and dealer services to professional financial advisers who want the backing of a well-resourced company but don’t want to be aligned to a bank or institution.
- Continued investment in the rollout and enhancement of front-end compliance and monitoring technology (Lumen) across the dealer groups.
- As part of the LaVista roll out and repositioning of its dealer groups over time, the intention is to replace the grandfathered revenue streams by building a sustainable revenue base that allows the dealer groups and LaVista to continually invest and support its financial adviser client base.

Operating segment review

Listed Entity/Other

The FY20 financial performance is discussed below.

Listed Entity/Other result:

12 Months to June 2020 ($M)[1]	2019			2020			%
	1H	2H	FY19	1H	2H	FY20	Change[2]
Interest income	0.2	0.2	0.4	0.1	0.1	0.2	(44%)
Operating expenses	(0.7)	(0.6)	(1.2)	(0.6)	(0.8)	(1.4)	9%
BU Operating NPBT	**(0.5)**	**(0.4)**	**(0.9)**	**(0.5)**	**(0.7)**	**(1.2)**	**29%**
Income tax (expense) / benefit	(0.0)	(0.1)	(0.2)	0.1	0.1	0.2	Large
BU Operating NPAT	**(0.5)**	**(0.5)**	**(1.0)**	**(0.4)**	**(0.6)**	**(1.0)**	**(8%)**
Interest expense on corporate debt (after tax)	(0.2)	(0.3)	(0.5)	(0.3)	(0.4)	(0.6)	30%
Underlying NPAT	**(0.7)**	**(0.8)**	**(1.5)**	**(0.7)**	**(0.9)**	**(1.6)**	**4%**
Cost Out Program Implementation Costs	-	(1.5)	(1.5)	1.1	(0.2)	0.9	Large
Direct Closure, Remediation Program and Royal Commission Costs	(0.4)	-	(0.4)	-	0.3	0.3	Large
Other costs	-	-	-	-	(0.2)	(0.2)	Large
Reported NPAT	**(1.1)**	**(2.2)**	**(3.4)**	**0.4**	**(1.0)**	**(0.6)**	**(85%)**

1 Shareholder view excludes the life investments contracts (i.e. unit linked business) and deconsolidates retail unit trusts and reflects fees earned by the shareholder less expenses incurred. Inter-segment revenues/expenses are not eliminated in the shareholder view. Certain costs incurred in 1H19 were reclassified between segments in 2H19 and are shown on a net basis.

2 % change represents the movement from FY19 to FY20.

Listed Entity/Other financial result:

This segment includes the investment earnings on cash and investments held in the listed and central services entities and in the shareholders' fund of ClearView Life, less costs associated with maintaining a listed entity. The Company manages capital at the listed entity level in accordance with its Internal Capital Adequacy Assessment Process (ICAAP) policy.

The Listed segment financial results for the year ended 30 June 2020 are shown in the table above. Underlying NPAT was -$1.6 million (FY19: -$1.5 million) and Reported NPAT of -$0.6 million (FY19: -$3.4 million). Other notable items include:

Investment earnings reflect some reallocation of physical cash between segments and the reduction in interest rates between periods. As at 30 June 2020, ClearView had drawn down $60 million under the Debt Funding Facility as follows:

- $15 million to fund the cash component of the FY18 final dividend and the cash payment for purchasing ClearView shares to support the ClearView SMT LTIP share plan (recognised as (treasury shares) in FY19;
- $16 million in December 2019 in relation to the assigned tax receivable with further details provided below;
- $19 million in relation to the corporate restructure ($12 million), to fund the project costs associated with the HUB24 transaction and for further funding of any tax credits until the issues have been resolved; and
- $10 million for liquidity purposes

The ClearView Group holds a $15.5 million (non-current) receivable from its superfund, the ClearView Retirement Plan (CRP) relating to contribution tax funding payments for tax benefits on the life insurance premiums. Due to the tax loss position in the CRP, settlement of this amount is subject to the utilisation of tax losses. Various options are being considered and projects well progressed which collectively indicate recovery is considered probable at this point in time.

For Group capital management and efficiency, $16 million of the tax receivable was assigned from ClearView Life to the listed entity and funded through a $16 million draw down of the Debt Funding facility. The remaining balance of $0.5 million remains between ClearView Life and the listed entity as at 30 June 2020. The Board is also actively investigating longer-term capital solutions (such as the issue of Tier 2 subordinated notes) that is intended to repay at least part of the debt (see capital section that follows).

Interest on corporate debt relating to loan establishment and the Debt Funding Facility is included in the result above with the potential cost of a longer-term solution to flow through in due course. Interest charges associated with the incurred claims treaty and letter of credit are reflected in the Life Insurance segment results.

Statement of financial position

The Group's statement of financial position, which is set out on page 74, reflects the key metrics below.

Net assets at 30 June 2020 increased to $452.7 million (June 2019: $439.1 million) comprising:

- Reported profit of $13.1 million;
- Movements in the Share Based Payments Reserve due to the treatment of the ESP in accordance with the accounting standards (+$0.9 million); and
- Shares bought back under ClearView's on market selective buy back arrangement (-$0.4 million).

Net asset value per share (including ESP loans) of 71.5 cents per share (June 2019: 69.2 cents per share).[1]

The net asset value per share is reflected above on a fully diluted basis, as ClearView ESP shares have been issued to employees and contractor participants as at 30 June 2020 (in accordance with the ClearView ESP Rules).

Shares granted under the ESP carry rights to dividends and voting rights. The ClearView ESP shares on issue have a corresponding non-recourse loan from ClearView to facilitate the purchase of ClearView ESP shares by the participants. The shares and loans are not reflected in the statutory accounts as they are accounted for as an option in accordance with Australian Accounting Standards. If the loan is not repaid, the relevant ClearView ESP shares are cancelled or reallocated in accordance with the ClearView ESP Rules.

In accordance with the provisions of the ESP, as at 30 June 2020, key management, members of the senior management team, the managing director and contractor participants have acquired 43,590,602 ordinary shares.

Financial assistance amounting to $28,007,416 was made available to executives, senior employees and contractor participants to fund the acquisition of shares under the ESP and is held as an off balance sheet receivable.

1 Given the lower share price in FY20 the current ESP shares issued are considered to be 'out of the money'. Should the ESP shares be forfeited, there would be a reduction in the number of ESP shares on issue, in addition to an equivalent reduction in the ESP loans that have otherwise been included and added back to the net assets based on the issue price of the ESP share (ESP loan value). The effect would be a fully diluted net asset value per share increase of 0.5 cents to 72.0 cents per share.

Embedded Value

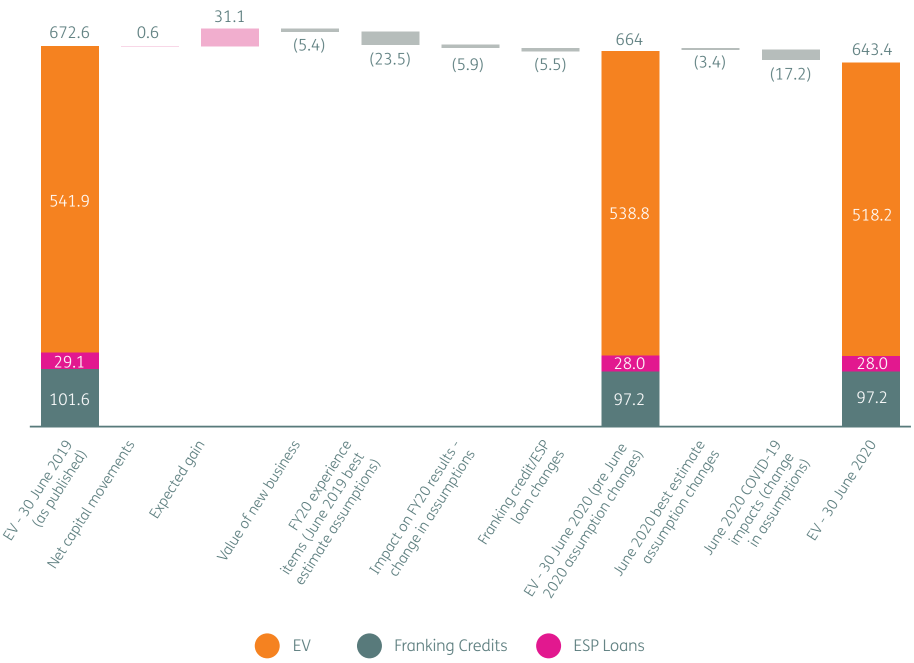
Life Insurance and Wealth Management are long-term businesses that involve long-term contracts with customers and complex accounting treatments. Embedded Value (EV) represents the discounted value of the future net cash flows anticipated to arise from the in-force life policies and investment client balances as at the valuation date.

As noted at the full year 2019 result, an Embedded Value calculation is no longer considered meaningful for the Financial Advice segment. Only the net assets of the Financial Advice segment is now included in the Embedded Value calculations.

EV calculations at a range of risk discount margins (DM) is shown below.

Risk margin over risk free rate: ($M), (unless stated otherwise)	3% DM	4% DM	5% DM
Life Insurance	485.4	450.7	422.7
Wealth Management	49.1	46.7	44.5
Financial Advice	-	-	-
Value of In Force (VIF)	**534.5**	**497.3**	**467.2**
Net worth	20.9	20.9	20.9
Total EV	**555.4**	**518.2**	**488.1**
ESP Loans	28.0	28.0	28.0
Total EV including ESP Loans	**583.4**	**546.2**	**516.1**
Franking credits @70%:			
Life	67.4	62.7	58.5
Wealth	11.3	10.7	10.1
Financial Advice	-	-	-
Net worth (accrued franking credits)	23.8	23.8	23.8
Total Franking Credits	**102.5**	**97.2**	**92.5**
Total EV including franking credits and ESP loans	**685.9**	**643.4**	**608.5**
EV per share including ESP loans (cents)[1]	**86.5**	**80.9**	**76.5**
EV per share including ESP loans and franking credits (cents)	**101.6**	**95.3**	**90.2**

Chart 8: Embedded Value movement analysis



1 Given the decline in share price the current ESP shares issued are considered to be 'out of the money'. Should the ESP shares be forfeited, there would be a reduction in the number of ESP shares on issue, in addition to an equivalent reduction in the ESP loans that have otherwise been included and added back to the net assets based on the issue price of the ESP share (ESP loan value). The effect would be a fully diluted net asset value per share increase of 0.5 cents to 72.0 cents per share.

EVs have been presented at different 'discount margin' rates over the assumed long-term risk free rate reflected within the underlying cash flows valued. 'dm' 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%).

The key movements in the EV between June 2020 and June 2019 are described in detail below.

Net capital movements (+$0.6 million)

Shares bought in the on-market share buy-back program of ClearView shares in 1H FY20 (-$0.4 million).

Movements in the Share Based Payments Reserve (+$1.0 million).

Expected gain (+$31.1 million)

Expected gain represents the expected unwind of the discount rate within the value of in-force and investment earnings on net worth.

FY20 Movements (June 2019 Best Estimate Assumptions) (-$34.8 million)

The value added by new business written (VNB) over the period (-$5.4 million). The current value of new business is suppressed by the acquisition costs incurred relative to lower new business volumes.

Adverse claims experience loss (relative to planned margins) predominately due to a deterioration in claims, in particular IP and death claims. Included in the adverse experience (-$18.5 million) is the impacts of the changes to claims assumptions at 30 June (-$5.9 million) arising from a change in basis and allowance for COVID-19 impacts. See further commentary on claims experience on page 28 and further changes to claims assumptions are discussed below.

The profitability for disability income business is expected to improve over time given ClearView's planned initiatives (including repricing and product redesign aligned with the APRA action plan).

Life Insurance lapse impact of -$2.2 million. Retention strategies and effects in life insurance are a key focus (in light of price increases and COVID-19 impacts). There was a significant improvement in lapse performance in FY20 driven by distribution initiatives undertaken in FY19 and retention initiatives in FY20. Recent adverse lapse experience and trend and changes to assumptions as noted earlier in the report.

For the Wealth Management business, discontinuance rates (outflows) were higher than expected (impact of -$1.0 million), with a change in assumptions to reflect this shift. Changes in the mix of businesses and lower investment performance (including the impact of fee reductions due to the lower interest rate environment), resulted in lower fee income relative to expectations over the period (-$2.8 million) and a lower present value of future fees at the end of the period.

Overall net expense impact of -$2.9 million. Listing and interest costs on corporate debt were impacted by the Group's listed overhead costs, amounts drawn down under the corporate debt facility and interest costs associated with the incurred claims which are not allowed for in the EV. Maintenance expense experience reflects the experience profit (+$0.3 million) in life insurance, given the reduced cost base across the group. Costs considered unusual to the business predominantly related to the wealth management project and impairment of tax credit asset. The business is now focused on effective cost management, coupled with a targeted IT strategy and road map.

The balance includes the additional impact of model changes (-$2.4 million).

June 2020 Best Estimate Assumption Changes including COVID-19 impacts (-$20.6 million)

Claims rate assumptions were based on FSC-KPMG industry tables, adjusted to ClearView's experience (with assumptions reviewed on an annual basis based on underlying claims experience). Claims assumptions have been updated at 30 June 2020 including an assessment of potential impacts from COVID-19. Material changes to claims assumptions at 30 June 2020 include an increase IP claims cost by 35%, death (full cover) claims cost (LifeSolutions by 25%; Closed portfolios by 20%) and an allowance for shorter term overlays to reflect expected COVID-19 related claims (incidence and terminations).

The EV impact includes the impact of the April 2020 price increases to cover increased claims and reinsurance costs.

Lapse rates assumptions were based on historical experience, adjusted for factors impacting future experience. Shock lapses have been built into the EV, incorporating effects of April 2020 price increases and COVID-19 overlays. A shock lapse assumption of 5% is adopted for LifeSolutions business over the next 12 months and 2.5% is also included on the closed portfolios. This is in respect to the 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 of 2.5% are allowed for with respect to the further proposed rate changes from May 2021 of 7% on average across the LifeSolutions portfolio and 5-10% on closed portfolios with partial benefits assumed from the retention program over following 12 months thereafter.

The expected 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.

Wealth Management business has built in margin compression given market pressures, in particular on traditional products. The impact of the HUB24 project on margin earned on the administration fee has also been built into the EV calculations.

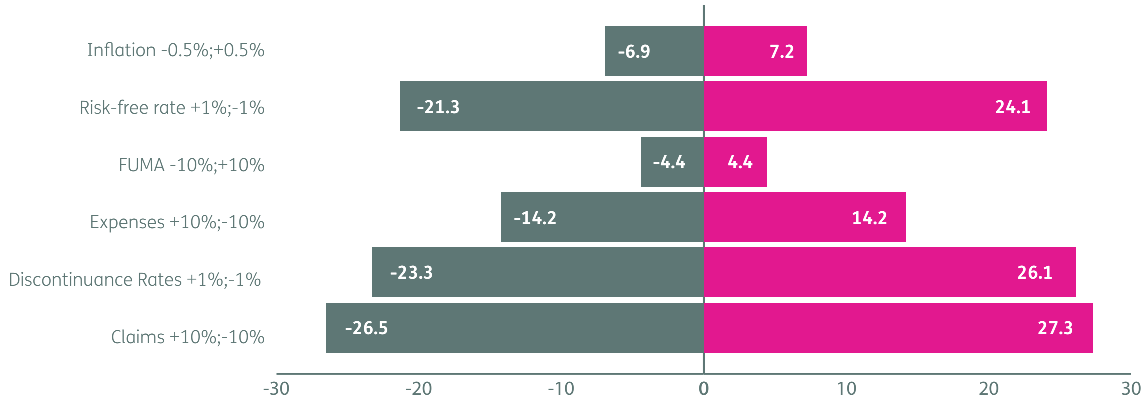
Franking credit and ESP loan changes (-$5.5 million)

Net movement in ESP loans and franking credits between periods.

The franking credit movement effectively reflects the impact of movements in value of future tax payments and modelling enhancements.

Given non-recourse nature of the ESP loans, $28 million is considered recoverable at 30 June 2020 (ESP loans have been valued at issue price per ESP share).

Chart 9: Embedded Value sensitivity analysis @ 4%DM

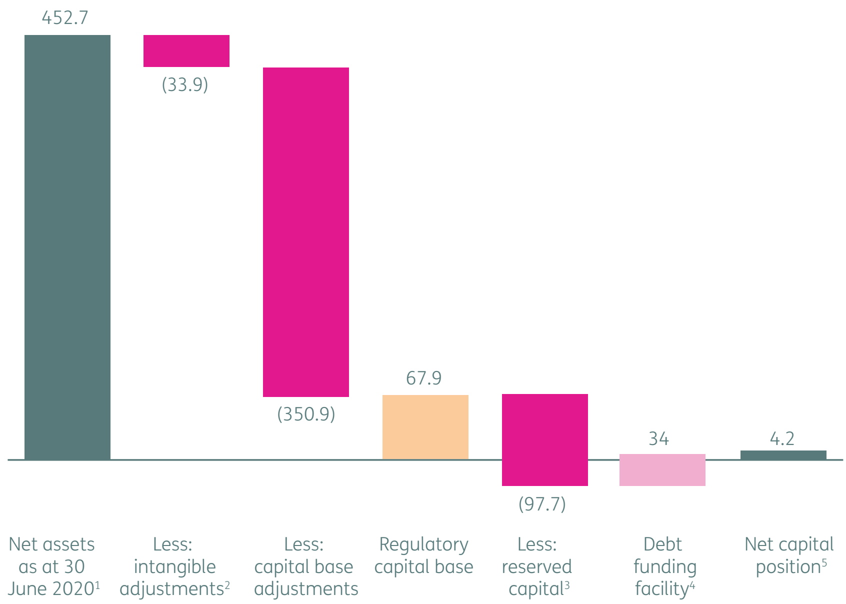


Capital management

Capital Position at 30 June 2020

The following charts reflect the net capital position of the Group as at 30 June 2020:

Chart 10: Capital position as at 30 June 2020



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 currently 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 held (if applicable) to support the capital needs of the business beyond the risk reserving basis.
4. The Debt Facility is repayable on 1 April 2024. $60 million of the debt facility has been drawn down as at 30 June 2020.
5. 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. On implementation of the IP incurred claims treaty subsequent to year end, the existing $70 million limit on letter of credit (LoC) to cover the remaining exposure above LPS 117 limits has been wound down. There is no Asset Concentration Risk charge under LPS 117 relating to the Swiss Re exposure as at 30 June 2020.

Chart 11: Capital position at 30 June 2020 by segment and regulated entity

Capital position as at 30 June 2020 by segment and regulated entity

Group Capital Position ($M)	Life	Wealth	Other	APRA Regulated Entities	Wealth	Financial Advice	ASIC Regulated Entities	All Regulated Entities	NOHC[2] / Other	Group
	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M
Net assets at 30 June 2020	431.6	8.9	4.0	444.6	7.9	10.3	18.1	462.7	(10.0)	452.7
Intangible adjustments	(4.0)	(1.6)	-	(5.6)	(0.1)	-	(0.1)	(5.7)	(28.2)	(33.9)
Net assets after intangible adjustments	**427.6**	**7.3**	**4.0**	**439.0**	**7.7**	**10.3**	**18.0**	**457.0**	**(38.2)**	**418.8**
Capital base adjustment:										
Deferred acquisition costs (DAC)	(346.6)	-	-	(346.6)	-	-	-	(346.6)	-	(346.6)
Other adjustments to capital base	(3.1)	(0.1)	-	(3.2)	(0.1)	(0.9)	(1.0)	(4.2)	(0.1)	(4.3)
Regulatory Capital Base	**77.9**	**7.3**	**4.0**	**89.2**	**7.6**	**9.4**	**17.0**	**106.3**	**(38.3)**	**67.9**
Prescribed Capital Amount	(21.5)	(3.4)	(3.5)	(28.4)	(5.0)	(1.3)	(6.3)	(34.7)	-	(34.7)
Available Enterprise Capital	**56.4**	**3.9**	**0.6**	**60.8**	**2.6**	**8.1**	**10.7**	**71.5**	**(38.3)**	**33.2**
Enterprise Capital Benchmark (ECB)										
ECB offset	(0.1)	-	-	(0.1)	-	-	-	(0.1)	-	(0.1)
Risk Capital[1]	(47.1)	(2.8)	-	(49.9)	(2.0)	(2.7)	(4.7)	(54.6)	(8.3)	(62.9)
Excess/deficit over internal benchmarks	**9.2**	**1.1**	**0.6**	**10.8**	**0.6**	**5.4**	**6.0**	**16.8**	**(46.7)**	**(29.8)**
Debt facility									34.0	34.0
Net capital position at 30 June 2020	**9.2**	**1.1**	**0.6**	**10.8**	**0.6**	**5.4**	**6.0**	**16.8**	**(12.7)**	**4.2**

1 As at 30 June 2020, risk capital is held in regulated entities at 97.5% probability of adequacy (POA). Risk capital at 99% POA is held in the NOHC[2].
2 NOHC is a non operating holding company regulated by APRA under the Life Insurance Act.

The net capital position of the Group, after including certain amounts drawn down under the Debt Funding Facility ($34 million), was $4.2 million at 30 June 2020 (see further commentary below).

ClearView has to date been fully capitalised with Common Equity Tier 1 capital.

The net capital position of the Group as at 30 June 2020 represents a decrease of $0.9 million since 30 June 2019. This reflects the following key items:

- The Underlying NPAT for the period (+$14.7 million);
- Costs considered unusual to the normal activities of the business as disclosed separately earlier in the report (-4.0 million)
- The new business funding costs (net of deferred acquisition cost amortisation) (-$6.9 million);
- Change in admissible and deferred tax assets (-$2.2 million);
- Decrease in regulatory and risk capital (-$8.5 million) due to:
    - Reduction in the Asset Concentration Risk Charge subsequent to resolution of the issues to manage the credit exposure to Swiss Re (+$4.3 million);
    - Movements in other capital reserves (-$12.8 million), particularly for insurance/liability risk reserves as a result of adverse claims experience
- Reduction in capital due to the treatment of the CRP tax credit assets, previously allowed for in the capital calculations as an offset to ECB capital in FY19. Furthermore, the transfer of CRP tax credits from CLAL to CVW occurred in FY20 (-$12.5 million)

- Net Other movements and ESP related items (+$19.6 million) which compromises of:
    - On-market share buy-back program (further commentary provided below) (-$0.4 million);
    - Draw down of the debt facility (+$19m);
    - ESP related items (+$1.0 million);
- Tax effect of impact of changes in discount rates on policy liabilities (-$1.1 million).

Key points to note:

- Under the APRA capital standards, adjustments are made to the capital base for various asset amounts that are deducted, for example, intangibles, goodwill and deferred tax assets (net of deferred tax liabilities).
- The $15.5 million receivable from the CRP has been removed for capital purposes given the risks associated with the potential recovery of the asset (notwithstanding that there are projects underway to address and close out the tax credit issue).
- The drawdown of the debt facility of $26 million is not included as an offset to this given it is likely that this component of the Debt Funding Facility will be repaid out of the proceeds when the tax credits are utilised (and is therefore reflected as not being replaced by a more permanent capital solution) and it also excludes the further draw down of $10 million for liquidity purposes.
- The regulated entities had $16.8 million of net assets in excess of internal benchmarks as at 30 June 2020.
- Internal benchmarks exceed regulatory capital requirements and include capital held for the protection of ClearView's regulatory capital position for risk outcomes where the regulatory capital cannot be readily accessed and to protect the various regulated entities' regulatory licences.
- A working capital reserve has historically been held to support the capital needs of the business beyond the risk-reserving basis. This included the net capital that was required to support the medium-term new business plans (in accordance with the Internal Capital Adequacy Process).

ClearView generates positive cash flows from in-force portfolios which is subsequently reinvested into new business generation:

- Now achieving underlying self-funding capability (excluding allowances for COVID-19, Pillar 2 requirements and assuming experience is line with FY20 best estimate assumptions)
- New Business capital utilisation is related to the upfront costs associated with policy acquisition that is collected via the premiums from policyholders over the life of the policy – converts to cash over time subject to lapse risk. These are referred to as deferred acquisition costs (DAC)[1]
- In-force capital generation reflects a combination of the Underlying NPAT[2] achieved and DAC[1] released (collected) from the in-force portfolios in a particular financial year
- Reduced capital needs over time reflects the growth in in-force portfolio given increased scale of business from start-up phase
- New business capital needs driven by volumes and lower upfront commission caps post implementation of the life insurance reforms
- Capital needs from a group perspective are driven by the need to replace at least part of the debt with a permanent capital solution ($34 million). 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.
- The Board is now actively investigating the prospect of an issue of Tier 2 Subordinated Notes (Notes) (subject to the regulatory approval process and market conditions). In anticipation a rating from Fitch was obtained in March 2020.
- As noted earlier in the report, the Debt Funding Facility was extended to 1 April 2024 in 2H FY20.
- Fitch assigned ClearView a Long-term Issuer Default Rating (IDR) of 'BBB'. At the same time, Fitch assigned ClearView's operating subsidiary, ClearView Life, an Insurer Financial Strength Rating (IFS) of BBB+. The outlooks for both ratings are stable and were reaffirmed as 'stable' subsequent to the onset of the pandemic.

Dividends and On-market 10/12 limit share buyback

ClearView's ability to pay a franked dividend depends upon factors including its profitability, the availability of franking credits and its funding requirements which in turn may be affected by trading and general economic conditions, business growth, and regulation.

In light of the adverse impact due to COVID-19, challenging market conditions, and APRA supervisory guidance, no FY20 dividend has been declared (FY19: $nil). The Australian Prudential Regulation Authority (APRA) has also asked that life insurers consider limiting discretionary capital distributions in the coming months given these conditions.

In August 2019, the Board approved the recommencement of its 10/12 limit on market buy-back program and extended it for a further 12-month period until December 2020.

1 DAC is deferred acquisition costs.
2 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.

Existing buy-back arrangements continue to apply and Blue Ocean Equities Pty Limited is the appointed broker for the program. Since January 2014, the total number of shares bought back and cancelled under the scheme is 1,208,824 of which 615,000 shares have been bought back and cancelled in the year ended 30 June 2020 ClearView does not intend to undergo any on-market share buy-back activity given the current environment and market conditions. One of the Board's key priorities is prudent capital management.

Selective buy-back

As approved by Shareholders at the ClearView 2019 Annual General Meeting (AGM) and disclosed on market, ClearView undertook a selective buy-back of unvested Executive Share Plan (ESP) Shares in November 2019. 365,504 were selectively bought back and cancelled on the terms outlined in the ClearView AGM Notice of Meeting, Appendix 3C and Appendix 3F. These announcements are under the Shareholders tab on the ClearView website.

Employee Share Scheme buy-back

As approved by the Board and disclosed on market, ClearView undertook an Employee Share Scheme buy-back of unvested ESP Shares in June 2020. 1,300,564 shares were bought back and cancelled on the terms outlined in the Appendix C, Appendix E and Appendix 3F. These announcements are under the Shareholders tab on the ClearView website.

COVID-19 Response

Unprecedented circumstances including significant economic, social and health challenges caused by COVID-19 pandemic. ClearView has acted swiftly to address challenges presented by COVID-19. ClearView's response is outlined below:

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
- Increased adviser engagement
- Stabilise services, appropriately manage lapses and claims
- 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
- 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

Outlook

- The world is facing unprecedented circumstances including significant economic, social and health challenges caused by the COVID-19 pandemic. In these difficult times, and whilst ClearView is not immune to the challenges faced, we are fortunate to have a sound business model, strong Balance Sheet and recurring revenue base that creates a level of security for our customer base, adviser network and stakeholders.
- FY21 is a base transitional year with a focus on the profitable, sustainable growth of the life insurance business: Group Underlying NPAT guidance of $20m-$24m in FY21 is provided.
- Key potential impacts that are critical to achievement of guidance is repricing[1] and the secondary economic impacts of COVID-19, in particular the 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 the fluidity of the COVID-19 pandemic and operating environment potential impacts from any further deterioration in economic conditions or unanticipated delays in the development of a vaccine, the actual experience relative to the revised assumptions adopted will need to be closely monitored.
- As the industry shifts (over time) to rational competitor pricing, increasing life sales and sustainable product features, this will lead to improvement in underlying profit margins and return on capital.
- Initiatives are now underway to achieve more sustainable IP claims and pricing outcomes - (APRA IDII Sustainability Measures) that could lead to a return of rationality to the market which is important for the achievement of improved margins.
- Repricing commenced in April 2020 (comes through annual policy renewal cycle) with a focus on retention and income protection claims management.
- ClearView is also focused on accelerating the development of Wealth Management business, and a self-sustaining Financial Advice business.
- ClearView has an Embedded Value of 95 cents per share that reflects the discounted cash flows of the in-force portfolios (including updating the assumptions for the potential impacts of COVID-19).
- ClearView does not intend to undergo any on-market share buy-back activity given the current environment and market conditions (in line with APRA communications to consider limiting discretionary capital distributions)
- No FY20 dividend has been declared in light of the above and to preserve capital.
- ClearView is actively investigating a Tier 2 debt issuance (subject to market conditions and regulatory approvals) with the intention of repaying at least part of the Debt Funding Facility and to fund or further support the needs of the regulated entities from time to time.

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.

Today's landscape is changing rapidly due to ongoing consolidation by larger international players, the exit of the banks from personal advice and the introduction of new legislation. There are more changes ahead as the industry commences the implementation of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry Final Report recommendations and the regulatory reform agenda.

For a customer-centric company like ClearView it also creates opportunities to better support our increasing number of customers and advisers.

The fundamental purpose and need for quality life insurance and wealth management products, and professional advice, has not changed. Australia's ageing population, compulsory superannuation system and rising household debt levels underpins demand for ClearView's high quality products and services.

While there are many challenges ahead, ClearView is focused on delivering value for our customers and helping them navigate life's ups and downs to achieve their goals.

Changes in state of affairs

In a COVID-19 context, ClearView notes the recent developments in Victoria, including the declaration of a State of Disaster with effect from 2 August 2020, where the related business effects remain highly uncertain.

There were no other significant changes in the state of affairs of the Group apart from than those discussed above, during the year ended 30 June 2020.

1 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.

Remuneration report

This Remuneration Report, which forms part of the Directors' Report, sets out information about the remuneration of ClearView's Directors and its Key Management Personnel (KMP) for the financial year ended 30 June 2020.

The term 'KMP' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, including any Director of the consolidated entity.

The prescribed details for each person covered by this report are detailed below under the following headings:

- Details of the Directors and KMP;
- Overview of Remuneration Strategy and Objectives;
- Remuneration Framework;
- Remuneration of Directors and KMP including share based payments granted as compensation; and
- Key terms of employment contracts.

Details of the Directors and KMP

The Non-executive Directors of the Group and Company during or since the end of the financial year were:

- **Geoff Black**
  (Appointed Independent Non-executive Director on 25 November 2019; Appointed as Chairman on 1 July 2020)
- **Bruce Edwards (Resigned 1 July 2020)**
  (Former Chairman)
- **David Brown (Resigned 25 November 2019)**
  (Former Independent Non-executive Director)
- **Gary Burg**
  (Independent Non-executive Director)
- **Jennifer Lyon (Appointed on 1 July 2020)**
  (Independent Non-executive Director)
- **Michael Alscher**
  (Non-executive Director)
- **Nathanial Thomson**
  (Non-executive Director)
- **Susan Young**
  (Independent Non-executive Director)

The KMP of the Group and the Company in addition to the Non-executive Directors during or since the end of the financial year were:

Managing Director

- **Simon Swanson**
  Managing Director

Other Executive KMP

- **Judilyn Beaumont (Appointed 11 November 2019)**
  General Counsel and Company Secretary
- **Christopher Blaxland-Walker**
  General Manager, Distribution
- **Athol Chiert**
  Chief Financial Officer
  Company Secretary (Ceased 15 November 2019)
- **Orla Cowan (Appointed 8 October 2019)**
  Chief Risk Officer
- **Todd Kardash**
  General Manager, Licensee Services
- **Deborah Lowe**
  General Manager, People and Operations
- **Greg Martin**
  General Manager, Strategy (Commenced 5 September 2019)
  Chief Actuary and Risk Officer (Ceased 5 September 2019)
- **Justin McLaughlin**
  Chief Investment Officer
- **Hicham Mourad (Appointed 2 March 2020)**
  General Manager, Technology

Overview of Remuneration Strategy and Objectives

ClearView's remuneration approach has the following objectives:

- Attract, retain and motivate skilled employees;
- Reward and recognise employees for strong performance;
- Reward employees in a way that aligns remuneration with prudent risk-taking and the long-term financial soundness of the business;
- Maintain a competitive, yet financially-viable salary structure; and
- Clarify responsibilities, accountability and decision-making authority in relation to remuneration at ClearView.

Remuneration Framework

Remuneration Governance

ClearView's Remuneration Policy (Policy) was updated in 2019 and is compliant with the obligations set out by the Australian Prudential Regulatory Authority (APRA) under Prudential Standards CPS 510 'Governance' and SPS 510 'Governance'. It also forms part of ClearView's Risk Management System and overall Risk Management Framework (in accordance with the Prudential Standards). The Board has approved this Policy and retains overall responsibility for all remuneration decisions in respect to persons relevant to each entity. The Policy is reviewed at least once every three years. Any changes to the Policy must also be approved by the Board.

ClearView has an established Group Nomination and Remuneration Committee (Remuneration Committee) which, among other things, is responsible for overseeing the remuneration and human resource practices for the Group. Key responsibilities of the Remuneration Committee are as follows:

- Reviewing and recommending to the Board ClearView's Remuneration Policy, including its effectiveness and compliance with legal and regulatory requirements;
- Identifying any material deviations of remuneration outcomes from the intent of the Remuneration Policy, including any unreasonable or undesirable outcomes that flow from existing remuneration arrangements;
- Reviewing and making annual recommendations to the Board on the remuneration of the Managing Director, Senior Management Team (SMT) members (all of whom are KMP listed above) and other persons whose activities may, in the Remuneration Committee's opinion, affect the financial soundness of ClearView;
- Reviewing and making annual recommendations to the Board on the remuneration structures, including risk-adjusted performance targets, for those persons or categories of persons which, in the Board's opinion, could individually or collectively affect the financial soundness of ClearView, ensuring that due regard is given to the balance between the achievement of business objectives and the associated risk;
- Reviewing and making annual recommendations to the Board on the remuneration structures of external persons retained directly by ClearView under contract whose activities, individually or collectively, may affect the financial soundness of ClearView;
- Reviewing compliance with the relevant regulatory and prudential requirements;
- Ensuring it has the necessary experience and expertise in setting remuneration and sufficient industry knowledge and/or external advice to allow for effective alignment of remuneration with prudent risk-taking, supplementing its expertise with appropriate external expert advice;
- Reviewing and recommending to the Board (and if required to shareholders) any short-term and long-term incentive payments for the Managing Director and Senior Management Team (SMT); and
- Reviewing and providing recommendations to the Board (and if required to shareholders) in relation to any termination benefits for Non-executive Directors, Managing Director, other SMT members and key persons which exceed one year's average base salary as defined in the Corporations Act 2001.

ClearView's Remuneration Policy is in place to:

- Outline employee obligations and ClearView's obligations;
- Set out roles, responsibilities and accountabilities of the KMP;
- Set out clear reporting and controls;
- Define various terms to ensure a common understanding; and
- Clarify what happens if this policy or associated procedures are breached.

Relationship between Remuneration Policy and Company Performance

The primary objectives of the Remuneration Policy are to ensure that remuneration is competitive, aligned with the Company's business objectives in both the short term and the long term, and appropriate for the results delivered by the individual. In accordance with this objective, the Company has structured remuneration packages to provide an appropriate mix of fixed and performance based pay components which are based on both the individual's performance and Group performance. By adopting a robust approach to remuneration, the Group aims to attract and retain top talent.

The remuneration framework is also designed to reward prudent risk-taking, support effective risk management and prioritise the long term financial soundness of the business and its shareholders.

Total KMP remuneration is made up of three components:

- Fixed Remuneration;
- Short Term Incentive (STI); and
- Long Term Incentive (LTI).

ClearView is closely monitoring the regulatory guidance and expectations issued by APRA. These have been considered to-date in setting the FY21 fixed remunerations. Formal consulting advice was sought from Godfrey Remuneration Group, an independent remuneration consulting group in setting the 2021 Fixed Remuneration. Further details are provided in the sections that follow. The remuneration policy and internal policies will continuously be reviewed to ensure ongoing compliance with regulatory changes as more information becomes known and the changes are due to take effect.

The design of remuneration structures and performance conditions will reflect ClearView's key risks, as relevant to particular roles by:

- Ensuring that the components of remuneration appropriately balance risk and business outcomes, having regard to the percentage of 'at risk' to 'not at risk' remuneration that is, variable to fixed remuneration;
- Using appropriate risk-adjusted objectives in ClearView's incentive awards for key persons and categories of persons;
- Appropriate use of long-term incentives and deferrals to ensure performance can be suitably validated and the consequence of the risk to which ClearView has been exposed can be fully assessed; and
- Ensuring any sign-on and termination payments with respect to Directors, SMT members and other key personnel, comply with legislative requirements, are appropriate and prudent and contain suitable hurdles.

Fixed Remuneration

Fixed Remuneration is made up of base remuneration and superannuation. Base salary includes cash salary and any salary sacrifice items. The Group provides employer superannuation contributions of 10% of each KMP's base salary, capped at the relevant maximum contribution base.

The Fixed Remuneration is based on each employee's experience, qualifications, capability and responsibility and not to specific performance conditions. An employee's responsibility includes accountabilities, delegations, Key Performance Indicators (KPI's) and risk profiles.

To ensure an employee's Fixed Remuneration is competitive, it is benchmarked against median salary survey results from a group of comparable Australian financial service companies.

Fixed Remuneration is reviewed annually, following the end of the 30 June performance year.

Independent market remuneration data was purchased from two independent sources and reviewed to benchmark the Fixed Remuneration for KMP for the 2020 financial year. The sources were the Financial Industry Remuneration Group (FIRG) and Aon Hewitt reports. Both are primary providers of data and the most appropriate for roles in the industry in which ClearView operates. The benchmarking reports were used as a guide, and were not a substitute for thorough consideration of all the issues by the Remuneration Committee.

Any increase to individual remuneration for the Managing Director, SMT and any other person whose activities may, in the Remuneration Committee's opinion, affect the financial soundness of ClearView, must be approved by the Board on the recommendation of the Remuneration Committee after engaging and taking advice, where appropriate.

Short Term Incentive (STI) plan

The STI plan for KMP aims to provide a common motivation to act in the best interests of the Company to reach or exceed Company goals for the financial year. They are based on rewarding an individual with a bonus calculated as a percentage of Fixed Remuneration. Company performance targets are set for the KMP by the Board (on recommendation of the Remuneration Committee).

For FY20, the award of the STI component for KMP was based on the achievement of one company goal, as per the following table and awards based on personal targets and objectives.

Company Goal	Description	Min %	Target %	Max %	% Achieved FY20
Operating Earnings (after tax) 2020	Consists of consolidated profit after tax adjusted for amortisation (not including capitalised software), the effect of changing discount rates on insurance policy liabilities, costs considered unusual to the Group's ordinary activities and interest on corporate debt (after tax).				
Pool Value		**0%**	**100%**	**120%**	**0%**

As outlined in the table, STI outcomes for FY20 fall within a range of 0% to 120% of the individual Target STI with 100% pegged to achieving target performance (as set out in the Board approved Business Plan). The resultant potential maximum STI awards for KMP range from 0% to 60% of Fixed Remuneration as follows:

SMT Member	Target STI %	Maximum STI %	Minimum STI %	Actual Achieved %
Simon Swanson	50%	60%	0%	0%
Athol Chiert	30%	36%	0%	0%
Christopher Blaxland-Walker	30%	36%	0%	0%
Deborah Lowe	30%	36%	0%	0%
Gregory Martin	30%	36%	0%	0%
Justin McLaughlin	30%	36%	0%	0%
Todd Kardash	30%	36%	0%	0%
Orla Cowan	30%	36%	0%	0%
Judilyn Beaumont	30%	36%	0%	0%
Hicham Mourad	30%	36%	0%	0%

Any payment of KMP bonuses is recommended by the Remuneration Committee and approved by the Board.

Overall in FY20 0% of the target STI pool for the company goal was achieved based on the range of financial outcomes. The FY20 result was adversely impacted by poor claims experience in the life insurance business. Further details on the FY20 results has been provided in the Operating and Financial Review. Whilst KMP had personal targets and objectives in FY20, given the company results, each KMP was assessed as not meeting their personal targets and objectives, hence 0% of the personal target was achieved. This resulted in no STI being made payable to the SMT.

Sound risk management practices act as a gateway qualifying condition to the STI. Furthermore, underpinning the achievement of the financial goals is sound business strategy, leadership, client focus, product development, superior services and continuous improvement of systems and processes. It was envisaged that a deferral mechanism for STI would be introduced for the FY20 performance period. However, this was delayed due to the uncertainty around their interaction with upcoming regulatory requirements (specifically FAR and CPS511).

For FY21 the value of KMP incentives will be determined by both company goals and personal targets, with objectives set for the KMP by the Managing Director. The Group has chosen to implement deferral arrangement for FY21 for the STI and LTI components for KMP. These will be in place for FY21 and reinforce the Company's approach to risk management. Further details on the FY21 framework review is provided later in the report.

Long Term Incentive Plan (LTIP)

Background

The Company has previously used its Employee Share Plan as a long term incentive for key employees and contractor participants.

ClearView in its current form was created by the acquisition and successful integration of the life insurance, wealth management and financial advice businesses acquired from MBF Holdings Pty Limited (Bupa Australia) on 9 June 2010 (the Acquisition).

ClearView was required to undergo a significant transformation, that has been achieved over the last ten years with the development of systems, launch of LifeSolutions (full suite of life insurance advice products), WealthSolutions (ClearView Wrap platform) and WealthFoundations (wealth mid-market product), the recruitment of employees, experienced self employed financial advisers and distribution partners.

ClearView implemented an ownership-based compensation scheme for the Senior Management Team (SMT), key management and revenue generators of the Group to assist in the recruitment, rewarding, retention and motivation of employees. This scheme was designed to recognise leaders and reward those decisions and actions which have a direct and positive impact on the results that ClearView delivers for shareholders, at the time and in the future.

The Executive Share Plan (ESP) was established to assist in the recruitment of the SMT and employees with deep life insurance and wealth management experience, to execute on a core strategy and thereby to show ClearView's recognition of the employees' contribution, by providing an opportunity to share in the future growth and profitability of ClearView. The ESP was set up in the context of the 'start up phase' and the nature of the ClearView business at the time when the scope and the timing of any future success of the business was still unknown and uncertain. The ESP aligns the interests of participants more closely with the interests of shareholders including the extension of the ESP to financial advisers in November 2011.

Benchmarking of the LTI for the SMT was originally performed by PricewaterhouseCoopers (PwC), an independent Remuneration Consultant, in February 2013.

The Board subsequent to this review decided in February 2013 to:

- Remove any cap on the issue of shares under the ESP to retain the flexibility to use it as a recruitment tool for both employees and financial advisers;
- Remove the interest on the loans that had until this date been capitalised and treated as part of the limited recourse principal, except that after tax dividends on Shares issued under the ESP was applied towards reduction of the loan; and
- Issue further grants to participants where considered appropriate (aligned to the overall remuneration review of the SMT members by PwC). These further LTI grants were issued in a 'lump sum' rather than on the basis of an annual grant and were aligned to the achievement of an increase in the share price of ClearView.

The Board decided to initially remove the interest rate on the loans for all participants given that the interest imposed was significantly diluting the efficacy of the ESP as an employee recruitment and retention tool, in particular for those staff receiving the earlier grants of ESP shares and to achieve its purpose given the start up phase of the business at the time. The Board believed, notwithstanding the removal of the interest rate on the loans, that the long term interests were aligned given that value was only attributed to participants through an increase in the share price and that a key component of the STI component was at the time also aligned to the longer term, being the Embedded Value.

However, based on the changes in the nature of the business over time, in 2017 the Board determined that interest would only be payable on loan extensions for fully vested ESP shares for Employee Participants and then subsequently implemented this approach for Contractor Participants in June 2019.

The use of derivatives over ClearView Securities could distort the proper functioning of performance and vesting conditions of the ESP. Accordingly, derivatives over ClearView ESP shares are not permitted to be held in relation to any ClearView ESP shares that are unvested or the subject of a holding lock under the ESP.

Overview of the Executive Share Plan (ESP or Plan)

In accordance with the provisions of the Plan, as approved by shareholders at the 2015 Annual General Meeting, the ownership-based compensation scheme allows participation in the Plan of:

- Employee Participants - These participants are key managers, members of the Senior Management Team and the Managing Director; and
- Contractor Participants - These participants are financial advisers.

Eligible Employees under the Plan Rules therefore include both Employee Participants and Contractor Participants of the Company and its related body corporates.

Non-executive Directors are ineligible to participate in the Plan in accordance with the Plan Rules.

Offer and consideration

Under the ESP, the Board may invite Eligible Employees to participate in an offer (Offer) of fully paid ordinary shares in ClearView, subject to the terms of conditions of the ESP.

Each ClearView Share is issued at a price to be determined by the Board prior to making an Offer and this price is set out in the invitation (Invitation) to Eligible Employees. This price may be the market price of a Share (as defined in the ESP Rules) on the date of the Invitation. Taking into account the liquidity, volatility, and the average trading activities of the ClearView Shares, the Board determined in February 2013 that it is appropriate and reasonable for ClearView to adopt the Volume Weighted Average Price (VWAP) over a 3 month period to determine the market value of the ClearView Shares for the purposes of ESP issues. This has been implemented for all ESP Share issues since that date. Prior to this, no ESP Shares were issued at a price below 50 cents per share, being the price at which the original capital raising was completed in June 2010.

Restrictions on offer

Shares may not be offered under the ESP to an Eligible Employee if that Eligible Employee would hold, after the issue of the Shares, an interest in more than 5% of the issued Shares of ClearView or be able to control the voting rights of more than 5% of the votes that might be cast at a general meeting of ClearView.

As at the date of this Report, the Board has not set a limit on the number of Shares that may be issued under the Plan. The Board or Board Authorised Delegates approve the issue of new ESP shares and monitors the overall quantum of ESP shares on issue, relative to the interests of existing shareholders and the overall objectives of the business. No shares have been issued under the Plan since July 2017.

Financial assistance

The Company may provide financial assistance to an Eligible Employee for the purposes of subscribing for Shares under the ESP. The financial assistance will be a limited recourse loan equal to the purchase value of the Shares and is repayable in accordance with the terms of the accompanying Invitation or as follows:

- For Share issues prior to 14 February 2013 - within 60 days (or a longer period determined by the Board in its discretion) after the 5th anniversary of the grant of the financial assistance (unless it is required to be repaid at an earlier date owing to the operation of the Rules); or
- immediately in the event of certain 'disqualifying circumstances' including failure to meet performance or vesting conditions, cessation of the Employee Participant's employment in circumstances defined in the ESP Rules or termination of the Contractor Participant's contract with a Group Company for the provision of services.

For Employee Participants, the financial assistance is secured over the shares and rights attached to the shares.

The Board has delegated authority to Mr Swanson, Mr Chiert and Mr Thomson to approve granting an extension to the loan term of all Employee Participants who remain employees at the expiration of their loan term for a period until a Change in Control of the Company (as defined in the ESP Rules).

Holding lock

The shares granted under the ESP to participants are subject to a holding lock restricting the holder from dealing with the shares, unless otherwise provided under the Invitation. Where all performance conditions and/or vesting conditions (if any) attaching to the Shares issued prior to 14 February 2013 have been satisfied (or waived) a holding lock will cease to have effect if:

- The Board accepts a disposal request (as defined in the ESP Rules) (Disposal Request); or
- 5 years have passed from the Acquisition Date; or

If the Participant:

  - is an Employee Participant, their employment with the Group ceases, or
  - is a Contractor Participant, their contractor agreement is terminated; or

- The ESP is terminated, or
- The holding lock period otherwise ceases;

provided that the Financial Assistance and any interest that has been accrued have been repaid.

For Share issues from 14 February 2013 the Holding Lock ceases on vesting or forfeiture of Shares.

The holding lock is imposed through the share registry and in accordance with the ASX Listing Rules. Participants will not be able to sell their ESP Shares on ASX or have an off-market transfer registered (and are also otherwise prohibited from dealing in the shares) while the holding lock is in place.

If the participant is a Contractor Participant, following the removal of the holding lock over the Shares of the participant, the participant may not sell, or otherwise deal with, any such Shares without the prior written consent of the Company, which consent the Company may give or withhold in its absolute discretion and which consent may be given subject to conditions.

Eligible Employees are entitled under the ESP Rules to make a Disposal Request provided the performance and vesting conditions have been met (or waived). The holding lock applicable to their ESP shares will cease to have effect upon the Board (in its absolute discretion) accepting the Disposal Request. ClearView may dispose of these ESP shares on behalf of the participant in one or more of the following ways (at the discretion of the Board):

- Reallocate the Shares to give effect to acquisitions by other Eligible Employees under the ESP;
- Sell to the Company in accordance with buy-back provisions of the Corporations Act; or
- Offer or sell to buyers on the ASX.

The amount payable by these Eligible Employees to ClearView following such a disposal is the amount outstanding in relation to the financial assistance, including accrued interest. The Eligible Employees may retain any surplus proceeds.

Change of Control

Under the ESP Rules, all performance and vesting conditions in relation to Shares held by an Eligible Employee who is an Employee Participant are deemed to have been satisfied upon a Change of Control unless stated otherwise in the participants Invitation Offer. A Change of Control is defined under the ESP Rules as being:

(a) Until 14 February 2013:

- A person who did not Control the Company at the date of issue of the Plan Shares gains Control of the Company (but only if the person is not itself Controlled by another person who Controlled the Company at the date of issue); or
- Other circumstances occur which the Board determines in its absolute discretion are analogous to a Control transaction and justify removal of Performance Conditions and/or Vesting Conditions.
- 'Control' is defined as where a person and its related bodies corporate holds more than 50% of the Shares in ClearView.

(b) After 14 February 2013:

- 12 months after a Change of Control; or
- Circumstances occur which the Board determines in its absolute discretion are analogous to a Control transaction and justify removal of Performance Conditions and/or Vesting Conditions.
- Control' is defined as Crescent Capital Partners and its Associated Entities no longer holding 20% of the voting rights of the Company.

(c) After 1 July 2015:

- For ESP Shares issued to employee participants after 1 July 2015, unless stated otherwise in the participants Invitation Offer, all performance and vesting conditions in relation to these shares, are not deemed to have been met upon a Change of Control.
- Control' is defined as Crescent Capital Partners and its Associated Entities no longer holding 20% of the voting rights of the Company.

The above provisions concerning change of control apply only to Employee Participants and not Contractor Participants under the ESP.

Services from consultants - 2018 review and new LTIP

The Remuneration Committee seeks and considers advice from independent, external remuneration consultants where appropriate. Remuneration consultants are engaged directly by and report to the Remuneration Committee.

In 2017, it was considered appropriate for the Remuneration Committee to engage AON Hewitt Associates Pty Ltd. (Aon Hewitt) to benchmark overall remuneration for the SMT and non-executive Directors. The advice from Aon Hewitt was used as a guide, and was not a substitute for a thorough consideration of all the issues by the Remuneration Committee.

An outcome of the Aon Hewitt review highlighted that the existing LTIP for the SMT was primarily vested and as such it was necessary to consider what would represent an appropriate new LTI, as part of the overall remuneration structure for SMT members. The value of the existing LTIP rested in the interest free component of the ESP loan backed plan, and receiving dividends on the ESP shares that are financed by these ESP loans. In considering a new LTI scheme, three key objectives were focused on:

1. Providing appropriate remuneration to the SMT to ensure a component of remuneration remains delivered in equity and is focused on longer term performance;
2. Acting as an incentive to remain employed at ClearView (a delayed vesting mechanism); and
3. Alignment of the interests of the key management with the interests of shareholders.

PricewaterhouseCoopers (PwC) was engaged by the Remuneration Committee in 2017, to implement a new LTIP structure for the SMT.

Taking into account current market practice the Board felt that an LTI structure delivered via a grant of Performance Rights would be the most appropriate structure to achieve the key objectives. The LTI structure was approved by the Board, on recommendation of the Remuneration Committee, on 21 June 2017. The first awards under the new LTI were made in FY18, with subsequent awards made in FY19 and FY20. Further details on the proposed FY21 award has been provided later in the report.

The key terms of the rules of the LTIP Plan are outlined below:

Key Plan Details	Description
1. Instruments	Awards of performance rights or options subject to the terms and conditions set out in the ClearView Wealth Limited Long Term Incentive Plan Rules.
2. Eligibility	Open to eligible employees by invitation of the Board from time to time.
3. Amount of the Award	The amount payable for the grant of each Award or how such amount is calculated, as well as the exercise price (if any) will be determined at each series.
4. Terms of Awards	**Participant's rights** Prior to an Award being exercised a Participant is not entitled to notice of, or to vote or attend at, a meeting of the shareholders of the Company and receive any dividends declared by the Company by virtue of holding an Award. **Restriction of dealing** A Participant may not sell, assign, transfer, grant a Security Interest over or otherwise deal with an Award that has been granted to them, unless the Board in its absolute discretion so approves or the relevant dealing is effected by force of law on death or legal incapacity to the Participant's legal personal representative **Prohibition on hedging** A Participant must not enter into any arrangement for the purpose of hedging their economic exposure to an unvested Award that has been granted to them. **Listing** Unless determined otherwise by the Board in its absolute discretion, an Award granted under the Plan will not be quoted on the ASX or any other recognised exchange.
5. Vesting Conditions	The vesting conditions will be determined from time to time at each series. An Award will vest when a Vesting Notice in respect of that Award is given or is deemed to be given to the Participant. A Vesting Condition for an Award may, subject to the Corporations Act, the Listing Rules and any other applicable laws and regulations, be waived by the Board by written notice to the relevant Participant and on such terms and conditions as determined by the Board and set out in that notice.
6. Exercise of Awards	An Award may only be exercised when all Vesting Conditions and all Exercise Conditions applicable to that Award are satisfied or have been waived by the Company and the Company has provided a Confirmation Notice to the Participant.
7. Settlement of Awards	The Board may determine the preferred settlement mechanism (ie Cash Settled or Equity Settled) in its absolute discretion.
8. Shares to rank pari passu and listing	All Resulting Shares will rank pari passu in all respects with the Shares of the same class for the time being on issue except for any rights attaching to the Shares by reference to a record date prior to the date of the allotment or transfer of the Resulting Shares.

Key Plan Details	Description
9. Forfeiture	**a) Leaver** If a Participant becomes a Leaver: i) they will retain all of their vested Awards; and ii) if the Participant becomes a Leaver as a result of death or total permanent disability, they will retain all of their unvested Awards; or iii) in all other circumstances, all of their unvested Awards will be forfeited on a date determined by the Board, unless the Board provides express written consent that the Participant may retain any or all of their unvested Awards. If the Participant is entitled to retain any or all of their unvested Awards, those Awards will be subject to the terms and conditions that the Participant held those Awards prior to becoming a Leaver, or such other terms and conditions as the Board communicates in writing to the Participant. **b) Failure to satisfy Vesting Conditions and Exercise Conditions** Unless otherwise stated in the Invitation or determined by the Board in its absolute discretion, an Award which has not yet vested or has not yet been exercised will be forfeited immediately on the date that the Board determines (acting reasonably and in good faith) that any applicable Vesting Conditions or Exercise Conditions have not been met or cannot be met by the relevant date.
10. Disposal Restrictions	If the Rules or a Participant's Invitation provide that any Resulting Shares are subject to any restrictions as to the disposal or other dealing by a Participant for a period, the Board may implement any procedure it deems appropriate to ensure the compliance by the Participant with this restriction, including but not limited to imposing an ASX Holding Lock (where applicable) on the Resulting Shares or using an employee share trust to hold the Resulting Shares during the relevant restriction period.
11. Change of Control Event	Notwithstanding any other provisions of the Rules but subject to applicable laws and the terms of a Participant's Invitation, if a Change of Control Event occurs, or the Board determines for the purpose of this Plan that such event is likely to occur, the Board may in its absolute discretion determine (having regard to, amongst other factors, the performance of the Company against targets in the Vesting Conditions at that time, the period of time that has elapsed between the Grant Date and the date of the Change of Control Event, and the circumstances of the Change of Control Event) the manner in which any or all of the Participant's Awards will be dealt with.
12. Size and duration	Unless the Board determines otherwise, the Company will not issue an Invitation to an Eligible Participant under these Rules if the aggregate of the total number of Shares that would be issued under that Invitation and the number of Shares which could be issued were each outstanding offer or grant made within the 3 years preceding the Invitation with respect to Shares, units of Shares and options or rights to acquire unissued Shares, under this Plan or any other employee incentive scheme of the Company to be accepted or exercised and the number of Shares issued in the 3 years preceding the Invitation, pursuant to this Plan or any other employee incentive scheme of the Company, would exceed 5% of the total number of issued Shares at that time.

Performance rights granted as compensation

The number of performance rights granted as compensation to each participant, in accordance with the LTIP is as follows:

SMT Member	2018 issue[1]	2019 issue[2]	2020 issue[4]	Total	Unvested[4]	Vested[3]	Forfeited
Simon Swanson[5]	1,142,857	718,899	897,868	2,759,624	897,868	791,246	1,070,510
Athol Chiert	357,143	224,656	280,584	862,383	280,584	247,265	334,534
Christopher Blaxland-Walker	285,714	179,725	224,467	689,906	224,467	197,812	267,627
Deborah Lowe	114,286	71,890	196,408	382,584	196,408	79,125	107,051
Gregory Martin	428,571	269,587	336,700	1,034,858	336,700	296,717	401,441
Justin McLaughlin	250,000	157,259	196,408	603,667	196,408	173,085	234,174
Todd Kardash	285,714	179,725	224,467	689,906	224,467	197,812	267,627
Total	**2,864,285**	**1,801,741**	**2,356,902**	**7,022,928**	**2,356,902**	**1,983,062**	**2,682,964**

1 Number of performance rights issued to participants in October 2017 and April 2018.
2 Number of performance rights issued to participants in September 2018.
3 Number of shares vested based on actual achievement as approved by the Board in August 2019.
4 Number of performance rights issued to participants in August 2019 which has a vesting date of 30 June 2022, they remain unvested as at 30 June 2020.
5 Vested performance rights allocated to Simon Swanson were satisfied by the on-market purchase of ClearView ordinary shares.

Key terms of 2018 and 2019 Issue

Key Scheme Details	Description
1. Instruments	Performance Rights – being a right to receive one share for no consideration, contingent on the vesting conditions being met. The awards also had the ability to be cash settled in certain circumstances.
2. Eligibility	Invitations were made to nominated SMT members as outlined in the previous table.
3. Quantum	Each participant was set an LTI dollar value determined as part of their remuneration package. This dollar value was converted into a set number of Performance Rights based on an agreed VWAP share price, being the share price at grant date and a notional value applied to the award, based on typical performance or valuation discounts derived from remuneration consultants research.
4. Performance Period	The Performance Rights were subject to a performance period that ended on 30 June 2019.

5. Vesting Conditions	The participants must remain employed by the ClearView Group as at the vesting date (30 June 2019), in addition to meeting performance based vesting conditions.
	The specifics of the vesting conditions included:
	• 50% of the Performance Rights were measured against an Embedded Value target as set out in the FY18 Business Plan and measured immediately after the financial year 30 June 2019. At 90% achievement of embedded value, 50% of the awards would vest with straight line vesting between 90% and 100%.
	• 50% of the Performance Rights were measured against a relative Total Shareholder Return target, based on an agreed basket of peer companies (ranked against the S&P ASX 200 Diversified Financials Index). To measure the performance against the TSR condition:
	  • The TSR of the companies in the peer group were calculated for the relevant period, with the share price at the start and end based on a 5 day VWAP price; and
	  • The companies in the peer group were ranked according to their TSR performance. ClearView's TSR was calculated for the relevant period and ranked based on its percentile performance against the peer group.
	  • The number of rights that vested were determined according to a vesting scale: at less than the 50th percentile no rights vest, at the 50th percentile 50% vests and at the 75th percentile 100% vests. Straight line vesting applied between the 50th and 75th percentiles.

Key Scheme Details	Description
6. Change of Control	If there is a change of control event then the unvested Performance Rights would remain on foot and continue to be tested against the Embedded Value performance hurdle and a continuing employment service condition as noted above. The TSR falls away in these circumstances. This was not relevant in the circumstances.

Achievement of the performance rights was as follows:

Vesting condition	Outcome	Vesting scale	Weighting	Allocation of CVW shares
Embedded Value target at 30 June 2019	Achievement of 97% of Embedded Value target	85%	50%	42.5%
TSR target	Below the 50th percentile	0%	50%	0%
Total				**42.5%**

This resulted in the awarding of 42.5% of the performance rights issued with the balance being forfeited. This resulted in the allocation of 2.1 million shares held in the ESS Trust to participants as outlined in the table on the previous page. The remaining 2.7 million shares held in the ESS Trust are available for future issues (see sections that follow).

Key terms of 2020 Issue

Key Scheme Details	Description
1. Instruments	Performance Rights – being a right to receive one share for no consideration, contingent on the vesting conditions being met. The awards for the FY20 issue was based on being equity settled (determinant right).
2. Eligibility	Invitations were made to nominated SMT members as outlined in the table on page 59.
3. Quantum	Each participant has a set LTI dollar value determined as part of their remuneration package. This dollar value was converted into a set number of Performance Rights at grant date based on an agreed value per share, being 90% of the Embedded Value per share of $0.99[3].
4. Performance Period	The Performance Rights are subject to a performance period that ends on 30 June 2022.
5. Vesting Conditions	The participants must remain employed by the ClearView Group as at the vesting date (30 June 2022), in addition to meeting performance based vesting conditions. The specifics of the vesting conditions include: • 100% of the Performance Rights will be measured against an Underlying NPAT target for the year ended 30 June 2022 (adjusted for interest on corporate debt), as set out in the three year FY20 Business Plan and measured immediately after the financial year 30 June 2022. • At 90% achievement of the Underlying NPAT target, 0% of the Awards will vest with straight line vesting between 90% and 100%.
6. Change of Control	If there is a change of control event then the unvested Performance Rights will remain on foot and continue to be tested against the Underlying NPAT performance hurdle and a continuing employment service condition as noted above.
7. Exercise Conditions	In addition to the vesting conditions, an annual review will be conducted following the year ended 30 June 2022 to 5 business days after the 30 June 2025 audited results are released to assess if any breaches or instances of misconduct have been identified from 1 July 2019 to this date. If the exercise conditions are not met, all or part of the Award may be forfeited, having taken into consideration the period, magnitude and impact of the event, breach, or misconduct being considered.

1 Performance rights to be granted to Simon Swanson were satisfied by the on-market purchase of ClearView ordinary shares.
2 Number of performance rights approved on 21 August 2019 were issued at a grant date of 21 August 2019, based on a share understanding with the employees. Formal letters were issued and signed in August 2020 given time taken to set deferral mechanism.
3 Embedded Value at 30 June 2019 4% discount rate margin, including a value for future franking credits, accrued franking credits and Employee Share Plan (ESP) loans.

Services from consultants - 2021 review

In 2020, it was considered appropriate for the Remuneration Committee to engage Godfrey Remuneration Group (GRG) to benchmark overall remuneration for the SMT and non-executive Directors. The advice from GRG was used as a guide, and was not a substitute for a thorough consideration of all the issues by the Remuneration Committee.

GRG was also engaged to provide options for the evolution of the remuneration framework for FY21. As a result of the GRG review, a deferral mechanism has now also been introduced for STI purposes and the deferral period implemented for LTIP (as part of the overall remuneration structure for SMT members) was also reviewed.

It was decided to implement a deferred short term variable remuneration plan using restricted rights. This now allows the intended implementation of a deferral for the STI (40% payable three years post the measurement period), to ensure appropriate risk management and conduct over that time. The STI (including the deferred component) can be granted as indeterminate rights and the Board can therefore exercise discretion as to how the STI is paid (either in cash or in shares). Deferred portions are payable regardless of employment status unless the clawback policy has been invoked. The quantum of the SMT awards in FY21 will be predominantly linked to the completion of key projects and initiatives that will impact on the longer term sustainability and performance of the business. 20% will be based on financial performance, 60% on business initiatives and 20% on personal goals. As noted previously, FY21 is considered a key transitional year. Further details on the updated remuneration framework will be provided in the FY21 Annual Report.

Performance Rights – 2021 Issue

The GRG review recommended the continued adoption of the existing LTI Plan. The number of performance rights that were approved to be granted by the Remuneration Committee as compensation to each participant on 21 August 2020 is as follows:

SMT Member	2021 issue
Simon Swanson	1,199,632
Athol Chiert	374,885
Christopher Blaxland-Walker	299,908
Deborah Lowe	262,420
Gregory Martin	449,862
Justin McLaughlin	262,420
Todd Kardash	299,908
Judilyn Beaumont	149,954
Orla Cowan	149,954
Hicham Mourad	149,954
Total	**3,598,897**

The key terms of the FY21 issue under the LTIP scheme are as follows:

Key Scheme Details	Description
1. Instruments	Performance Rights – being a right to receive one share for no consideration, contingent on the vesting conditions being met. The awards for FY21 will be indeterminate rights and have the ability to be cash settled.
2. Eligibility	Invitations to nominated SMT members as outlined in the previous table.
3. Quantum	Each participant has a set LTI dollar value determined as part of their remuneration package. This dollar value is converted into a set number of Performance Rights at grant date based on an agreed value per share (67 cents per share which is calculated based on a $450 million market capitalisation of the Company).
4. Performance Period	The Performance Rights are subject to a performance period that ends on 30 June 2024.
5. Vesting Conditions	The participants must remain employed by the ClearView Group as at the vesting date (30 June 2024), in addition to meeting performance based vesting conditions. The specifics of the vesting conditions include: • 100% of the Performance Rights will be measured against the Total Shareholder Return (TSR) target for the year ended 30 June 2024. The TSR target will be based on a 25% compound return and measured immediately after the financial year 30 June 2024.
6. Change of Control	If there is a change of control event then the unvested Performance Rights will remain on foot and continue to be tested against the Total Shareholder Return performance hurdle and a continuing employment service condition as noted above.
7. Exercise conditions	In addition to the vesting conditions, an annual review will be conducted following the year ended 30 June 2024 to 5 business days after the 30 June 2027 audited results are released to assess if any breaches or instances of misconduct have been identified. If the exercise conditions are not met, all or part of the Award may be forfeited, having taken into consideration the period, magnitude and impact of the event, breach, or misconduct being considered.

Further details on the FY21 framework will be provided in the FY21 Remuneration Report.

Consequences of ClearView's performance on shareholder wealth

The following tables set out the summary information about the Group's earnings and movements in shareholder wealth for five years to 30 June 2020:

	30 Jun 20	30 Jun 19	30 Jun 18	30 Jun 17	30 Jun 16
Revenue[1] ($'000)	410,339	385,755	372,207	333,503	295,828
Net profit after tax ($'000)	13,081	3,959	26,596	13,150	23,615
Underlying Net Profit after Tax	14,738	25,090	32,353	30,362	27,235
Dividend (Final) (cents)	-	-	3.00	2.75	2.50
Basic EPS (cents)	2.08	0.63	4.33	2.20	4.39
Diluted EPS (cents)	2.08	0.62	4.14	2.11	4.27
Fully diluted Underlying EPS (cents)	2.34	3.94	5.03	4.88	4.92
Embedded Value[2] ($m)	643	673	670	630	591
Embedded Value per share (cents)[2]	95.3	99.4	100.3	95.6	89.8
Share Price at the beginning of the year (cents)	66.0	116.0	145.0	95.0	95.0
Share Price at the end of the year (cents)	27.5	66.0	116.0	145.0	95.0

1 Revenue from continuing operations excludes net fair value gains/losses in financial assets.

2 Embedded Value at 4% discount rate margin, including a value for future franking credits, franking credits included in the net worth and ESP loans. Excluding EV attributed to the financial advice business. Franking credits have been included in the net worth and prior periods have been restated to reflect this.

Remuneration of Directors and KMP

Non-executive Directors' remuneration

Non-executive Directors are remunerated by way of one base fee (inclusive of Superannuation Guarantee) that is based on market rates for comparable companies for the time commitment and responsibilities undertaken by Non-executive Directors. The level of remuneration for each Non-executive Director is set by the Remuneration Committee, within the total annual remuneration limits approved by the shareholders at a general meeting. Any increase to individual Non-executive Director remuneration must be approved by the Board on the recommendation of the Remuneration Committee after engaging and taking advice, where appropriate. All reasonable out of pocket expenses incurred in connection with a Director's duties on behalf of ClearView Wealth are reimbursed. There is no direct link between Non-executive Directors' remuneration and the annual results of ClearView Wealth or its related entities. The Non-executive Director remuneration is based on the role of the individual director, their membership on Board Committees, and directorships of other ClearView entities.

Non-executive Directors are not entitled to participate in equity schemes of the Company, and are not entitled to receive performance-based bonuses. Non-executive Directors are not entitled to retirement benefits other than in respect of any superannuation entitlements.

The present limit on aggregate remuneration for Non-executive Directors is $1,000,000 including superannuation (2019: $1,000,000). Directors' fees can be paid as superannuation contributions. The fee pool is the only source of remuneration for Non-executive Directors.

The compensation of each Non-executive Director for the year ended 30 June 2020 is set out below:

	Short term employee benefits				Post employment	Share based payments	Total
2020	Salary & Fees $	Bonus $	Non-monetary $	Termination Payment $	Superannuation $	Executive Share Plan $	$
Non-executive Directors							
B Edwards[1]	150,000	-	-	-	-		150,000
D Brown[2]	32,344	-	-	-	3,073		35,417
G Burg	85,000	-	-	-	-		85,000
N Thomson[4]	85,000	-	-	-	-		85,000
M Alscher[4]	84,167	-	-	-	-		84,167
S Young	70,000	-	-	-	25,000		95,000
G Black[3]	46,899	-	-	-	4,455		51,354
J Lyon[5]	-	-	-	-	-	-	-
	553,409	**-**	**-**	**-**	**32,528**	**-**	**585,937**

1 Mr Edwards resigned as Director on 1 July 2020.
2 Mr Brown resigned as Director on 25 November 2019.
3 Mr Black appointed as Director on 25 November 2019.
4 Mr Thomson and Mr Alscher have agreed they will receive no fees as Director although fees are payable to Crescent Partners Management Pty Ltd of which they are employees.
5 Ms Lyon appointed on 1 July 2020, no remuneration in FY20.

The compensation of each Non-executive Director for the year ended 30 June 2019 is set out below:

	Short term employee benefits				Post employment	Share based payments	Total
2019	Salary & Fees $	Bonus $	Non-monetary $	Termination Payment $	Superannuation $	Executive Share Plan $	$
Non-executive Directors							
B Edwards	150,000	-	-	-	-	-	150,000
D Brown	77,626	-	-	-	7,374	-	85,000
G Burg	85,000	-	-	-	-	-	85,000
N Thomson[1]	85,000	-	-	-	-	-	85,000
M Alscher[1]	49,077	-	-	-	-	-	49,077
S Wakuya[2]	31,111	-	-	-	-	-	31,111
S Young[3]	70,000	-	-	-	25,000	-	95,000
	547,814	**-**	**-**	**-**	**32,374**	**-**	**580,188**

1 Mr Alscher's appointment as alternate Director to Mr Thomas was revoked and he was appointed as Director on 20 November 2018. Mr Thomson and Mr Alscher have agreed they will receive no fees as Director although fees are payable to Crescent Partners Management Pty Ltd of which they are employees.
2 Mr Wakuya resigned as Director on 20 November 2018.
3 In the 2019 Remuneration Report, salary sacrificed superannuation amount has been included as salary. The table above has been amended to reflect the amount as superannuation.

Managing Director and Senior Management Team remuneration

The compensation of each member of the KMP of the Group for the year ended 30 June 2020 is set out below:

	Short term employee benefits				Post employment		Share based payments			Total
2020	Salary & Fees $	Bonus $	Retention Bonus $	Non-monetary $	Superannuation $	Long Service Leave $	Executive Share Plan[5] $	Long Term Incentive Plan[6] $	Performance based %	$
S Swanson	709,776	-	-	15,905	21,002	10,350	-	50,667	6.26%	807,700
A Chiert	403,475	-	-	12,044	21,002	6,639	-	15,833	3.44%	458,993
G Martin	419,842	-	-	15,905	21,002	6,944	-	19,000	3.92%	482,693
J McLaughlin	348,537	-	-	-	25,973	5,717	-	11,083	2.83%	391,310
T Kardash	361,520	-	-	62,657	25,000	5,747	-	12,667	2.70%	467,591
C Blaxland-Walker	358,482	-	-	72,893	21,002	5,848	4,808	12,667	3.66%	475,700
D Lowe	336,970	-	-	7,833	21,002	5,692	19,874	11,083	7.67%	402,454
J Beaumont[1]	246,925	-	-	5,520	15,175	273	-	-	0.00%	267,893
O Cowan[2]	283,117	-	-	6,198	15,578	261	-	-	0.00%	305,154
H Mourad[3]	116,462	-	-	1,395	7,270	131	-	-	0.00%	125,258
E Briggs[4]	19,200	-	(18,860)	678	1,402	(34,602)	-	-	0.00%	(32,182)
Total	**3,604,308**	**-**	**(18,860)**	**201,028**	**195,410**	**13,001**	**24,682**	**133,000**	**3.79%**	**4,152,564**

1 Appointed as General Counsel and Company Secretary on 11 November 2019.
2 Appointed as Chief Risk Officer on 8 October 2019. An induction bonus of $50,000 has been included in O Cowan's salary for the year.
3 Appointed as General Manager, Technology on 2 March 2020.
4 Ceased General Counsel and Company Secretary on 24 July 2019.
5 Benefit calculated under the Binomial model in respect of the future value of the ESP shares issued.
6 For details, refer to LTIP Awards.

The compensation of each member of the KMP of the Group for the year ended 30 June 2019 is set out below:

Revised	Short term employee benefits				Post employment			Share based payments			Total
2019	Salary & Fees[1] $	Bonus $	Retention Bonus $	Non-monetary[2] $	Termination Payment $	Superannuation $	Long Service Leave[1] $	Employee Share Plan[3] $	Long Term Incentive Plan[4] $	Performance based %	$
S Swanson	677,195	-	300,000	15,235	-	20,531	13,572	-	804,549	60.3%	1,831,082
A Chiert	404,517	-	210,000	11,806	-	20,531	8,522	40,250	251,422	53.2%	947,048
G Martin	427,132	-	210,000	15,235	-	20,531	8,351	40,250	301,705	53.9%	1,023,204
J McLaughlin	337,683	-	180,000	-	-	27,333	7,511	-	175,995	48.9%	728,522
T Kardash	340,970	-	200,000	64,999	-	25,019	6,893	43,816	201,137	50.4%	882,834
C Blaxland-Walker	353,707	-	200,000	102,707	-	20,531	7,290	15,792	201,137	46.3%	901,164
D Lowe	346,025	-	180,000	7,364	-	20,531	7,215	29,307	80,455	43.2%	670,898
E Briggs	291,475	-	160,000	-	-	20,531	7,475	8,792	106,440	46.3%	594,714
L Hulley	206,794	-	160,000	-	144,734	16,754	4,548	-	-	30.0%	532,830
Total	**3,385,500**		**1,800,000**	**217,346**	**144,734**	**192,292**	**71,376**	**178,207**	**2,122,841**	**50.6%**	**8,112,295**

1 In the 2019 Remuneration Report, annual and long service leave has been included in Salary instead being separately disclosed. The table above has been amended to reflect the corrected disclosure.

2 In the 2019 Remuneration Report, non-monetary benefits were understated and the values of two individuals have been amended in the table above. A total of $144,094 was understated reflecting additional car benefits including FBT costs.

3 Benefit calculated under the Binomial model in respect of the future value of the ESP shares issued.

4 For details, refer to LTIP Awards.

Share Based Payments Granted As Compensation

Limited recourse loans have been granted by the Company to the ESP Participants to fund the acquisition of shares under the ESP. Loan extensions have been provided as outlined earlier in the report.

The following tables outlines the ESP loans made to KMP or their related entities as at 30 June 2020 and 30 June 2019:

2020	Balance at beginning	Loans Granted $	Interest charged[1] $	Repayments $	Loan Cancelled $	Balance at end $	Highest in period $
S Swanson	5,967,271	-	103,656	-	-	6,070,927	6,070,927
A Chiert	2,030,070	-	26,467	-	-	2,056,537	2,056,537
G Martin	2,537,946	-	35,289	-	-	2,573,235	2,573,235
J McLaughlin	1,281,524	-	22,261	-	-	1,303,785	1,303,785
T Kardash	1,268,972	-	17,644	-	-	1,286,616	1,286,616
C Blaxland-Walker	1,257,195	-	17,644	-	-	1,274,839	1,274,839
D Lowe	487,053	-	-	-	-	487,053	487,053
E Briggs	144,673	-	-	-	(144,673)	-	144,673
Total	**14,974,704**	**-**	**222,962**	**-**	**(144,673)**	**15,052,992**	

2019	Balance at beginning	Loans Granted $	Interest charged[1] $	Repay-ments $	Loan Cancelled $	Balance at end $	Highest in period $
S Swanson	5,953,803	-	172,468	(159,000)	-	5,967,271	5,967,271
A Chiert	2,024,514	-	45,306	(39,750)	-	2,030,070	2,030,070
G Martin	2,525,704	-	59,942	(47,700)	-	2,537,946	2,537,946
J McLaughlin	1,268,824	-	36,960	(23,850)	-	1,281,524	1,281,524
T Kardash	1,262,851	-	29,971	(23,850)	-	1,268,972	1,268,972
C Blaxland-Walker	1,247,103	-	29,929	(19,836)	-	1,257,195	1,257,195
D Lowe	494,051	-	1,326	(8,324)	-	487,053	494,051
E Briggs	146,776	-	394	(2,497)	-	144,673	146,776
L Hulley	67,936	-	1,225	(69,161)	-	-	67,936
Total	**15,049,802**	**-**	**377,521**	**(393,968)**	**-**	**14,974,710**	

1 Interest is charged on vested shares for SMT participants as resolved by the Board.

Shares granted to KMP and equity holdings

During and since the end of the financial year no shares (2019: Nil) were granted by the Company to KMP under the ESP.

The following table outlines the ESP shares issued to KMP or their related entities as at the date of this report:

Share series	Director, KMP, to which the series relates	Fair value at grant date (pre-modification[1])	Fair value at grant date (post-modification[1])	Exercise price per share ($)	Aggregate value at grant date ($)	Expiry date[9]
Series 6 [1,2,6,8]	Justin McLaughlin	0.10	0.10	0.59	51,500	Change in Control
Series 7 [1,3,6,8]	Athol Chiert / Justin McLaughlin	0.07	0.10	0.49	98,057	Change in Control
Series 10 [1,3,6,8]	Simon Swanson	0.11	0.11	0.50	224,074	Change in Control
Series 11 [1,4,6,8]	Simon Swanson	0.08	0.08	0.58	323,295	Change in Control
Series 12 [1,5,6,8]	Simon Swanson	0.06	0.06	0.65	241,927	Change in Control
Series 15 [1,5,6,8]	Greg Martin	0.10	0.13	0.50	196,271	Change in Control
Series 16 [1,5,6,8]	Todd Kardash	0.10	0.13	0.50	127,366	Change in Control
Series 16 [1,5,6,8]	Chris Blaxland-Walker	0.10	0.13	0.50	127,366	Change in Control
Series 26 [7]	Athol Chiert	0.29	n/a	0.57	289,798	Change in control
Series 26 [7]	Greg Martin	0.29	n/a	0.57	289,798	Change in control
Series 26 [7]	Todd Kardash	0.29	n/a	0.57	144,899	Change in control
Series 43	Chris Blaxland-Walker	0.20	n/a	1.01	16,718	Change in Control
Series 44	Chris Blaxland-Walker	0.23	n/a	1.01	19,372	Change in Control
Series 45	Chris Blaxland-Walker	0.27	n/a	1.01	21,883	26/11/2020
Series 51a	Deborah Lowe	0.19	n/a	0.96	49,733	Change in control
Series 51b	Deborah Lowe	0.22	n/a	0.96	57,586	Change in control

1 On the 14th February 2013, the Board approved a change to the rules of the ESP which changed the interest rate charged on the financial assistance granted to the ESP Participants from the RBA official cash rate plus 25 basis points to zero percent. This resulted in changes to the inputs of the option pricing model which had an impact on the fair value of the option at the date of the change.

2 Change of control provision was triggered on 23 October 2009 by Guiness Peat Group (GPG) increasing its shareholding above 50%. As a result, the vesting conditions for employees that were issued shares prior to the date of change of control were accelerated.

3 Shares vested 1 year from date of commencement of employment on 26 March 2011.

4 Shares vested 2 years from date of commencement of employment on 26 March 2012.

5 Change of control provision was triggered on 26 September 2012 by CCP Bidco obtaining a shareholding above 50%.

6 The Board approved granting an extension of the loan term until such time as there is a change of control in the Company.

7 Special condition relating to shares issued to KMP in Series 26: the shares may be sold on change of control with 50% of the funds held for in escrow for a period of 12 months.

8 Vesting conditions have been met up to the date of this report.

9 Expiry represents either the relevant vesting or holding lock period.

The following table summarises the performance and vesting conditions for shares issues to Employee Participants under the ESP as at the date of this report are:

Series	Vesting Conditions	Performance Conditions
Series 6 – 30 June 2008 Issue	Nil[1]	Nil
Series 7 – 29 September 2009 Issue	Nil[1]	Nil
Series 10 – 25 June 2010 Issue	Nil[2]	Nil
Series 11 – 25 June 2010 Issue	Nil[2]	Nil
Series 12 – 25 June 2010 Issue	Nil[2,4]	Nil
Series 15 – 18 August 2011 Issue	Nil[4]	Nil
Series 16- 6 October 2011 Issue	Nil[4]	Nil
Series 24- 22 August 2012 Issue	Nil[4]	Nil
Series 26- 16 April 2013 Issue	Upon a change in control of the company[3]	Nil
Series 27- 16 April 2013 Issue	First year anniversary upon the change in control	Nil
Series 31- 14 October 2013 Issue	Upon a change in control of the company	Nil
Series 32- 14 October 2013 Issue	First year anniversary upon the change in control	Nil
Series 35- 31 January 2014 Issue	Upon a change in control of the company	Nil
Series 36- 31 January 2014 Issue	First year anniversary upon the change in control	Nil
Series 38- 30 May 2014 Issue	Remain an employee of the company for 4 years from Grant date of shares	Nil
Series 39- 30 May 2014 Issue	Remain an employee of the company for 5 years from Grant date of shares	Nil
Series 40- 30 May 2014 Issue	Remain an employee of the company for 6 years from Grant date of shares	Nil
Series 43- 26 November 2014 Issue	Remain an employee of the company for 4 years from Grant date of shares	Nil
Series 44- 26 November 2014 Issue	Remain an employee of the company for 5 years from Grant date of shares	Nil
Series 45- 26 November 2014 Issue	Remain an employee of the company for 6 years from Grant date of shares	Nil
Series 46- 30 March 2015 Issue	Remain an employee of the company for 4 years from Grant date of shares	Nil
Series 47- 30 March 2015 Issue	Remain an employee of the company for 5 years from Grant date of shares	Nil
Series 48- 30 March 2015 Issue	Remain an employee of the company for 6 years from Grant date of shares	Nil
Series 50a - 30 July 2015 Issue	Remain an employee of the company for 4 years from Grant date of shares	Nil
Series 50b - 30 July 2015 Issue	Remain an employee of the company for 5 years from Grant date of shares	Nil
Series 50c - 30 July 2015 Issue	Remain an employee of the company for 6 years from Grant date of shares	Nil
Series 51a & 51b - 23 December 2015 Issue	Upon a change in control of the company	Nil
Series 52 - 27 April 2016 Issue	Remain an employee of the company for 4 years from Grant date of shares	Nil

1 Change of control provision was triggered on 23 October 2009 by GPG increasing its shareholding above 50%.

2 In accordance with Mr Swanson's employment contract, Mr Swanson is entitled to a long term incentive comprising 10 million Shares in accordance with the ESP, and vesting progressively over three years from the commencement date of his contract as follows:
Series 10: 2 million shares at an issue price of 50 cents vesting on 26 March 2011 (vested);
Series 11: 4 million shares at an issue price of 58 cents vesting on 26 March 2012 (vested); and
Series 12: 4 million shares at an issue price of 65 cents vesting on 26 September 2012 (vested) on change of control of ClearView.
The Shares issued to Mr Swanson have vested progressively each year as outlined above.

3 Special condition relating to shares issued to KMP in Series 26: 100% of the shares may be sold on change of control, but 50% are held in escrow after employment for 1 year thereafter.

4 Change of control provision was triggered on 26 September 2012 by CCP Bidco obtaining a shareholding above 50%.

Unless explicitly stated in the Participants Offer Documentation all unvested Shares will automatically vest in accordance with the rules of the Plan upon a change of control as outlined above.

LTIP Awards

As as the end of the current reporting period, 2,356,902 performance rights granted under the LTIP scheme were in existence. They are subject to a performance period that ends on 30 June 2022.

Shares held by Directors and KMP

The following table outlines the fully paid ordinary shares of the Company (including those held under the ESP) owned by the Directors and KMP as at 30 June 2020:

2020	Shares subject to vesting conditions No.	Shares not subject to vesting conditions No.	Balance at beginning of financial year No.	Granted as compensation No.	Net other changes No.	Balance end of financial year No.	Balance held subject to vesting conditions No.	Balance vested at year end No.	Vested but not yet exercisable No.	Vested and exercisable No.
B Edwards	-	-	617,040	-		617,040	-	-	-	-
G Black	-	-	-	-	50,000	50,000	-	-	-	-
J Lyon	-	-	27,212	-	-	27,212	-	-	-	-
G Burg	-	-	10,918,090	-	-	10,918,090	-	-	-	-
S Swanson	-	10,000,000	14,700,000	-	850,000	15,550,000	-	10,000,000	-	10,000,000
A Chiert	1,000,000	1,500,000	2,924,512	-	297,754	3,222,266	1,000,000	1,500,000	-	1,500,000
S Young	-	-	83,092	-	-	83,092	-	-	-	-
J McLaughlin	-	1,500,000	1,647,060	-	173,085	1,820,145	-	1,500,000	-	1,500,000
T Kardash	500,000	1,000,000	1,667,059	-	197,811	1,864,870	500,000	1,000,000	-	1,000,000
G Martin	1,000,000	2,000,000	3,825,117	-	296,717	4,121,834	1,000,000	2,000,000	-	2,000,000
C Blaxland-Walker	247,525	1,000,000	1,247,525	-	197,811	1,445,336	247,525	1,000,000	-	1,000,000
D Lowe	523,505	-	588,445	-	79,125	667,570	523,505	-	-	-

Key terms of employment contracts

The following contractual and other arrangements are in place in respect of the KMP as at the date of this report.

KMP	Term	Notice period by either the employee or the Company	Other	Target Incentive % of base salary	Maximum Incentive % of base salary
Simon Swanson	Ongoing	12 months	In the case of redundancy, a severance payment of 13 weeks' base salary (or any greater payment required under the National Employment Standards (NES)).	50%	60%
Athol Chiert	Ongoing	6 months notice for the first 3 years of employment, 3 months notice after 3 years	For all terminations after the first 3 years of employment an additional 26 week payment is payable.	30%	36%
Christopher Blaxland-Walker	Ongoing	12 months	In the case of redundancy, a severance payment of 13 weeks' base salary (or any greater payment required under the NES).	30%	36%
Deborah Lowe	Ongoing	6 months	In the case of redundancy, a severance payment of 13 weeks' base salary (or any greater payment required under the NES).	30%	36%
Greg Martin	Ongoing	6 months	In the case of redundancy, a severance payment of 13 weeks' base salary (or any greater payment required under the NES).	30%	36%
Justin McLaughlin	Ongoing	6 months	In the case of redundancy, a severance payment of 26 weeks' base salary (or any greater payment required under the NES).	30%	36%
Todd Kardash	Ongoing	12 months	In the case of redundancy, a severance payment of 13 weeks' base salary (or any greater payment required under the NES).	30%	36%
Orla Cowan	Ongoing	13 weeks notice for the first year of employment, 26 weeks notice thereafter.	In the case of redundancy, a severance payment of 13 weeks' base salary (or any greater payment required under the NES).	30%	36%
Judilyn Beaumont	Ongoing	13 weeks	In the case of redundancy, a severance payment of 13 weeks' base salary (or any greater payment required under the NES).	30%	36%
Hicham Mourad	Ongoing	13 weeks	In the case of redundancy, a severance payment of 13 weeks' base salary (or any greater payment required under the NES).	30%	36%

All current Directors are subject to re-election by shareholders at least every 3 years. All current KMP contracts provide for an annual review of Fixed Remuneration.

Signed in accordance with a resolution of the Board of Directors made pursuant to s298(2) of the Corporation Act 2001.

On behalf of the Directors

Geoff Black
Chairman

25 August 2020

Auditor's Independence Declaration

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
ClearView Wealth Limited
Level 15, 20 Bond Street
Sydney NSW 2000

25 August 2020

Dear Directors

Auditor's Independence Declaration to ClearView Wealth Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of ClearView Wealth Limited.

As lead audit partner for the audit of the financial statements of ClearView Wealth Limited and its subsidiaries for the financial year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Max Rt Murray

Max Murray
Partner
Chartered Accountants

2020 financial report contents

The Financial Report was authorised for issue by the Directors on 25 August 2020.

Consolidated statement of profit or loss and other comprehensive income

For the full year ended 30 June 2020

		Consolidated		Company	
	Note	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Continuing operations					
Revenue from continued operations					
Premium revenue from insurance contracts		259,993	243,114	-	-
Outward reinsurance expense		(85,803)	(71,613)	-	-
Net life insurance premium revenue		**174,190**	**171,501**	-	-
Fee and other revenue	2.4	130,206	123,116	3,947	-
Investment income	2.5	105,943	91,138	1,641	8,029
Operating revenue before net fair value gains on financial assets		**410,339**	**385,755**	**5,588**	**8,029**
Net fair value gains on financial assets		(123,848)	68,082	-	-
Net operating revenue		**286,491**	**453,837**	**5,588**	**8,029**
Claims expense		(194,538)	(116,257)	-	-
Reinsurance recoveries revenue		136,429	80,345	-	-
Commission and other variable expenses		(125,548)	(127,718)	-	-
Operating expenses	2.6	(102,519)	(114,561)	(5,771)	(4,521)
Depreciation and amortisation expense	2.6	(7,269)	(9,006)	-	-
Impairment	2.6	-	(21,509)	-	(37,681)
Change in life insurance policy liabilities	5.4	5,361	1,319	-	-
Change in reinsurers' share of life insurance liabilities	5.4	(1,564)	19,212	-	-
Change in life investment policy liabilities	5.4	(7,411)	(95,896)	-	-
Movement in liability of non-controlling interest in controlled unit trusts		17,066	(64,840)	-	-
Profit/loss before income tax expense		**6,498**	**4,926**	**(183)**	**(34,173)**
Income tax (expense) benefit	2.7	6,583	(967)	505	1,463
Total comprehensive income/loss for the year		**13,081**	**3,959**	**322**	**(32,710)**
Attributable to:					
Equity holders of the parent		13,081	3,959	322	(32,710)
Earnings per share	2.2				
Basic (cents per share)		2.08	0.63	-	-
Diluted (cents per share)		2.08	0.62	-	-

To be read in conjunction with the accompanying Notes.

Consolidated statement of financial position

For the full year ended 30 June 2020

		Consolidated		Company	
	Note	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Assets					
Cash and cash equivalents		186,443	200,197	14,160	11,038
Investments	3.3	2,013,797	1,981,312	409,083	389,078
Receivables	3.1	40,672	38,786	20,105	3,404
Fixed interest deposits		118,534	104,515	-	-
Reinsurers' share of life insurance policy liabilities	5.4	128,543	95,669	-	-
Deferred tax asset	2.7	11,759	8,848	880	237
Property, plant and equipment		494	934	-	-
Right-of-use assets		1,363	-	-	-
Goodwill	4.1	12,511	12,511	-	-
Intangible assets	4.1	5,969	8,893	-	-
Total assets		**2,520,085**	**2,451,665**	**444,228**	**403,757**
Liabilities					
Payables	3.2	35,092	51,955	1,135	6,857
Current tax liabilities	2.7	2,175	2,178	2,175	2,177
Provisions	4.3	7,030	7,320	847	24
Lease liabilities		1,804	-	-	-
Life insurance policy liabilities	5.4	(59,341)	(151,652)	-	-
Life investment policy liabilities	5.4	1,185,326	1,152,535	-	-
Liability to non-controlling interest in controlled unit trusts		834,092	933,155	-	-
Deferred tax liabilities	2.7	1,186	2,122	265	803
Borrowings		60,000	15,000	60,000	15,000
Total liabilities		**2,067,364**	**2,012,613**	**64,422**	**24,861**
Net assets		**452,721**	**439,052**	**379,806**	**378,896**
Equity					
Issued capital	6.1	447,448	446,043	449,855	450,228
Retained losses	6.2	(13,290)	(26,372)	(105,479)	(105,479)
Executive Share Plan Reserve	6.2	14,584	16,087	12,177	11,901
Profit reserve	6.2	-	-	19,274	18,952
General reserve	6.2	3,979	3,294	3,979	3,294
Total equity		**452,721**	**439,052**	**379,806**	**378,896**

To be read in conjunction with the accompanying Notes.

Consolidated statement of changes in equity

For the full year ended 30 June 2020

Consolidated	Share capital $'000	Share based payments reserve $'000	General reserve $'000	Profit reserve $'000	Retained losses $'000	Attributable to the owners of the parent $'000
Restated balance as at 1 July 2018	**438,289**	**12,509**	**2,785**	**-**	**(10,282)**	**443,301**
Profit for the year	-	-	-	-	3,959	3,959
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**3,959**	**3,959**
Recognition of share based payments	-	2,889	-	-	-	2,889
Dividend paid (inclusive of costs)	-	-	-	-	(20,048)	(20,048)
Dividend Reinvestment Plan (inclusive of costs)	11,119	-	-	-	-	11,119
ESP loans settled through dividend	-	746	-	-	-	746
ESP shares vested/(forfeited)	821	(57)	509	-	-	1,273
Treasury shares	(4,186)	-	-	-	-	(4,186)
Balance at 30 June 2019	**446,042**	**16,087**	**3,294**	**-**	**(26,371)**	**439,052**
Profit for the year	-	-	-	-	13,081	13,081
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**13,081**	**13,081**
Recognition of share based payments	-	437	-	-	-	437
ESP shares vested/(forfeited)	-	(161)	685	-	-	524
Shares bought back	(373)	-	-	-	-	(373)
Allocation of treasury shares	1,779	(1,779)	-	-	-	-
Balance at 30 June 2020	**447,448**	**14,584**	**3,979**	**-**	**(13,290)**	**452,721**

To be read in conjunction with the accompanying Notes.

Company	Share capital $'000	Share based payments reserve $'000	General reserve $'000	Profit reserve	Retained losses $'000	Attributable to the owners of the parent $'000
Balance at 1 July 2018	**438,289**	**12,509**	**2,785**	**31,200**	**(64,969)**	**419,814**
Profit for the year	-	-	-	7,800	(40,510)	(32,710)
Total comprehensive loss for the year	**-**	**-**	**-**	**7,800**	**(40,510)**	**(32,710)**
Recognition of share based payments	-	(1,297)	-	-	-	(1,297)
Dividend paid (inclusive of costs)	-	-	-	(20,048)	-	(20,048)
Dividend Reinvestment Plan	11,119	-	-	-	-	11,119
ESP loans settled through dividend	-	746	-	-	-	746
ESP shares vested/(forfeited)	821	(57)	509	-	-	1,273
Balance at 30 June 2019	**450,228**	**11,901**	**3,294**	**18,952**	**(105,479)**	**378,896**
Profit for the year	-	-	-	322	-	322
Total comprehensive income for the year	**-**	**-**	**-**	**322**	**-**	**322**
Recognition of share based payments	-	437	-	-	-	437
ESP shares vested/(forfeited)	-	(161)	685	-	-	524
Shares bought back	(373)	-	-	-	-	(373)
Balance at 30 June 2020	**449,855**	**12,177**	**3,979**	**19,274**	**(105,479)**	**379,806**

To be read in conjunction with the accompanying Notes.

Consolidated statement of cash flows

For the full year ended 30 June 2020

		Consolidated		Company	
	Note	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Cash flows from operating activities					
Receipts from client and debtors		677,711	583,827	-	-
Payments to suppliers and other creditors		(320,000)	(327,441)	(5,391)	(4,500)
Receipts from/(payments to) Group entities		-	-	3,919	22,602
Withdrawals paid to life investment clients		(297,568)	(344,563)	-	-
Dividends and trust distributions received		99,662	63,516	-	-
Incurred claims treaty settlements		35,611	-	-	-
Interest received		3,704	27,900	79	229
Interest on borrowings and other costs of finance		(2,219)	(1,461)	(920)	(712)
Income taxes paid		(5,359)	(12,576)	(5,359)	(12,576)
Net cash (utilised)/generated by operating activities		**191,542**	**(10,798)**	**(7,672)**	**5,043**
Cash flows from investing activities					
Net cash movement due to investment in subsidiary		-	-	(18,506)	(14,400)
Payments for investment securities		(1,379,094)	(1,859,117)	-	-
Proceeds from sales of investment securities		1,228,745	2,008,545	-	-
Acquisition of property, plant and equipment		(280)	(399)	-	-
Acquisition of capitalised software		(2,048)	(6,076)	-	-
Fixed interest deposits redeemed/(invested)		(14,000)	(5,830)	-	-
Loans (granted) / repayments received		1,614	623	(16,000)	(102)
Dividends received from subsidiary		-	-	-	7,800
Net cash (utilised) by investing activities		**(165,063)**	**137,746**	**(34,506)**	**(6,702)**
Cash flows from financing activities					
Net movement in liability of non-controlling interest in unit trusts		(85,532)	(107,764)	-	-
Treasury shares		-	(4,186)	-	(4,186)
Repayment of ESP loans		-	746	-	746
ESP shares vested / (forfeited)		-	1,273	-	1,273
Sale of ESP shares		674	-	674	-
Share buyback (net of costs)		(374)	-	(374)	-
Dividend paid (net of costs)		-	(8,183)	-	(8,183)
Debt drawn down		45,000	15,000	45,000	15,000
Net cash generated/(utilised) in financing activities		**(40,232)**	**(103,114)**	**45,300**	**4,650**
Net increase/(decrease) in cash and cash equivalents		(13,753)	23,834	3,122	2,991
Cash and cash equivalents at the beginning of the financial year		200,197	176,363	11,038	8,047
Cash and cash equivalents at the end of the financial year		**186,444**	**200,197**	**14,160**	**11,038**

To be read in conjunction with the accompanying Notes.

Notes to the Financial Statements

For the full year ended 30 June 2020

1. About this report

1. About this report

(a) General Information

ClearView Wealth Limited (the Company or Consolidated Entity) is a limited company incorporated in Australia. The address of its registered office is disclosed in the Directory at the back of the Annual Report. The principal activities of the Company and its subsidiaries (the Group) are described in Note 2.1.

(b) Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group and the separate financial statements of the parent entity. For the purpose of preparing the consolidated financial statements, the Company is a for-profit entity. Accounting Standards comprise Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the Directors on 25 August 2020.

(c) Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 102 or value in use in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument, amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

All amounts are presented in Australian dollars, unless otherwise noted.

(d) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

1. About this report continued

- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions.

The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (that is, reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable AASBs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(e) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 Income Taxes and AASB 119 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 'Share-based Payment' at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 Non-current assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

1. About this report continued

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value.

Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 139, or AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', as appropriate, with the corresponding gain or loss being recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as at the acquisition date that, if known, would have affected the amounts recognised as at that date.

(f) Materiality

Information has only been included in the financial report to the extent that it has been considered material and relevant to the understanding of the financial statements. A disclosure is considered material and relevant if, for example:

- the amount in question is significant because of its size or nature;
- it is important for understanding the results of the ClearView group;
- it helps explain the impact of significant changes in the ClearView group; and/or
- it relates to an aspect of the ClearView group's operations that is important to its future performance.

(g) Significant accounting policies

The significant accounting policies adopted in the preparation of the financial report are contained in the notes to the financial statements to which they relate. All accounting policies have been consistently applied to the current year and comparative period, unless otherwise stated.

(h) Critical judgements and estimates

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The critical judgements that the Directors have made in the process of applying the Group's accounting policies and in the application of Australian Accounting Standards that have a significant effect on the financial report and estimates include:

- Life insurance policy liabilities, including the actuarial methods and assumptions and allocation of expenses between acquisition and maintenance costs (section 5.7);
- Assets arising from reinsurance contracts (section 5.7);
- Recoverability of intangible assets and goodwill (section 4.2);
- Deferred tax assets (section 2.7);
- Further details on the potential impacts of COVID-19 are provided in section 1 (j).

1. About this report continued

(i) Risk management

The Group's Board has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board Risk and Compliance Committee is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the board of directors on its activities.

The Board Risk and Compliance Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Board Audit Committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

The Risk Appetite Statement (RAS) outlines ClearView's material risks from a strategic, customer, business and financial perspective and is divided across both Financial and Non-Financial Risks. ClearView's Risk Appetite Statement clearly articulates the material risks to which ClearView is exposed and specifies the type and level of risk ClearView is willing to accept in pursuit of its strategic, business and financial objectives.

The RAS is a key component of the overall Risk Management Framework. The material risk categories for ClearView are as follows:

- Insurance management
- Sustainability
- Liquidity and credit
- Capital management (Including Reinsurance)
- Investment management and market risk (Interest rate, asset liability management)
- Operational
- Outsourcing and supplier management
- Information security and data management
- Compliance
- Strategic
- Culture and conduct
- Reputational
- Business continuity, disaster recovery and pandemic

Some of the key material risk categories are discussed in more detail below:

Insurance management

The risks under the life insurance contracts written by ClearView Life are exposed to various key variables. The table below provides an overview of the key insurance contract types and exposure variables.

Type of contract	Detail of contract workings	Nature of compensation for claims	Key variables that affect the timing and uncertainty
Non-participating life insurance contracts with fixed terms (Term Life and Disability)	Benefits paid on death or ill health that are fixed and not at the discretion of the issuer	Benefits defined by the insurance contract are determined by the contract obligation of the issuer and are not directly affected by the performance of the underlying assets or the performance of the contracts as a whole	Mortality Morbidity Discontinuance rates Expenses Policy Terms Premium Rates

1. About this report continued

Insurance risks are controlled through the use of underwriting procedures, appropriate premium rating methods and approaches, appropriate reinsurance arrangements, effective claims management procedures and sound product terms and conditions due diligence.

(a) Risk management objectives and policies for mitigating insurance risk

ClearView Life issues term life insurance contracts and disability insurance contracts. The performance of ClearView Life and its continuing ability to write business depends on its ability to manage insurance risk.

(b) Methods to limit, manage or transfer insurance risk exposures

Reinsurance

ClearView Life purchases reinsurance to limit its exposure to accepted insurance risk. ClearView Life cedes to specialist reinsurance companies a proportion of its portfolio for certain types of insurance risk. This serves primarily to reduce the net liability on large individual risks and provide protection against large losses (claims volatility and systemic risks in the short term). The reinsurers used are regulated by the Australian Prudential Regulation Authority (APRA) and are members of large international groups with sound credit ratings.

ClearView Life periodically reviews its reinsurance arrangements and retention levels.

Underwriting procedures

Underwriting decisions are made using the underwriting procedures reflected in ClearView Life's underwriting systems and detailed in ClearView Life's underwriting manual. Such procedures include limits as to delegated authorities and signing powers. The underwriting process is subject to ClearView Life's internal control processes and is subject to review by the reinsurers from time to time.

Claims management

Strict claims management procedures help ensure the timely and correct payment of claims in accordance with policy conditions, as well as limiting exposure to inappropriate and fraudulent claims.

(c) Concentration of insurance risk

The insurance business of ClearView Life is principally written on individual lives (not group business). Individual business is not expected to provide significant exposure to risk concentration. Nonetheless, insurance risk is concentrated to the eastern seaboard of Australia and its capital cities. The risk exposure is reduced through the use of reinsurance as covered above.

(d) Pricing risk and terms and conditions of insurance contracts

The key risk controls in respect of pricing and policy terms and conditions include:

- Review of product pricing by the Appointed Actuary of ClearView Life, including annual analysis of experience and product line profitability in the annual ClearView Life Financial Condition Report;
- Formal Appointed Actuary Board advice on new product pricing, new reinsurance arrangements and changes in pricing, terms and conditions and reinsurance arrangements;
- Offer of corresponding reinsurance terms by reinsurers which provides an implicit check on the pricing;
- Formal internal policy document and Product Disclosure Statement due diligence review and sign-off processes; and
- The ability to re-price products (change premium rates and fees) on most products in the event of adverse claims and/or other product experience.

It is noted that similar processes and controls apply to the pricing and terms and conditions applicable to the investment products issued by ClearView Life.

Liquidity and credit risks

The risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group exposures from its key debtors and investments in debt securities.

The key risk controls includes:

- An incurred claims treaty with the main reinsurer is in place where lump sum claims are settled on a comprehensive earned premium and incurred claims basis (including incurred but not reported claims (IBNR) and reported but not admitted claims (RBNA) based on best estimate assumptions consistent and based on the applicable Australian Accounting Standards (excluding risk margins, profit margins, and capital margins). ClearView has subsequent to year end implemented a similar arrangement for its income protection business;
- A letter of credit (LOC) has been issued in favour of ClearView Life with a major Australian bank on behalf of the main reinsurer. The LOC is issued as a performance guarantee directed towards mitigating any loss which might be incurred by ClearView Life to secure its regulatory obligations in the event that the reinsurer was to fail to meet its reinsurance obligations under its reinsurance contract. Given an incurred

1. About this report continued

claims treaty has been implemented for income protection business, the limit on the LOC is being wound down. ClearView will be able to increase the dollar limt on the LOC in the future, subject to Swiss Re having sufficient capacity at that time.

- Assessment of credit risk exposures arising from investment activities by the Group's internal investment management committee (the ClearView Investment Committee (CIC) appointed by the Board) prior to investing ClearView assets into any significant financial asset. The ongoing credit standing of material investments are monitored by the CIC.
- Specific capital reserves are held against credit risk under the regulatory capital requirements of the Group and its subsidiaries including ClearView Life and credit risk is considered within the Group's and individual company's ICAAP (refer to below for further discussion).
- The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. To this end, the Group aims to maintain a high level of cash and cash equivalents and other highly marketable debt investments which are monitored by the CIC.
- The Group also monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables.
- The Group has a debt funding facility that contains certain loan covenants. Under the agreement, the covenant is monitored on a regular basis and reported to ensure compliance with the facility agreement.

Capital management and reserving

In terms of regulatory requirements:

- ClearView Life is subject to minimum regulatory capital requirements, in accordance with APRA Life Insurance Prudential Standards, in respect of the principal financial risks exposures retained by ClearView Life;
- ClearView Financial Management, ClearView Financial Advice and Matrix Planning Solutions are also required to maintain minimum regulatory capital as required by ASIC; and
- ClearView Life Nominees is required to maintain an Operational Risk Financial Requirement (ORFR) as determined in accordance with Superannuation Prudential Standard 114. SPS 114 requires that the trustee maintains adequate financial resources to address losses arising from the operational risks that may affect the ClearView Retirement Plan.

In addition, the Group holds additional capital reserves over regulatory capital in accordance with its Board adopted ICAAP. This is to ensure that there is a low likelihood that the Group (and its regulated) subsidiaries will breach their regulatory requirements and so that the Group has sufficient capital to manage its near term business plans and provide a buffer (capital and time) to take action to deal with reasonably foreseeable adverse events that may impact the businesses. These additional reserves are partly held within the subsidiaries where the key risks reside, and partly in a central reserve within the parent entity.

Investment management and market risk (Interest rate, asset liability management)

(a) Asset risks

The primary asset risks borne by the Group relate to the financial assets of the Company and its operating subsidiaries excluding those in the non-guaranteed investment linked funds in ClearView Life's statutory fund No.4 (referred to below as ClearView assets). The primary financial risks related to the financial assets in the non-guaranteed investment linked funds in ClearView Life's statutory fund No.4 are borne by policyholders as the investment performance on those assets is passed through, in full, to the policyholders (referred to below as Policyholder assets). Nonetheless, the Company has a secondary exposure to the Policyholder assets and off-balance sheet client funds, via the impact on the fees charged by the Group which vary with the level of Policyholder and client funds under management and under administration, as well as related reputational exposure (for further detail on Asset risks refer to section 3).

(b) Asset-Liability mismatch risk

Asset-liability mismatch risk arises to the extent to which the assets held by the Group to back its liabilities (especially its policy liabilities and guaranteed investment account liabilities) do not closely match the nature and term of those liabilities. In practice, the market risk and credit risk exposures of the Group primarily relate to the extent that the Group retains a net exposure with respect to these risks and the extent to which the variation in asset values do not mirror the variation in liability values. In this context it is noted:

- The investment linked liabilities of the ClearView Life directly link the underlying assets held to support those liabilities, with the primary market risks and credit risks passed on to the policyholder and unit trust investors (as discussed above);
- The assets held to support the capital guaranteed units in the ClearView Life No.4 statutory funds are maintained, in accordance with the Board's Investment Policy and

1. About this report continued

Guidelines, in high quality, short dated fixed interest assets and cash. Asset-liability risk is substantially reduced via this means; and

- Similarly, assets held to support the policy liabilities and risk capital of the ClearView Life No.1 statutory fund are maintained, in accordance with the Board's investment Policy and Guidelines, in high quality, fixed interest assets and cash that generally closely match the duration and inflation characteristics of those policy liabilities and capital reserves. See further details on the investments made to match the incurred disabled lives reserves made elsewhere in the report.

Outsourcing and supplier management

The Group aims to minimise the vendor risk and operational risks arising from the use of a third party platform activities that would normally be undertaken by ClearView through initial and ongoing due diligence and oversight throughout the supplier life cycle.

Business continuity, disaster recovery and pandemic risk

ClearView is exposed to the risk of disruption to its business operations and IT systems from a host of disasters that vary in degree from minor to catastrophic. Business continuity is the process of getting the entire business back to full functionality after a crisis. Disaster recovery differs in that it is the process of getting all-important IT infrastructure and operations up and running following an outage.

A key element of the Business Continuity Plan (BCP) is the disaster recovery plan, which focuses on the recovery of ClearView's IT system after a crisis event. Recovery Points and Recovery Timeframes for various business processes and IT systems are defined in the ClearView BCP plan. They are closely monitored and managed within tolerance through agreed action plan.

In addition, the Crisis Management Team (CMT) will consider the approach to pandemic phases and threat levels that is most appropriate to ClearView's operations and will develop a response using the current BCP as a baseline, taking into account all information available to them and the specific set of circumstances.

The BCP has been successfully implemented in March 2020 as part of the COVID-19 response.

Culture and conduct

A sound risk culture is integral to the Group's risk management framework. The Group's approach to ensure effective risk management includes:

- governance and conduct frameworks are in place to foster an ethical and positive culture through communications, education including online training, remuneration framework designed to promote accountability, encourage and reward appropriate behaviours;
- active monitoring staff's attitude towards risk and if required, taking appropriate steps to improve it supported by a range of controls and processes including various HR policies and surveys conducted.

(j) Coronavirus (COVID-19) impact

Background

COVID-19, which is a respiratory illness caused by a new virus, was declared a world-wide pandemic by the World Health Organisation in early 2020. COVID-19, as well as measures to slow the spread of the virus, have since had a significant impact on global economies and equity, debt and commodity markets. The Group has considered the impact of COVID-19 and other market volatility in preparing its financial statements.

While the specific areas of judgement as noted on page 81 of the report have not changed, the impact of COVID-19 has resulted in the application of further judgement within those identified areas. Given the dynamic and evolving nature of COVID-19, and limited recent experience of the economic and financial impacts of such a pandemic, changes to the estimates and outcomes that have been applied in the measurement of the Group's assets and liabilities may arise in the future. Other than adjusting events that provide evidence of conditions that existed at the end of the reporting period, the impact of events that arise after the reporting period will be accounted for in future reporting periods.

Impact of COVID 19 and processes applied

Forward-looking information, including an explanation of the scenarios that were considered in determining the Group's assumptions for the purposes of calculating its insurance policy liabilities and expected credit loss (ECL) provisions in the financial statements have been outlined below.

Noting the wide range of possible scenarios and macroeconomic outcomes, and the relative uncertainty of how COVID-19 and its social and economic consequences will flow, these scenarios represent reasonable and supportable forward-looking views as at the reporting date.

At the onset of the pandemic, ClearView assessed certain stress test scenarios that included a 'Base' (Pre-COVID-19) case, a 'Plausible COVID-19' case (reasonably foreseeable, conservative scenario), and a 'Severe COVID-19' case (severe scenario).

1. About this report continued

These stress scenarios considered business impacts (both capital and profitability) from COVID-19, including direct COVID-19 claim impacts (based on assumed infection, mortality and morbidity rates), indirect claims impacts (economic downturn induced), asset value impacts, adverse impact on delivery of key projects, reduced sales and elevated lapses and premium suspension impacts.

ClearView Life's regulatory capital position is resilient to each of these scenarios. Profitability can be sensitive within each scenario, in particular to claims and lapse assumptions and relative to the allowances made in policy liailities versus the actual experience that emerges.

Whilst there is substantial uncertainty of the impacts of COVID-19 (for example, the second wave in Victoria, or removing government support measures thereafter), based on the current available data and trends in Australia, the 'baseline' view is that it seems unlikely that there will be a high number of direct COVID-19 related insured death claims cases (noting that mortality to date has tended to be in the older uninsured part of the population). The number of cases has been relatively lower in Australia to this point. As such, the secondary economic impacts appear to be the key risk areas. This is likely to drive an increase in IP claims (and for IP claims for longer durations) and lapses in the months ahead.

Given the evolution of the COVID-19 pandemic and the operating environment, the initial scenarios have been updated as part of the Business Plan process. Four key environmental factors were considered as part of this process:

- Economic impacts of the pandemic (recession and unemployment rates);
- Potential impacts of the pandemic on claims (both number of claims as well as terminations for income protection claims);
- Structural changes to ClearView's distribution channels and the size of the market;
- Return of rational pricing and longer term sustainability of margins (over time) within the life insurance market amidst regulatory intervention; and
- Increased costs of doing business (reinsurance, regulatory and compliance costs).

ClearView's response includes:

- Retention focus (including investment in a retention team) to manage price changes and COVID-19 impacts, by providing alternatives to customers (including reducing overall portfolio risk);
- New product development to provide more affordable alternatives to customers (for example, Simple IP 60 product that was recently launched);
- Claims management, implementation of automated systems (over time) and a focus on resourcing;
- Reprice to profitable segments over time (stay ahead of the curve);
- Material changes to the claims assumptions at 30 June 2020, including an allowance for shorter term overlays to reflect expected COVID-19 related IP claims (incidence and terminations) and an increase in complex claims; and
- Changes to the lapse assumption to allow for shorter term shock lapse overlays in response to price changes and secondary economic impacts from COVID-19.

The ClearView Crisis Management Team and the Board are meeting regularly to monitor the situation and are well prepared to take further corrective or remedial actions as required.

As a consequence of COVID-19 and in preparing these financial statements, management therefore:

- Re-evaluated whether there were any additional areas of judgement or estimation uncertainty that was required over and above that disclosed below;
- Updated its economic outlook and potential secondary impacts of the pandemic on the economy (for example, links to higher unemployment/ underemployment and lower financial incentive to return to work) – principally for the purposes of inputs into its assumptions for policy liabilities and ECL calculations through the application of forward looking information, but also for input into the impairment analysis of financial and non-financial asset classes and disclosures such as fair value disclosures of financial assets and liabilities;
- Reviewed external market information to identify other COVID-19 related impacts (for example guidance from the Institute of Actuaries of Australia and various industry papers);
- Completed analysis of the higher risk occupation classes and propensity to lapse within its advised life insurance portfolio to inform assumptions;
- Assessed the carrying values of its assets and liabilities and determined the impact thereon as a result of market inputs and variables impacted by COVID-19;
- Ran multiple stress testing scenarios, which are an integral component of Group's risk management framework and a key input to the capital adequacy assessment process, to assess the potential impacts of the COVID-19 pandemic to assist in the organisation's prudent risk management; and
- Considered the impact of COVID-19 on the Groups' financial statement disclosures.

1. About this report continued

Consideration of the statements of financial position and further disclosures

Key statements of financial position items and related disclosures that have been impacted by COVID-19 were as follows:

Policy liabilities

In response to COVID-19 the Group undertook a review of best estimate assumptions, with a particular focus on claims and lapses to determine impacts and implications from COVID-19.

With respect to the health and economic implications of COVID-19, whilst there is uncertainty, there is expected to be an increase in claims cost over the next two years. The following was taken into account in proposing a specific claims overlay for COVID-19 as part the best estimate assumptions adopted:

Death Claims

Australia for the most part, has been less affected by the direct mortality impact of COVID-19, on a relative basis to the rest of the developed world, measured by confirmed cases, active cases and deaths at the date of this report.

A resurgence of cases (as can be seen by the recent experience in Victoria) is contingent on the effectiveness of contact tracing and targeted isolation in pockets where cases re-emerge. Given that outside of Victoria there has not been a broader second wave, with stronger contract tracing in other states where there has been clusters of outbreaks, it is expected that direct COVID-19 deaths will be minimal (noting that the predominant impact has been on the older demographic which is broadly part of the uninsured population) and therefore no increase in death claims (outside of the change in claims assumption basis) was included for the direct mortality impacts of the pandemic.

However, there is an expectation that there will be an increase in suicides in the general population due to an increase in stress, anxiety and mental health related conditions. This has been evident with an increase in the number of calls to LifeLine, Kids helpline and Beyond Blue of pre-pandemic levels. This is expected to disproportionately affect the younger demographic and specific occupations (tourism, retail, hospitality) which have been hardest hit by the pandemic. Whilst not directly noted in Australia, there has been an increase in suicide incidences from front line workers (doctors, nurses) overseas who have close experience of COVID-19.

For suicides, it has been assumed that there is an increase in claims costs in FY21 with a lesser impact in FY22, which has been adopted as a COVID-19 overlay and applied to the best estimate assumptions.

Trauma Claims

For Trauma insurance, there may be co-morbidities from COVID-19 (for example, a higher propensity to have a heart attack or stroke) but this is expected to be lower given the more limited infection rate in Australia. There may also be an indirect impact if preventive treatment is being delayed, but this is becoming less significant as social distancing rules are being relaxed in most states. No explicit overlay has therefore been allowed for COVID-19 related Trauma claims.

TPD Claims

For TPD insurance, whilst most cases of COVID-19 are mild and infected people recover within a shorter duration (less than a month), from a morbidity perspective, those who recover from severe cases may suffer lasting effects on their health including permanent lung damage or PTSD from ICU. This will be ultimately impacted by the levels of infection rates across Australia (ClearView has a more limited exposure to Victoria than it does to NSW and Queensland). The economic consequences of COVID-19 are also expected to lead to an increase in complex claims (such as mental illness and chronic pain).

For TPD insurance, it has been assumed that there is a material increase in these claims in FY21 with a lesser impact in FY22, which has been adopted as a COVID-19 overlay and applied to the best estimate assumptions.

Income Protection Claims

With respect to IP claims incidence rates (number of claims received) and impacts from COVID-19, the increase will mainly relate to more complex conditions where the claimant could have potentially remained in the work force or returned to work, but there is now less incentive given the economic environment (including the higher unemployment rate).

There are various published papers estimating as to how incidence rates vary with economic conditions. Furthermore, the exposure to higher risk type occupations can also be estimated.

On balance based on the assumptions adopted for increased unemployment rates, this implies additional incidence and number of claims, with an increase of 21% in FY21 and 15% in FY22 being adopted as a COVID-19 overlay and applied to the best estimate assumptions.

With respect to IP claims termination rates (the duration a claimant stays on claim for), COVID-19 is expected to indirectly increase the duration of IP claims, that is reduce the claims termination rates (linked to higher unemployment/underemployment and lower financial incentive to return to work).

This impacts both the incurred claims reserves held for past claims and future incurred claims costs. The impacts arise

1. About this report continued

due to longer durations for claims (which would vary by occupations), loss of opportunities to work part-time during rehabilitation, which would increase the cost of partial claims and length of claims, inability to work due to self-isolation for conditions that would not ordinarily prevent work and implications of lock down on managing claims (increased stress for claims staff, deferral of treatment etc.).

Based on the 2018 Group Long Term Disability Experience Study Report by the Group Long-Term Disability Committee of the Society of Actuaries, the 'actual to expected termination' rate fell by approximately 10% for small companies, when the US unemployment increased from 5% to 10% during the global financial crisis. This suggests that for a scenario such as the one experienced currently (where underemployment is also likely to rise dramatically), a 15% reduction in termination rates is possible.

In addition, another paper titled 'Recessions and Disability Experience around the world' by Peter Banthorpe for the UK Institute and Faculty of Actuaries, showed that the 'actual to expected' rate for Australian terminations dropped by 12% between mid-2007 and Dec 2009 when unemployment increased by 2%.

This results in a change in termination rate assumption (given the occupation profile which is more weighted towards a lower to average risk occupation mix), of 20% reduction in FY21 and a 15% reduction in FY22. This would increase the cost of claims by approximately a further 15% in FY21 and 7% in FY22. This has been adopted as a COVID-19 overlay and applied to the best estimate assumptions. For disabled life reserves (DLRs), based on an analysis of occupation mix and causes of claim, the same overlay has been adopted.

Lapses

A detailed analysis was completed on the in-force portfolio by inforce premium, number of lives and the percentage split by cohort of the premium rate increase expected over the next 12 months. There is limited data on shock lapses from pricing changes, noting that ClearView's prior experience has been minimal from prior premium rate changes. The shock lapses have been assumed to increase as the premium rate increase becomes higher.

Given the observed lapse rates over the last year, and considering the effect of sum insured indexation, the current baseline 'long-term' expected lapse rate assumptions remain appropriate.

In respect of the price rate changes expected over the next 12 months, a shock lapse assumption of 5% has been adopted for LifeSolutions business (including an allowance for COVID-19 impacts on premium affordability), and 2.5% for the closed portfolios (allowance for COVID-19 impacts).

Loans and other financial assets

In response to COVID-19 the Group undertook a review of loans and receivables and other financial asset exposures, as applicable, and the ECL for each. The review considered the macroeconomic outlook, customer credit quality, the type of collateral held, exposure at default, and the effect of payment deferral options as at the reporting date. The ECL methodology, SICR thresholds, and definition of default remained consistent with prior periods. The model inputs, including forward-looking information, scenarios and associated weighting were however revised.

Right-of-use assets

Included in the right-of-use assets at 30 June 2020 is the Group's property leases. Given the impact of COVID-19, the right of use assets were subject to impairment testing which concluded that no material impairment was required.

Intangible assets

Consistent with the Groups accounting policies, the Group has tested goodwill for impairment and has reviewed the carrying value of its finite life intangible assets at the reporting date for indicators of impairment and, where applicable, reviewed the measurement of the carrying value of such intangible assets.

The goodwill recognised within the Life Insurance and Wealth Management CGU's is tested for impairment triggers using the embedded value methodology by comparing the carrying value of goodwill to the embedded value of the in-force portfolios written to date. The embedded value is a calculation that represents the economic value of the shareholder capital in the business and the future profits expected to emerge from the business currently in-force expressed in today's dollars. No account is taken of future new business in the embedded value calculations.

The estimated embedded value of the business as at 30 June 2020 has been calculated based on the following key assumptions and estimates:

- Mortality and morbidity (claims)
- Investment returns;
- Persistency (lapse);
- Outflows;
- Maintenance costs; and
- Discount rates.

1. About this report continued

The embedded value uses assumptions that are consistent with those adopted for policy liabilities in this financial report. As such, given the review of the assumptions adopted (as outlined in the previous pages) and the EV calculations completed at balance date (incorporating these new assumptions adopted), the assessment has incorporated a consideration of COVID-19.

Debt covenants

Debt-related covenants were assessed to determine whether there were any breaches for which disclosure is required.

As at the reporting date, the Company had a $60 million facility agreement with the National Australia Bank that has been fully drawn down as at the balance date. The facility is repayable on 1 April 2024. The facility was renewed for a further three year period in April 2020.

As part of the renewal of the facility, the margins paid on the facility was renegotiated. From the date of renewal, interest on the loan accrues at BBSY plus a margin of 0.95% per annum (FY19: 0.80%), and is payable monthly. Furthermore, a line fee of 0.80% per annum (FY19: 0.65%) is payable on the facility on a quarterly basis.

The covenants of the facility agreement state that the Group's debt must not exceed 35% of the Group's total debt and equity and the Group's EBITDA (excluding policyholder net profit and removing any effects from the adoption of AASB16) must not be less than 3x interest expense. In the recent renewal, a Review Event was also added based on the capital base of the life company, ClearView Life. This has been set as a minimum PCA ratio of 1.5x (excluding Pillar 2 and reinsurance concentration risk charges for a period of two years from the date of the facility renewal). The covenants are calculated on six monthly basis under the terms of the facility agreement. As part of the COVID-19 response, a waiver was sought from National Australia Bank such that these covenants are calculated on an annual basis for FY20. Notwithstanding this waiver, based on the results to 30 June 2020, ClearView has been operating within its covenants under the terms of the Facility Agreement (as calculated on a six monthly basis). The Group has therefore not identified any breaches at 30 June 2020 nor at the time at which these financial statements were authorised for issue.

The facility has been secured by a number of cross guarantees, refer to section 9.4 for details.

Life investment policy liabilities and investments backing life investment policy liabilities

Life investment policy liabilities are valued at fair value, which is based on the valuation of the assets held within the unitised investment linked policy investment pools. The investments backing policy liabilities are also valued at their fair value as there would otherwise be an accounting mismatch between the assets are held against investment policy liabilities

Risk management

The Group's risk management framework continues to be applied and monitored against the impact of COVID-19 on the Group's risk profile. Non-financial risks emerging from movement restrictions, and remote working by our staff, counterparties, clients and suppliers, are being identified, assessed, managed and governed through timely application of the Group's risk management framework.

2. Results for the year

This section provides information about the Group's financial performance in the period, including:

2. Results for the year

2.1 Segment performance

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The information reported to the Group's Board of Directors, being the chief operating decision maker, for the purpose of resource allocation and assessment of performance is focused on the products and services of each reporting segment.

The principal activities and the Group's reportable segments under AASB 8 are as follows:

- Life Insurance;
- Wealth Management;
- Financial Advice; and
- Listed Entity/Other.

(a) Life Insurance ('protection' products)

ClearView provides life insurance protection products through its wholly owned subsidiary ClearView Life. The products provided by ClearView Life include:

- A comprehensive range of life protection products distributed via both CFA and Matrix financial advisers and third party, external advisers (IFAs). The product suite, LifeSolutions, was launched in December 2011 and is a high quality advice based product suite, providing top quartile benefits and terms at market competitive prices. LifeSolutions includes term life, permanent disability, trauma and critical illness benefits, child cover, accident covers, income protection and business expense covers. Policies can be issued directly or via the ClearView Retirement Plan as superannuation; and
- An in-force portfolio of Non-Advice life protection products that were previously sold through direct marketing, and related channels. Products include term life, accidental death, injury covers, trauma and critical illness and funeral insurance. These products are no longer marketed to customers. The direct life insurance business was closed in May 2017.

(b) Wealth Management ('investment' products)

ClearView provides wealth management products via four primary avenues:

- Master Trust - Life investment contracts issued by ClearView Life. Products include ordinary savings, superannuation and allocated pension products, with the latter two provided via the ClearView Retirement Plan;
- WealthSolutions - A superannuation and retirement income wrap (issued via the ClearView Retirement Plan) and an Investor Directed Portfolio Service (IDPS) Wrap (provided by CFML). This is offered via the WealthSolutions platform which was launched in December 2011. WealthSolutions includes a broad menu of investment funds, ASX listed shares, term deposits, ClearView managed funds and Separately Managed Account (SMA) offering. It also provides a number of model portfolios managed by ClearView for superannuation and non superannuation investors. A new wealth management product was recently launched on the HUB24 platform including a broad menu of investment funds with access to the ClearView model portfolios;
- WealthFoundations - Life investment contracts issued by ClearView Life. Products include superannuation and allocated pension products, issued via the ClearView Retirement Plan. WealthFoundations includes a menu of investment options with transparent investment in underlying funds; and
- Managed Investment Schemes (MIS) - Products are issued via ClearView Financial Management Limited (CFML) as the ASIC licensed Responsible Entity and include MIS products available on ClearView's WealthSolutions platform and external platforms.

(c) Financial Advice

ClearView provides financial advice services through its wholly owned subsidiaries ClearView Financial Advice (CFA) and Matrix Planning Solutions (Matrix). Our comprehensive financial advice offering features two aligned dealer groups providing traditional licensing and dealer services plus the recently launched LaVista Licensee Solutions (LaVista) which provides outsourced B2B licensee services to other Australian Financial Services Licensees (AFSLs).

(d) Listed Entity/Other

This represents the investment earnings on the cash and investments held in the listed and central services entities and in the shareholders fund of ClearView Life, less the costs associated with maintaining a listed entity and interest expense on corporate debt. The Group manages capital at the listed entity level in accordance with its ICAAP policy.

Asset segment information has not been disclosed because the allocation of assets is not used for evaluating segment performance and deciding the allocation of resources to segments.

Asset segment information is critical to the performance of each company and their respective regulatory obligations and is managed at a company level.

Information regarding these segments is provided on the following page.

2. Results for the year continued

2.1 Segment performance continued

The accounting policies of the reportable segments are the same as the Company's accounting policies.

	Total Revenue		Inter-Segment Revenue		Consolidated Revenue	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Segment revenue						
Life Insurance	176,420	174,353	-	-	176,420	174,353
Wealth Management	143,443	129,185	-	-	143,443	129,185
Financial Advice	116,441	110,348	(26,164)	(28,483)	90,277	81,865
Listed entity/Other	199	352	-	-	199	352
Consolidated segment revenue	**436,503**	**414,238**	**(26,164)**	**(28,483)**	**410,339**	**385,755**

Underlying profit is the Groups key measure of business performance and is disclosed below by segment:

2020	Life Insurance	Wealth Management	Financial Advice	Listed Entity/ Other	Total
Underlying net profit/(loss) after tax	**10,443**	**3,621**	**2,280**	**(1,607)**	**14,738**
AIFRS policy liability discount rate effect[1]	2,148	-	-	-	2,148
Impairments[2]	(2,607)	-	-	-	(2,607)
Cost out program implementation costs[3]	(574)	-	(321)	895	-
Wealth project costs[3]	-	(1,366)	-	-	(1,366)
Direct Remediation Program, Direct Closure Provision and Royal Commission Costs[3]	(337)	-	-	337	-
Other costs[3]	279	-	83	(195)	167
Reported profit/(loss)	**9,352**	**2,255**	**2,042**	**(569)**	**13,081**
2019					
Underlying net profit/(loss) after tax	**21,994**	**3,635**	**1,005**	**(1,544)**	**25,090**
Amortisation of acquired intangibles[4]	-	(90)	(1,121)	-	(1,211)
AIFRS policy liability discount rate effect[1]	6,638	-	-	-	6,638
Cost out program implementation costs[3]	(1,547)	(397)	(402)	(1,471)	(3,817)
Impairments[2]	(4,952)	(1,081)	(12,890)	-	(18,923)
Royal Commission and direct remediation costs[3]	(2,060)	-	-	(324)	(2,384)
Other costs[3]	(900)	(205)	(330)	-	(1,435)
Reported profit/(loss)	**19,173**	**1,862**	**(13,738)**	**(3,339)**	**3,958**

1 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.

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 ($2.6 million).
- FY19 – Impairment related to certain software development costs (obsolete or reduced functionality) ($6 million) and the carrying values of goodwill and client books in the Financial Advice cash generating unit ($12.9 million).

These costs are considered unusual to the ordinary activities of the Group and are therefore not reflected as part of Underlying NPAT.

3 Certain costs were recognised in relation to the cost out program implementation costs, Wealth project costs, the Royal Commission, direct remediation program and retention bonuses. These costs are considered unusual to the ordinary activities of the Group and are therefore not reflected as part of Underlying NPAT. Amounts stated are after tax.

4 The amortisation of the intangibles is associated with the acquisition of wealth and life insurance businesses from Bupa, ComCorp financial advice business and Matrix dealer group. These are separately reported to remove the non-cash effect of the write-off of these acquired intangibles. However, amortisation associated with capitalised software is reported as part of underlying net profit after tax.

2. Results for the year continued

2.2 Earnings per share

	Consolidated	
	2020	2019
Earnings per share (cents)		
Basic earnings (cents)	2.08	0.63
Diluted earnings (cents)	2.08	0.62

Basic earnings per share

Basic earnings per share is calculated based on profit attributable to shareholders of ClearView Wealth Limited and the weighted average number of ordinary shares outstanding. The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2020	2019
Profit for the year attributable to owners of the Company ($'000)	13,081	3,959
Earnings used in the calculation of basic earnings per share ($'000)	**13,081**	**3,959**
Weighted average number of ordinary shares for the purpose of basic earnings per share ('000's)	**628,653**	**623,778**

Diluted earnings per share

Diluted earnings per share is based on profit attributable to shareholders of ClearView Wealth Limited and the weighted average number of ordinary shares outstanding after adjustments for the effects of all dilutive potential ordinary shares, such as options and performance rights issued under the employee share plan. The earnings used in the calculation of diluted earnings per share are as follows:

	2020	2019
Profit for the year attributable to owners of the Company ($'000)	13,081	3,959
Earnings used in the calculation of total diluted earnings per share	**13,081**	**3,959**

The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	2020	2019
Weighted average number of ordinary shares used in the calculation of basic earnings per share (000's)	628,653	623,778
Shares deemed to be dilutive in respect of the employee share plan (000's)[1]	-	13,300
Weighted average number of ordinary shares used in the calculation of diluted earnings per share (all measures) (000's)	**628,653**	**637,077**

1 Performance rights have been determined to be dilutive, however as the performance rights are fully backed by treasury shares there is no dilutive effect on the value of ClearView Wealth Limited's shares.

2. Results for the year continued

2.3 Dividends

	Consolidated and Company			
	2020		2019	
	Per share	$'000	Per share	$'000
Dividend payments on Ordinary shares				
2019 final dividend (2019: 2018 final dividend) (cps)	-	-	3.00	20,048
Total dividends on ordinary shares paid to owners of the Company	**-**	**-**	**3.00**	**20,048**
Dividends not recognised in the consolidated statement of financial position				
Dividends declared since balance date				
2020 final dividend (2019: 2019 final dividend) (cps)	-	-	-	-
Dividend franking account				
Amount of franking credit available for use in subsequent financial years		34,014		28,272

The Directors have not declared a dividend for the year ended 30 June 2020 (2019: Nil).

2.4 Fee and other revenue

	Consolidated		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Financial advice fees	88,595	81,155	-	-
Funds management fees	39,905	41,501	-	-
Other income	1,706	460	3,947	-
Total fee and other revenue	**130,206**	**123,116**	**3,947**	**-**

Revenue from contracts from customers

Revenue from contracts with customers arises primarily from the provision of investment management and financial advisory services. Revenue is recognised when control of services is transferred to the customer at an amount that reflects the consideration which ClearView is entitled to in exchange for the services provided. As the customer simultaneously receives and consumes the benefits as the service is provided, control is transferred over time. Accordingly, revenue is recognised over time.

Fee rebates provided to customers are recognised as a reduction in fee revenue.

Investment management and related fees

Fees are charged to customers in connection with the provision of investment management and other related services. These performance obligations are satisfied on an ongoing basis, usually daily, and recognised when it becomes highly probable that the performance obligations will be met and a reversal will not occur in the future.

Financial advice fees

Financial advice fees consist of commissions and fee-for-service revenue and are earned for providing customers with financial advice and performing related advisory services. These performance obligations are a series of distinct services that are substantially the same and have the same pattern of transfer. Accordingly, revenue is recognised over time.

A substantial majority of the financial advisory fees received are paid to advisers. Financial advisory fees are presented gross of the related cost which is presented in Fees and commission expenses in the Consolidated income statement.

2. Results for the year continued

2.5 Investment income

	Consolidated		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Interest income	20,376	27,856	141	229
Dividend income	13,233	26,275	1,500	7,800
Distribution income	72,334	37,007	-	-
Total investment income	**105,943**	**91,138**	**1,641**	**8,029**

Dividend income - accounting policy

Dividend income from investments is recognised when the Group's right to receive payment has been established.

Interest income - accounting policy

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Distribution income - accounting policy

Distribution income from investments in unit trusts is recognised on a receivable basis as of the date the unit value is quoted ex-distribution.

2.6 Operating expense

	Consolidated		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Administration expenses				
Administration and other operational costs	50,007	41,075	4,648	3,440
Custody and investment management expenses	9,298	9,517	-	-
Total administration expenses	**59,305**	**50,592**	**4,648**	**3,440**
Employee costs and directors' fees				
Government grant - JobKeeper payments	(2,551)	-	-	-
Employee expenses	43,075	50,547	10	10
Share based payments	287	2,812	-	-
Employee termination payments (excluding cost out program)	483	188	-	-
Directors' fees	862	857	622	617
Total employee costs and directors' fees	**42,156**	**54,404**	**632**	**627**
Other expenses				
Interest and other costs of finance	1,058	706	491	304
Royal Commission and direct remediation costs	-	3,406	-	-
Cost out program implementation costs	-	5,453	-	150
Total other expenses	**1,058**	**9,565**	**491**	**454**
Total operating expenses	**102,519**	**114,561**	**5,771**	**4,521**

2. Results for the year continued

2.6 Operating expense continued

	Consolidated		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Depreciation and amortisation expenses				
Depreciation expenses	722	680	-	-
Software amortisation	4,965	7,113	-	-
Amortisation of acquired intangibles	6	1,211	-	-
Depreciation of right-of-use assets	1,576	-	-	-
Impairment	-	21,508	-	37,681
Total amortisation and depreciation expenses	**7,269**	**30,512**	**-**	**37,681**

	Consolidated		Company	
	2020 $	2019 $	2020 $	2019 $
Remuneration of auditors				
Auditor of the parent entity				
Audit and review of financial reports	280,500	298,410	94,000	104,200
Audit of APRA and ASIC regulatory returns	144,500	127,680	-	-
Audit of Managed Investment Schemes	75,000	130,910	-	-
Total remuneration for audit services	**500,000**	**557,000**	**94,000**	**104,200**
Preparation and lodgement of tax returns	104,500	114,000	96,500	114,000
Other non-audit services - taxation advice	80,500	-	9,000	-
Other non-audit services - compliance	65,000	584,770	-	-
Other non-audit services - consulting	-	80,000	10,000	20,000
Total remuneration for non-audit services	**250,000**	**778,770**	**115,000**	**134,000**
Total remuneration	**750,000**	**1,335,770**	**209,500**	**238,200**

Accounting for JobKeeper

The Group has recognised JobKeeper under AASB 120 Accounting for Government Grants and Disclosure of Government Assistance because they are being provided by the Government in return for compliance with conditions relating to the operating activities of the Group. In return for the 'JobKeeper' payments, the Group must pay the amounts on to employees that have temporarily been stood down as a result of COVID-19.

Government grant income is only recognised when there is reasonable assurance that the Group will comply with the conditions attaching to them, and the grant will be received. Conditions for receiving the job keeper payments include:

- The employer must be eligible, i.e. they must have applied the rules for eligibility correctly, and
- The employer must have paid requisite salaries to employees (minimum of $1,500 per fortnight).

It is the Groups policy to net off JobKeeper government grant income against salaries expense.

2. Results for the year continued

2.7 Taxes

Income tax

	Consolidated		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
a) Income tax recognised in profit or loss				
Income Tax expense/(benefit) comprises:				
Current tax expense/(benefit)	(621)	542	732	(364)
Deferred tax expense/(benefit)	(3,545)	673	(1,237)	(923)
Over provided in prior years – current tax expense/(benefit)	(2,215)	(980)	(56)	(804)
Under provided in prior years – deferred tax expense/(benefit)	(202)	733	56	627
Income tax expense/(benefit)	**(6,583)**	**968**	**(505)**	**(1,464)**
b) Tax losses				
Unused tax losses for which no deferred tax asset has been recognised	48,288	32,635	32,635	32,635
Potential tax benefit	11,877	9,790	9,790	9,790

The prima facie income tax expense/(benefit) on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

	Consolidated		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
c) Reconciliation of income tax expense to prima facie tax payable				
Profit before income tax expense	6,498	4,926	(183)	(34,173)
Policyholder tax (expense) credit recognised as part of the change in policyholder liabilities in determining profit before tax	12,459	6,904	-	-
Profit before income tax excluding tax charged to policyholders	**18,957**	**11,830**	**(183)**	**(34,173)**
Prima facie tax calculated at 30%	5,687	3,549	(55)	(10,252)
Tax effect of amounts which are non deductible/assessable in calculating taxable income:				
Dividends received from subsidiaries	-	-	(450)	(2,340)
Non assessable income	(818)	(629)	-	-
Non deductible expenses	935	4,560	-	11,304
Over (under) provision in prior years	(4)	391	-	(176)
Other	76	-	-	-
Income tax expense/(benefit) attributable to shareholders	**5,876**	**7,871**	**(505)**	**(1,464)**
Income tax expense/(benefit) attributable to policyholders	**(12,459)**	**(6,904)**	**-**	**-**
Income tax expense/(benefit)	**(6,583)**	**968**	**(505)**	**(1,464)**
d) Amounts recognised directly in equity				
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or (credited) to equity:				
Current tax	**-**	**-**	**-**	**-**
Deferred tax	**-**	**(77)**	**-**	**-**

2. Results for the year continued

2.7 Taxes continued

The ability of the Company to continue to pay franked dividends is dependent upon the receipt of franked dividends from its investment assets and the group itself paying tax.

	Consolidated		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Franking account				
The balance of the franking account after allowing for tax payable in respect of the current year's profit, the receipt of franked dividends recognised as receivables and the payment of any dividends recognised as a liability at the reporting date.	34,014	28,272	34,014	28,272
Deferred tax balances				
Deferred tax assets				
The balance comprises temporary differences attributable to:				
Accruals not currently deductible	391	376	55	51
Depreciable and amortisable assets	3,064	1,623	-	-
Provisions not currently deductible	3,180	3,263	825	106
Unrealised losses carried forward	4,800	3,405	-	-
Capital business expense	176	79	-	79
Rental lease incentives	-	100	-	-
Share trust funding costs	148	-	-	-
Deferred tax asset	**11,759**	**8,847**	**880**	**236**
Deferred tax liabilities				
The balance comprises temporary differences attributable to:				
Unrealised gains on investments	-	385	-	-
Prepaid expenses	461	474	-	-
Fees not derived	459	459	-	-
Research and development capitalised assets	265	803	265	803
Deferred tax liability	**1,185**	**2,122**	**265**	**803**

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. Unused tax losses for which no deferred tax assets have been recognised are attributable to tax losses of a capital nature of $48.3 million (tax effected $11.9 million) consolidated and $32.6 million (tax effected $9.8 million) for the Company.

Taxation

Income tax expense represents the sum of the tax currently payable (or receivable) and deferred tax. The Group's current tax and deferred tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period or the relevant period in which the liability is settled or the asset realised. Current tax is net of any tax instalment paid.

Current tax

The tax currently payable (or receivable) is based on taxable profit for the year less tax instalments paid. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

2. Results for the year continued

2.7 Taxes continued

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- Where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- For receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

Relevance of tax consolidation to the Group

ClearView Wealth Limited and its wholly-owned Australian resident entities have formed a tax consolidated group with effect from 1 February 2007 and are therefore taxed as a single entity from that date. The members in the ClearView tax consolidated group includes subsidiaries as identified in 8.1.

Under the Tax Act, ClearView Wealth Limited being the head company of the tax consolidated group is treated as a life insurance company for income tax purposes as one of the subsidiary members of the tax consolidated group is a life insurance company.

Entities within the tax consolidated group have entered into a tax sharing and funding agreement with the head entity. This agreement has been amended to reflect the changes in the structure of the tax consolidated group and a life insurer becoming part of the group. These amendments were executed on 20 August 2010.

Under the terms of the tax funding arrangement, ClearView Wealth Limited and each of the entities in the tax consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity.

The tax funding agreement also provides for the head entity to make payments for tax losses of a group member that is determined in accordance with the provisions of the agreement. Settlement for these amounts is based on the extent to which the losses are utilised.

The tax sharing arrangement between members of the tax consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the tax-consolidated group. The effect of the tax sharing agreement is that each member's liability for tax payable by the tax consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

2. Results for the year continued

2.7 Taxes continued

Critical accounting estimates and key sources of uncertainty

Deferred tax asset – timing differences

The Board has considered that it is probable that sufficient taxable income will be available against which deductible temporary differences can be utilised.

Deferred tax asset – Capital Losses

ClearView Life has amounts of realised and unrealised capital losses within its superannuation business in its No. 2 and No. 4 Statutory Funds. ClearView has a Deferred Tax Asset (DTA) policy in place to cap the upper limit on the deferred tax asset amount recognised on balance sheet. This DTA cap is based on the capital losses estimated to be utilised in the foreseeable future and is expressed as a percentage of the value of the investments held. Any amount exceeding the cap will not be recognised on balance sheet. The same methodology has been adopted for unit pricing purposes and this financial report.

As at the reporting date, the DTA cap has impacted the DTA amount recognised in respect of the carried forward realised and unrealised capital losses and it is likely that these losses can be fully recovered in the foreseeable future. There are therefore unrecognised DTA on these losses.

In addition to the above, the Group has accumulated capital losses that arose within the Company. At the current time, it is unlikely that the capital losses can be recouped and no DTA is recognised in respect of these losses.

Tax credits on insurance premiums

Since 2017, the income tax expenses and charges in the ClearView Retirement Plan (CRP) were no longer sufficient to support the tax benefits and credits on the insurance premiums paid by policyholders via LifeSolutions Super rollovers in full. As a result, part of the premium (tax credit) is currently supported by ClearView Life Assurance Limited (CLAL) and ClearView Wealth Limited Group (CWL) shareholders and is carried as a receivables in the financial statements as at balance date of $15.5 million (2019: $12.5 million). This is after a write down of $2.6 million in the current year due to an error in the carried forward tax losses amounts in the CRP's prior years' income tax returns.

Due to the tax loss position in CRP, settlement of this amount is subject to the utilisation of tax losses. Various options are being considered and projects well progressed which collectively indicate recovery is considered probable at this point in time.

On this basis, it is expected that the receivable amounts will be recoverable.

3. Receivables, payables and investments

This note provides information about the Group's receivables, payables and investments including:

- an overview of the financial instruments held by the Group
- accounting policies
- information about determining the fair value of the instruments, including judgements and estimation uncertainty involved.

3. Receivables, payables and investments

3.1 Receivables

	Consolidated		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Trade receivables	265	327	-	-
Outstanding life insurance premium receivable	8,755	7,809	-	-
Provision for outstanding life insurance premiums	(1,032)	(1,043)	-	-
Accrued dividends	497	1,418	-	-
Investment income receivable	254	496	-	-
Outstanding settlements	2,367	1,056	-	-
Prepayments	2,816	3,201	47	17
Receivables from controlled entities	-	-	2,574	158
Related party receivables	16,312	13,396	15,425	-
Loans receivable	8,380	10,113	3,632	3,570
Provision for loans receivable	(3,680)	(1,372)	(1,938)	(356)
Other debtors	5,738	3,385	365	15
Total receivables	**40,672**	**38,786**	**20,105**	**3,404**

Receivables - accounting policy

Receivables are measured at amortised cost, less any allowance for Expected Credit Losses (ECL's), except for prepayments which are measured at historical cost.

The Group has recognised ECL's of $3.7 million (Company $1.9 million) on loans receivable, including individually assessed loss allowances of $1.2 million. There were no other material ECL's on financial assets at the balance date.

The Group applies a simplified approach to calculating ECL's therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL's at each reporting date. The group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

3.2 Payables

	Consolidated		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Trade payables	6,428	5,451	958	345
Reinsurance premium payable	23,268	36,494	-	-
Employee entitlements	-	3,739	6	5
Life insurance premiums in advance	126	877	-	-
Life investment premium deposits	571	469	-	-
Lease incentive in advance	-	780	-	-
Payables to controlled entities	-	-	53	6,410
Outstanding investment settlements	3,594	2,935	-	-
Other creditors	1,105	1,210	118	97
Total payables	**35,092**	**51,955**	**1,135**	**6,857**

Payables - accounting policy

Payables are measured at the nominal amount payable. Given the short term nature of most payables, the nominal amount payable approximates fair value.

3. Receivables, payables and investments continued

3.3 Investments

	Consolidated		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Equity securities				
Investment in Group Companies	-	-	409,083	389,078
Held directly	205,189	242,920	-	-
Held indirectly via unit trust	701,607	673,425	-	-
	906,796	**916,345**	**409,083**	**389,078**
Debt securities/fixed interest securities				
Held directly	306,131	441,715	-	-
Held indirectly via unit trust	590,755	369,950	-	-
	896,886	**811,665**	**-**	**-**
Property/Infrastructure				
Held directly	-	-	-	-
Held indirectly via unit trust	210,115	253,302	-	-
	210,115	**253,302**	**-**	**-**
Total investments	**2,013,797**	**1,981,312**	**409,083**	**389,078**

Accounting policy – financial instruments

Recognition and derecognition of financial assets and liabilities

Financial assets and financial liabilities are recognised at the date the Group becomes a party to the contractual provisions of the instrument. At initial recognition, financial assets are classified as and subsequently measured at fair value through profit or loss, fair value through other comprehensive income (OCI), and amortised cost. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire, or are transferred. A transfer occurs when substantially all the risks and rewards of ownership of the financial asset are passed to an unrelated third party. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Financial assets and liabilities

Financial assets measured at fair value through profit or loss

Financial assets measured on initial recognition as financial assets measured at fair value through profit or loss are initially recognised at fair value, determined as the purchase cost of the asset, exclusive of any transaction costs. Transaction costs are expensed as incurred in profit or loss. Any realised and unrealised gains or losses arising from subsequent measurement at fair value are recognised in profit or loss in the period in which they arise.

The Group has elected to use their fair value option for investments as there would otherwise be an accounting mismatch as the assets are held against investment policy liabilities.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

3. Receivables, payables and investments continued

3.3 Investments continued

- The contractual term of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment testing. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables and loans receivables.

Impairment of financial assets

The adoption of AASB 9 changes the Group's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss ('ECL') approach. The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

FV hierarchy

The table below summarises financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within level 2 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

3. Receivables, payables and investments continued

3.3 Investments continued

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
2020				
Equity Securities	205,189	-	-	205,189
Fixed Interest Securities	-	306,131	-	306,131
Unit Trusts	1,502,477	-	-	1,502,477
Total	**1,707,666**	**306,131**	**-**	**2,013,797**
2019				
Equity Securities	242,920	-	-	242,920
Fixed Interest Securities	-	441,715	-	441,715
Unit Trusts	1,296,678	-	-	1,296,678
Total	**1,539,598**	**441,715**	**-**	**1,981,313**
Financial Liabilities				
2020				
Life investment policy liability	-	1,185,326	-	1,185,326
Total	**-**	**1,185,326**	**-**	**1,185,326**
2019				
Life investment policy liability	-	1,152,535	-	1,152,535
Total	**-**	**1,152,535**	**-**	**1,152,535**

3.4 Financial Risk Management

Management of Financial Instruments

The financial assets of the Group (other than shareholder cash holdings) are managed by specialist investment managers who are required to invest the assets allocated in accordance with directions from the Board. BNP Paribas acts as master custodian on behalf of the Group and, as such, provides services including physical custody and safekeeping of assets, settlement of trades, collection of dividends and accounting for investment transactions. Daily operating bank accounts and shareholder cash are managed within the Group by the internal management and the finance department.

(a) Financial risk management objectives

The primary asset risks borne by the Company relate to the financial assets of the Company and its operating subsidiaries excluding those in the non-guaranteed investment linked funds in ClearView Life's statutory fund No.4 (referred to below as ClearView assets). The primary financial risks related to the financial assets in the non-guaranteed investment linked funds in ClearView Life's statutory fund No.4 are borne by policyholders as the investment performance on those assets is passed through, in full, to the policyholders (referred to below as Policyholder assets). Nonetheless, the Company has a secondary exposure to the Policyholder assets and off-balance sheet client funds, via the impact on the fees charged by the Company which vary with the level of Policyholder and client funds under management and under administration, as well as related reputational exposure.

3. Receivables, payables and investments continued

3.4 Financial Risk Management continued

(b) Market risk

Market risk is the risk that financial assets will be affected by changes in interest rates, foreign exchange rates and equity prices.

Interest rate risk

Interest rate risk arises on ClearView's assets which are invested in fixed interest funds and cash. Interest rate risk is managed by the Group through:

- Maintaining the level of interest rate exposure within the tolerances set by the Board in the RMS;
- Investing ClearView's assets in accordance with the Board approved Investment Policy and Guidelines; and
- By holding capital reserves in accordance with the Company's ICAAP with respect to the residual interest rate risk exposure retained, in addition to the regulatory capital reserves held within ClearView Life in respect of interest rate risk.

Equity price risk

Equity price risk is the risk that the fair value of investments in equities decreases or increases as a result of changes in market prices, whether those changes are caused by factors specific to the individual share price or factors affecting all equity instruments in the market. As at 30 June 2020, ClearView's shareholder related assets were not invested in equities and therefore not exposed to equity price risk.

In contrast to this, the Policyholder assets and other client funds under management and under administration, involve significant investment in equities. As noted above, the Policyholder asset risks are borne by the policyholders.

The Group is exposed to secondary risks on its management and advice fees that are driven by the total funds under management and administration, as well as reputational risks from poor investment returns.

The investment of the Policyholder assets and client monies controlled by ClearView is undertaken in accordance with the Investment Policy and Guidelines approved by the Board, which inter alia stipulates the investment allocation mix, the portfolio's risk characteristics, management response plans and the use of derivatives.

To the extent required, capital reserves are held in accordance with the ICAAP with respect to the Group's residual fee risk exposure.

(c) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk exposures arising from investment activities are assessed by the Group's internal investment management committee (the ClearView Investment Committee (CIC) appointed by the Board) prior to investing ClearView assets into any significant financial asset. The ongoing credit standing of material investments are monitored by the CIC. The CIC is charged with maintaining the credit quality of ClearView assets within the Board's investment guidelines.

The large majority of debt assets invested in by the Group on behalf of policyholders and clients (including Policyholder assets) are managed under mandates with appointed funds managers. Those mandates include credit rating, diversification and maximum counterparty exposure rules and standards that are to be met. The funds managers adherence to those requirements are subject to ongoing monitoring by the funds managers, and are separately monitored by the Group's custodian. Formal compliance reporting is monitored monthly by the CIC.

Credit risk arising from other third party transactions, such as reinsurance recovery exposures and exposure to outsource service providers, are assessed prior to entering into financial transactions with those parties, are approved by the Board where material, and are monitored by appropriate mechanisms on an ongoing basis. For further details on the Swiss Re concentration risk issue and solutions implemented to manage the exposure, see page 83.

The Group does not expect any of its material counterparties to fail to meet their obligations and other than separately disclosed in this report does not currently require collateral or other security to support these credit risk exposures.

Specific capital reserves are held against credit risk under the regulatory capital requirements of ClearView Life and credit risk is considered within the Company's ICAAP.

3. Receivables, payables and investments continued

3.4 Financial Risk Management continued

The Group does have significant credit risk exposure to counterparties but these counterparties have a high credit rating.

The following table reflects the shareholder financial assets with credit risk exposure monitored by the CIC. It excludes policy holder financial assets and therefore represents shareholder assets invested in interest bearing securities at the balance date.

	Consolidated		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Cash and cash equivalents and debt securities/fixed interest securities				
Rating				
AAA to AA-	271,966	202,898	14,160	11,038
	271,966	**202,898**	**14,160**	**11,038**

In addition to the credit risk exposures above, the Group's balance sheet as at 30 June 2020 reflects a $128.5 million (2019: $95.7 million) exposure to Swiss Re Life & Health Australia Ltd in relation to reinsurer's share of policy liabilities. Credit risk associated with receivables is considered minimal. The main receivables balance is in relation to receivables from outstanding premiums receivable, accrued dividends, loans receivable, prepayments, outstanding settlements and related party receivables. The concentration of other receivables is spread across the various debtors with no single significant debtor except for related party receivables. Further details on the related party receivable recoverability is outlined in section 8.6.

(d) Liquidity risk

Liquidity risk is primarily the risk that the Group will encounter difficulty in meeting its obligations due to an inability to realise some or all of its assets in order to fund its cash flow needs, including the payment of amounts to its policyholders, members and clients. A secondary risk relates to the risk of the illiquidity of the external (including off balance sheet) funds its clients invest in, which may result in restricted fee flows to the Group and/or reputational damage via association.

The primary risk is controlled through focusing the Group's assets, as well as policyholder and member assets and the investment of client funds controlled by ClearView Life, into assets which are highly marketable and readily convertible into cash. In addition, the Group maintains suitable cash holdings at call and an appropriate overdraft facility.

The Group's cash flow requirements are reviewed and forecast daily for a one week forward period. This assessment takes into account the timing of expected cash flows, the likelihood of significant benefit outflows over the short term and known significant one-off payments.

Under the terms of the Group's products (issued via ClearView Life and ClearView Financial Management) the payment of unit fund redemptions to policyholders and unit trust investors may be delayed, if necessary, until funds are available. To date no such delays have been imposed.

The risks in respect of external (third party) funds are controlled via the Group's product options list and Approved Product List, which restricts the external funds available to investment managers and funds that are assessed to be reputable and financially sound.

The following tables summarise the realisation profile of financial assets at the reporting date. There were no financial assets past due or impaired at the reporting date other than those provided for.

3. Receivables, payables and investments continued

3.4 Financial Risk Management continued

						Consolidated
2020	**Less than 3 months $'000**	**3 to 6 months $'000**	**6 months to a year $'000**	**1 year and over $'000**	**Over 5 years $'000**	**Total $'000**
Receivables	5,517	90	2,147	473	-	8,227
Outstanding life insurance premiums net of provision	7,674	42	7	-	-	7,723
Accrued dividends	497	-	-	-	-	497
Investment income and distribution income	254	-	-	-	-	254
Loan receivables	684	85	147	3,928	-	4,844
Prepayments	1,830	277	573	136	-	2,816
Related party receivable	887	-	-	15,425	-	16,312
Total	**17,343**	**494**	**2,874**	**19,962**	**-**	**40,673**
2019						
Receivables	3,154	52	1,531	31	-	4,768
Outstanding life insurance premiums net of provision	6,738	27	1	-	-	6,766
Accrued dividends	1,418	-	-	-	-	1,418
Investment income and distribution income	496	-	-	-	-	496
Loan receivables	629	176	3,970	3,966	-	8,741
Prepayments	1,938	647	451	165	-	3,201
Related party receivable	850	-	-	12,546	-	13,396
Total	**15,223**	**902**	**5,953**	**16,700**	**-**	**38,786**

						Company
2020	**Less than 3 months $'000**	**3 to 6 months $'000**	**6 months to a year $'000**	**1 year and over $'000**	**Over 5 years $'000**	**Total $'000**
Trade receivables	12	17	384	-	-	413
Receivables from controlled entities	1,999	-	-	575	-	2,574
Loan receivables	-	-	-	1,694	-	1,694
Related party receivables	-	-	-	15,425	-	15,425
Total	**2,011**	**17**	**384**	**17,694**	**-**	**20,106**
2019						
Trade receivables	19	5	6	1	-	31
Receivables from controlled entities	158	-	-	-	-	158
Loan receivables	-	-	-	3,214	-	3,214
Total	**177**	**5**	**6**	**3,215**	**-**	**3,404**

The following tables summarise the maturity profile of the Group and the Company's financial liabilities all of which are non-interest bearing. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows.

3. Receivables, payables and investments continued

3.4 Financial Risk Management continued

						Consolidated
2020	Less than 3 months $'000	3 to 6 months $'000	6 months to a year $'000	1 year and over $'000	Over 5 years $'000	Total $'000
Payables	10,814	993	17	-	-	11,824
Current tax liabilities	-	2,175	-	-	-	2,175
Provisions	701	2,022	1,723	1,283	1,301	7,030
Reinsurance payable[1]	23,268	-	-	-	-	23,268
Total	**34,783**	**5,190**	**1,740**	**1,283**	**1,301**	**44,297**
2019						
Payables	13,425	479	223	1,250	83	15,460
Current tax liabilities	-	2,178	-	-	-	2,178
Provisions	1,095	1,876	2,007	1,497	846	7,321
Reinsurance payable[1]	36,494	-	-	-	-	36,494
Total	**51,014**	**4,533**	**2,230**	**2,747**	**929**	**61,453**

						Company
2020	Less than 3 months $'000	3 to 6 months $'000	6 months to a year $'000	1 year and over $'000	Over 5 years $'000	Total $'000
Payables	1,135	-	-	-	-	1,135
Current tax liabilities	-	2,175	-	-	-	2,175
Provisions	-	35	812	-	-	847
Total	**1,135**	**2,210**	**812**	**-**	**-**	**4,157**
2019						
Payables	6,747	109	-	-	-	6,856
Current tax liabilities	-	2,177	-	-	-	2,177
Provisions	-	24	-	-	-	24
Total	**6,747**	**2,310**	**-**	**-**	**-**	**9,057**

1 Reinsurance payable represents reinsurance premium payable on reinsurance due in respect of life insurance premium.

3. Receivables, payables and investments continued

3.4 Financial Risk Management continued

Interest rate risk management

The Group's activities expose it to the financial risk of changes in interest rates. Floating rate instruments expose the Group to cash flow risk and credit spread risks, whereas fixed interest rate instruments expose the Group to fair value interest rate risk. The Board monitors the Group's exposures to interest rate risk.

The tables below detail the shareholder's exposure to interest rate risk at the balance sheet date by the earlier of contractual maturities or re-pricing.

	Consolidated		Company	
2020	Weighted average interest rate %	Less than 6 months $'000	Weighted average interest rate %	Less than 6 months $'000
Financial assets				
Variable interest rate instruments:				
Cash and cash equivalents	0.05	153,432	0.05	14,160
Fixed interest securities	1.42	90,409	-	-
Total		**243,841**		**14,160**
2019				
Financial assets				
Variable interest rate instruments:				
Cash and cash equivalents	0.10	98,383	0.10	11,038
Fixed interest securities	2.58	104,515	-	-
Total		**202,898**		**11,038**

Interest rate sensitivity analysis for floating rate financial instruments

The sensitivity analysis below has been determined based on the Group's exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. In the case of instruments that have floating interest rates, a 0.5% (2019: 0.5%) increase or decrease is used when reporting interest risk internally to key management personal and represents management's assessment of the reasonably possible change in interest rates.

3. Receivables, payables and investments continued

3.4 Financial Risk Management continued

The following table illustrates the effect on the Group from possible changes in market risk that are reasonably possible based on the risk the Group was exposed to at reporting date:

	Effect on operating profit Consolidated		Effect on securities Consolidated		Effect on operating profit Company		Effect on securities Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
±0.5% (2019: ±0.5%)	±884	±281	±884	±281	±49	±39	±49	±39

The method used to prepare the sensitivity analysis has not changed in the year. Based on the market exposure management believe that the interest rate variation above is considered appropriate in the current environment.

Fair value sensitivity analysis for fixed rate financial instruments

The Group does account for fixed rate financial assets and liabilities at fair value through profit and loss. Therefore a change in long term interest rates at reporting date would affect profit and loss.

(j) Foreign currency risk management

Foreign currency risk is the risk that the market value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group undertakes certain investments denominated in foreign currencies, hence is exposed to the effects of exchange rate fluctuations. However, the foreign currency risk is borne by the policyholder and the shareholder has no direct exposure to foreign currency.

Forward foreign exchange contracts

The Group currently does not make use of forward foreign exchange contracts.

4. Non-financial assets and liabilities

This note provides information about the Group's non-financial assets and liabilities, including:

- specific information about each type of non-financial asset and non-financial liability
  - Goodwill and intangibles
  - Provisions
- accounting policies
- information about determining the fair value of the assets and liabilities, including judgements and estimation uncertainty involved.

4. Non-financial assets and liabilities

4.1 Goodwill and intangibles

					Consolidated
2020	**Goodwill $'000**	**Capitalised software $'000**	**Client Book $'000**	**Matrix Brand $'000**	**Total intangibles $'000**
Gross carrying amount					
Balance at the beginning of the financial year	20,452	47,022	65,017	200	112,239
Acquired directly during the year	-	1,964	-	-	1,964
Balance at the end of the financial year	**20,452**	**48,986**	**65,017**	**200**	**114,203**
Accumulated amortisation and impairment losses					
Balance at the beginning of the year	7,941	38,365	64,979	-	103,344
Amortisation expense in the current year	-	4,965	6	-	4,971
Balance at the end of the financial year	**7,941**	**43,330**	**64,985**	**-**	**108,315**
Net book value					
Balance at the beginning of the financial year	12,511	8,657	38	200	8,895
Balance at the end of the financial year	**12,511**	**5,656**	**32**	**200**	**5,888**
2019	**Goodwill $'000**	**Capitalised software $'000**	**Client Book $'000**	**Matrix Brand $'000**	**Total intangibles $'000**
Gross carrying amount					
Balance at the beginning of the financial year	20,452	40,946	65,017	200	106,163
Acquired directly during the year	-	6,076	-	-	6,076
Balance at the end of the financial year	**20,452**	**47,022**	**65,017**	**200**	**112,239**
Accumulated amortisation and impairment losses					
Balance at the beginning of the year	-	22,634	58,819	-	81,453
Amortisation expense in the current year	-	7,113	1,211	-	8,326
Impairment expense in the current year	7,941	8,618	4,949	-	13,567
Balance at the end of the financial year	**7,941**	**38,365**	**64,981**	**-**	**103,345**
Net book value					
Balance at the beginning of the financial year	20,452	18,312	6,198	200	24,710
Balance at the end of the financial year	**12,511**	**8,657**	**36**	**200**	**8,893**

As required under accounting standards the Group completes an impairment assessment at each reporting date. As at 30 June 2020, no impairment charge was recognised (2019: $21.5 million was recognised in relation to goodwill ($7.9 million), capitalised software ($8.6 million)) and client books ($4.9 million). This is discussed further in section 4.2.

4. Non-financial assets and liabilities continued

4.1 Goodwill and intangibles continued

Goodwill and Intangibles accounting policy

Goodwill

Goodwill acquired in a business combination is recognised at cost and subsequently measured at cost less any accumulated impairment losses. The cost represents the excess of the cost of a business combination over the fair value of the identifiable assets acquired and liabilities assumed.

Capitalised costs

Costs are capitalised when the costs relate to the creation of an asset with expected future economic benefits which are capable of reliable measurement. Capitalised costs are amortised on a straight-line basis over the estimated useful life of the asset, commencing at the time the asset is first put into use or held ready for use, whichever is the earlier.

Client books

Client book intangibles represent the value of the in-force insurance and investment contracts, and value of the existing financial advice and funds management revenues. Each client book has its own assessment of useful life depending on the nature of the clients in each segment and their relative characteristics, based on age, demographics and type of product to which it relates. The policy adopted to write-off the client books resembles the anticipated ageing profile of the revenue stream.

Amortisation

Intangible assets with finite useful lives are amortised on a straight-line basis over the useful life of the intangible asset. The estimated useful lives are generally:

	2020	2019
Software	Up to 3 years	Up to 3 years
Client books	6–10 years	6–10 years
Brand	indefinite	indefinite
Goodwill	indefinite	indefinite

Impairment testing

Goodwill and intangible assets that have indefinite useful lives are tested at least annually for impairment. Other intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs). An impairment loss is recognised when the goodwill carrying amount exceeds the CGU's recoverable amount.

4.2 Recoverability of intangible assets and goodwill

Goodwill and client book intangibles

The goodwill and intangibles primarily arose from the acquisition of ClearView Group Holdings Pty Limited in June 2010, the business of Community and Corporate Pty Limited in April 2009 and Matrix Planning Solutions Limited in October 2014 as well as other business combinations where ClearView Wealth Limited was the acquirer.

The goodwill that arose on acquisition was allocated across the Financial Advice, Life Insurance and Wealth Management CGU's of the Group based on the expected synergies expected to be gained by each CGU within the Group. At the balance date goodwill was allocated $4.0 million to the Life Insurance segment and $8.5 million to the Wealth Management segment.

The goodwill recognised within the Life Insurance and Wealth Management CGU's is tested for impairment triggers using the embedded value methodology by comparing the carrying value of goodwill to the in-force portfolios written to date.

The recoverable amount for the Wealth Management and Life Insurance CGU's has been determined based on the embedded value calculations as at 30 June 2020. The embedded value is a calculation that represents the economic value of the shareholder capital in the business and the future profits expected to emerge from the business currently in-force expressed in today's dollars. No account is taken of future new business in the embedded value calculations.

The estimated embedded value of the business has been calculated based on the following key assumptions and estimates:

- Mortality and morbidity (claims)
- Investment returns;
- Persistency (lapse);
- Outflows;
- Maintenance costs; and
- Discount rates.

4. Non-financial assets and liabilities continued

4.2 Recoverability of intangible assets and goodwill continued

The embedded value uses assumptions that are consistent with those adopted for policy liabilities in this financial report. See section 5.6 for actuarial estimates and assumptions and section 1 (j) for the potential impacts of COVID-19 that has been taken into accounting in setting these assumptions.

As at 30 June 2020, no impairment was required to the carrying value of goodwill within the Life Insurance and Wealth Management CGU's. The carrying value of the Financial Advice Goodwill and client book intangibles was fully impaired in the 2019 financial year.

Capitalised software impairment

At each reporting period the internally generated software is assessed for any impairment triggers. If any such indication exists, the recoverable amount of the asset is estimated. The impairment indicators for software intangibles are defined as:

- The ability of the software to provide the functionality required from the business to use the asset;
- The software is being utilised for the purposes that it was designed;
- The availability of alternative software that the business has available; and
- Product mix – the Group no longer sells the products that are administered on the PAS or utilises the provided functionality.

As at 30 June 2020, no impairment was required to the carrying value of capitalised software.

4. Non-financial assets and liabilities continued

4.3 Provisions

	Consolidated		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Current and non current				
Make good provision	565	508	-	-
Employee leave provisions	4,762	4,115	-	-
Provision for restructuring	82	1,800	-	-
Provision for remediation	46	625	-	-
Other provisions	1,575	272	847	24
Total	**7,030**	**7,320**	**847**	**24**
Make good provision[1]				
Balance at the beginning of the financial year	508	374	-	-
Additional provisions raised	138	137	-	-
Utilised during the period	(81)	(3)	-	-
Unutilised provisions transferred	-	-	-	-
Balance at the end of the financial year	**565**	**508**	**-**	**-**
Employee leave provision[2]				
Balance at the beginning of the financial year	4,115	4,342	-	-
Additional provisions raised	1,983	832	-	-
Utilised during the period	(1,336)	(1,059)	-	-
Balance at the end of the financial year	**4,762**	**4,115**	**-**	**-**
Provision for Restructuring[3]				
Balance at the beginning of the financial year	1,800	-	-	-
Additional provisions raised	-	1,800	-	-
Utilised during the period	(1,718)	-	-	-
Balance at the end of the financial year	**82**	**1,800**	**-**	**-**
Provision for remediation[4]				
Balance at the beginning of the financial year	625	1,815	-	-
Additional provisions raised	8	888	-	-
Utilised during the period	(587)	(2,078)	-	-
Balance at the end of the financial year	**46**	**625**	**-**	**-**
Other provisions[5]				
Balance at the beginning of the financial year	272	103	24	26
Additional provisions raised	1,803	392	833	17
Utilised during the period	(500)	(223)	(10)	(19)
Balance at the end of the financial year	**1,575**	**272**	**847**	**24**

1 The provision for make good represents the accrued liability for expected costs in relation to the restoration of leased premises on the termination of the lease. The provisions are expected to be settled on vacating the leased premises on expiration of the relevant lease.

2 The provision for employee leave represents annual leave and long service leave entitlements accrued by employees. The provisions are expected to be utilised in accordance with the pattern of consumption of employees utilising their leave entitlements.

3 The provision for restructuring relates to the expected costs in relation to the IT transformation project and onerous lease provision.

4 The provision for remediation relates to the direct remediation program, remaining compensation and program costs not yet paid as at 30 June 2020.

5 Other provisions relates to advice remediation, ad-hoc clients restitutions, and wealth program project of works.

4. Non-financial assets and liabilities continued

4.3 Provisions continued

Accounting policy - Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

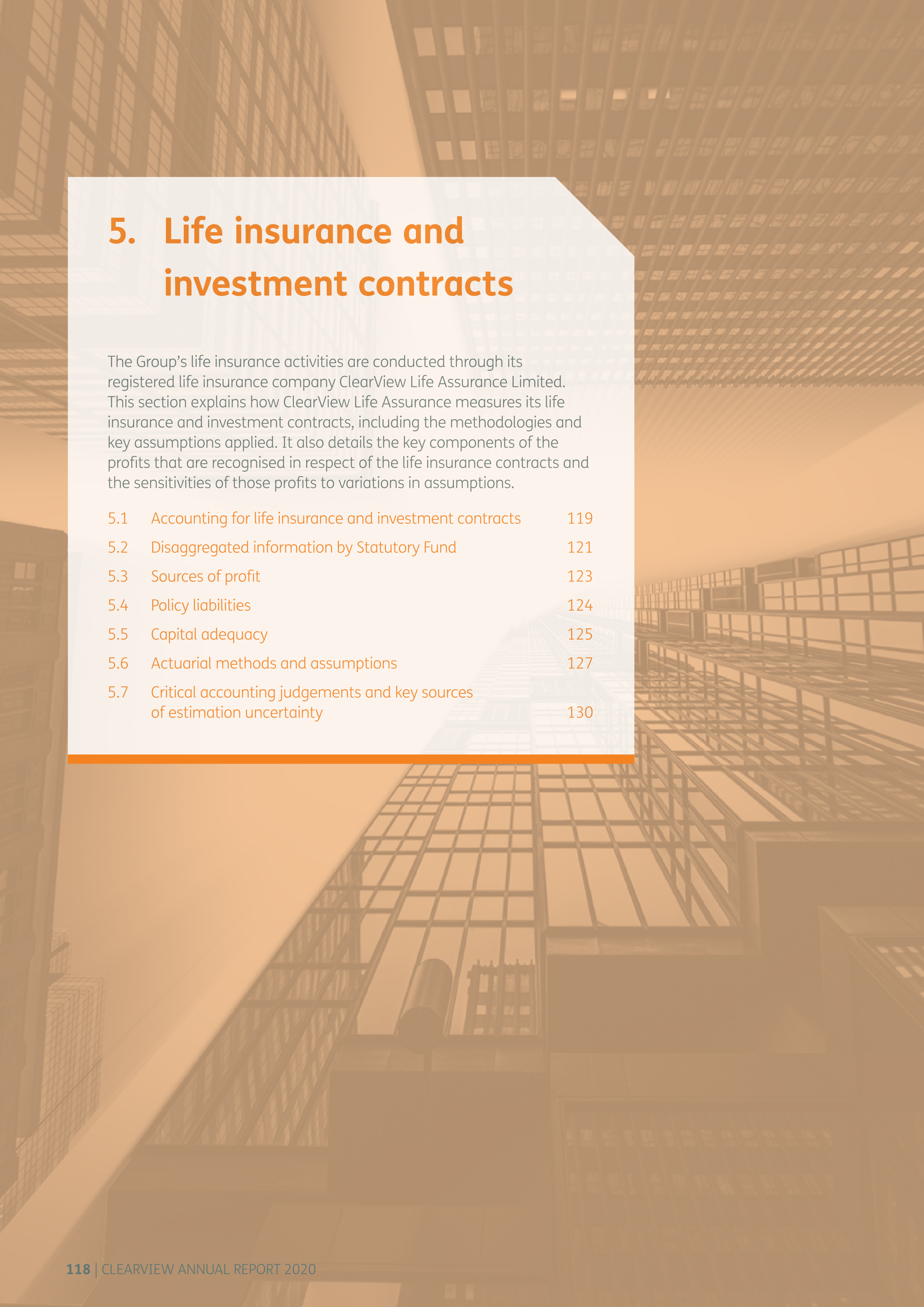
When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Restructurings

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.



5. Life insurance and investment contracts

The Group's life insurance activities are conducted through its registered life insurance company ClearView Life Assurance Limited. This section explains how ClearView Life Assurance measures its life insurance and investment contracts, including the methodologies and key assumptions applied. It also details the key components of the profits that are recognised in respect of the life insurance contracts and the sensitivities of those profits to variations in assumptions.

5. Life insurance and investment contracts

5.1 Accounting for life insurance and investment contracts

Principles underlying the conduct of life insurance business

The life insurance operations of the Group are conducted within separate statutory funds as required by the Life Insurance Act 1995 (Life Act) and are reported in aggregate with the shareholders' funds in the statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows. The life insurance operations consist of the provision of life insurance and life investment contracts.

Life insurance contracts involve the acceptance of significant insurance risk. Insurance risk is defined as significant if, and only if, an insured event could cause an insurer to pay significant benefits in any scenario, excluding scenarios that lack commercial substance. Insurance contracts include those where the insured benefit is payable on the occurrence of a specified event such as death, injury or disability caused by accident or illness. The insured benefit is not linked to the market value of the investments held by the Group, and the financial risks are substantially borne by the Group.

Any contracts issued by the Group and regulated under the Life Act that do not meet the definition of a life insurance contract are classified as life investment contracts. Life investment contracts include investment-linked contracts where the benefit is directly linked to the market value of the investments held in the particular investment linked fund.

While the underlying assets are registered in the name of ClearView Life Assurance Limited (ClearView Life) and the investment-linked policy owner has no direct access to the specific assets, the contractual arrangements are such that the investment-linked policy owner bears the risks and rewards of the fund's investment performance.

A component of the life investment contracts includes a minimum unit price guarantee. ClearView Life derives fee income from the administration of investment linked funds. Life investment contracts do not contain any discretionary participation features (i.e. those where the amount or timing of allocation of the profit from the underlying investments is at the discretion of the insurer).

In accordance with AASB 1038 'Life Insurance Contracts', financial assets backing policy liabilities are designated at fair value through profit and loss. ClearView Life has determined that all assets held within the statutory funds back policy liabilities. Financial assets backing policy liabilities consist of high quality investments such as cash, equities, fixed income securities, property trusts and infrastructure assets. The management of financial assets and policy liabilities is closely monitored to ensure that investments are appropriate given the expected pattern of future cash flows arising from the policy liabilities.

Premium revenue

Premium revenue only arises in respect of life insurance contracts. Premiums with a regular due date are recognised as revenue on a due basis. Premiums with no due date are recognised as revenue on a cash received or receivable basis.

Unpaid premiums are only recognised as revenue during the days of grace and are included as Premiums Receivable (part of Receivables) in the statement of financial position. Premiums due after, but received before, the end of the financial year are shown as Life Insurance Premium in Advance (part of Payables) in the statement of financial position.

Premiums and contributions on life investment contracts are treated as deposits and are reported as a movement in life investment contract liabilities.

Claims

Life insurance contracts

Claims incurred relate to life insurance contracts and are treated as expenses. Claims are recognised upon notification of the insured event. The liability in respect of claims includes an allowance (estimate) for incurred but not reported claims and an allowance (estimate) for expected declinature of notified claims. Claims are shown gross of reinsurance recoverable. Any reinsurance recoveries applicable to the claims are included in receivables.

Life investment contracts

There is no claims expense in respect of life investment contracts. Surrenders and withdrawals which relate to life investment contracts are treated as a movement in life investment contract liabilities. Surrenders and withdrawals are recognised as at the date of redemption of policy units, which occurs once all documentation has been provided and completed.

5. Life insurance and investment contracts continued

5.1 Accounting for life insurance and investment contracts continued

Reinsurance

Amounts paid to reinsurers under life insurance contracts held by ClearView Life are recorded as an outward reinsurance expense and are recognised in the statement of profit or loss and other comprehensive income from the reinsurance premium payment due date. Reinsurance recoveries receivable on claims incurred are recognised as revenue. Recoveries are assessed in a manner similar to the assessment of life insurance contract liabilities. Recoveries are measured as the present value of the expected future receipts, calculated on the same basis as the life insurance contract liabilities.

Policy acquisition costs

The policy acquisition costs incurred are recorded in the statement of profit or loss and other comprehensive income and represent the fixed and variable costs of acquiring new business. The policy acquisition costs include commission, policy issue and underwriting costs, and related costs.

The acquisition costs incurred in relation to life insurance contracts are capitalised in the valuation of policy liabilities.

Basis of expense apportionment

All expenses of the life insurance business incurred by ClearView Life and charged to the statement of profit or loss and other comprehensive income have been apportioned in accordance with Part 6, Division 2 of the Life Act. These expenses are related to non-participating business as ClearView Life only write this category of business.

The basis is as follows:

- Expenses relating specifically to either the ClearView Life shareholder's fund or a particular statutory fund are allocated directly to the respective funds. Such expenses are apportioned between policy acquisition costs and policy maintenance costs with reference to the objective when each expense is incurred and the outcome achieved.
- Other expenses are subject to apportionment under section 80 of the Life Act and are allocated between the funds in proportion to the activities to which they relate. They are apportioned between policy acquisition costs and policy maintenance costs in relation to their nature as either acquisition or maintenance activities. Activities are based on direct measures such as time, head counts and business volumes.
- Life investment contracts are held within statutory funds No.2 and No.4. Life insurance contracts are held within statutory fund No.1. The allocation of expenses between the primary life investment or life insurance contracts is inherent in the allocation to the statutory funds, as described above. The apportionment basis is in line with the principles set in the Life Insurance Prudential Standard valuation standard (Prudential Standard LPS340 Valuation of Policy Liabilities).

Policy liabilities

Policy liabilities consist of life insurance policy liabilities and life investment policy liabilities.

Life insurance contracts

The value of life insurance policy liabilities is calculated using the Margin on Services methodology. Under this methodology, planned profit margins and an estimate of future liabilities are calculated separately for each related product group, with future cash flows determined using best estimate assumptions and discounted to the reporting date. Profit margins are systematically released over the term of the policies in line with the pattern of services to be provided. The future planned profit margins are deferred and recognised over time by including the value of the future planned profit margins within the value of the policy liabilities. Further details of the actuarial assumptions used in these calculations are set out in section 5.6.

Life investment contracts

Life investment policy liabilities are valued at fair value, which is based on the valuation of the assets held within the unitised investment linked policy investment pools.

5. Life insurance and investment contracts continued

5.2 Disaggregated information by Statutory Fund

Abbreviated income statement

	ClearView Life Assurance Limited				
	Shareholders Fund	Statutory Fund No.1	Statutory Fund No.2	Statutory Fund No.4	Total
	Australian Non-Participating				
2020	\$'000	\$'000	\$'000	\$'000	\$'000
Life insurance premium revenue	-	259,993	-	-	259,993
Outwards reinsurance expense	-	(85,803)	-	-	(85,803)
Fee revenue	193	110	8	18,832	19,143
Investment revenue	4	1,910	6	63,238	65,158
Net fair gains/(losses) on financial assets at fair value	-	61	(7)	(67,687)	(67,813)
Net revenue and income	**197**	**176,271**	**7**	**14,203**	**190,678**
Claims expense	-	(194,538)	-	-	(194,538)
Reinsurance recoveries	-	136,429	-	-	136,429
Change in life insurance policy liabilities	-	5,361	-	-	5,361
Change in life investment policy liabilities	-	-	(10,579)	3,122	(7,457)
Change in reinsurers' share of life insurance liabilities	-	(1,564)	-	-	(1,564)
Other expenses	-	(107,598)	(32)	(17,817)	(125,447)
Profit for the year before income tax	**197**	**14,361**	**(10,604)**	**(492)**	**3,462**
Income tax expense	(1)	(5,414)	11,215	1,579	7,379
Net profit attributable to members of ClearView Life Assurance Limited	**196**	**8,947**	**611**	**1,087**	**10,841**

Abbreviated statement of financial position

	ClearView Life Assurance Limited				
	Shareholders Fund	Statutory Fund No.1	Statutory Fund No.2	Statutory Fund No.4	Total
	Australian Non-Participating				
2020	\$'000	\$'000	\$'000	\$'000	\$'000
Investments in controlled unit trusts	-	-	926	1,181,153	1,182,079
Investments in unit trusts	-	29,542	-	-	29,542
Policy liabilities ceded under reinsurance	-	128,543	-	-	128,543
Other assets	569	242,913	1,398	13,234	258,105
Total assets	**569**	**400,998**	**2,315**	**1,194,387**	**1,598,269**
Gross policy liabilities – Life insurance contracts	-	(59,341)	-	-	(59,341)
Gross policy liabilities – Investment insurance contracts	-	-	1,307	1,184,019	1,185,326
Other liabilities	180	28,716	440	1,990	31,326
Total liabilities	**180**	**(30,625)**	**1,747**	**1,186,009**	**1,157,311**
Net assets	**389**	**431,623**	**568**	**8,378**	**440,958**
Shareholder's retained profits					
Opening retained profits	(73,289)	241,021	1,458	8,691	177,881
Operating profit	196	8,949	611	1,087	10,841
Capital transfer between funds	-	4,700	(1,700)	(3,000)	-
Shareholder's retained profits	**(73,093)**	**254,668**	**368**	**6,778**	**188,722**
Shareholder's capital	73,482	176,955	200	1,600	252,237
Total equity	**389**	**431,623**	**568**	**8,378**	**440,958**

5. Life insurance and investment contracts continued

5.2 Disaggregated information by Statutory Fund continued

Abbreviated income statement

	ClearView Life Assurance Limited				
	Shareholders Fund	Statutory Fund No.1	Statutory Fund No.2	Statutory Fund No.4	Total
	Australian Non-Participating				
2019	$'000	$'000	$'000	$'000	$'000
Life insurance premium revenue	-	243,114	-	-	243,114
Outwards reinsurance expense	-	(71,613)	-	-	(71,613)
Fee revenue	-	-	9	20,150	20,159
Investment revenue	5	2,870	7	60,346	63,228
Net fair gains/(losses) on financial assets at fair value	-	-	(4)	29,002	28,998
Net revenue and income	**5**	**174,371**	**12**	**109,498**	**283,886**
Claims expense	-	(116,257)	-	-	(116,257)
Reinsurance recoveries	-	80,346	-	-	80,346
Change in life insurance policy liabilities	-	1,319	-	-	1,319
Change in life investment policy liabilities	-	-	(9,622)	(86,274)	(95,896)
Change in reinsurers' share of life insurance liabilities	-	19,212	-	-	19,212
Other expenses	-	(131,161)	(23)	(21,816)	(153,000)
Profit for the year before income tax	**5**	**27,830**	**(9,633)**	**1,408**	**19,610**
Income tax expense	(2)	(8,655)	10,070	(2,132)	(719)
Net profit attributable to members of ClearView Life Assurance Limited	**3**	**19,175**	**437**	**(724)**	**18,891**

Abbreviated statement of financial position

	ClearView Life Assurance Limited				
	Shareholders Fund	Statutory Fund No.1	Statutory Fund No.2	Statutory Fund No.4	Total
	Australian Non-Participating				
2019	$'000	$'000	$'000	$'000	$'000
Investments in subsidiaries and controlled unit trusts	3,450	-	476	1,153,420	1,157,346
Policy liabilities ceded under reinsurance	-	95,669	-	-	95,669
Other assets	5,244	194,508	701	9,940	210,393
Total assets	**8,694**	**290,177**	**1,177**	**1,163,360**	**1,463,408**
Gross policy liabilities – Life insurance contracts	-	(151,652)	-	-	(151,652)
Gross policy liabilities – Investment insurance contracts	-	-	374	1,152,161	1,152,535
Other liabilities	4,859	38,908	345	909	45,021
Total liabilities	**4,859**	**(112,744)**	**719**	**1,153,070**	**1,045,904**
Net assets	**3,835**	**402,921**	**458**	**10,290**	**417,504**
Shareholder's retained profits					
Opening retained profits	(68,293)	221,846	1,021	9,414	163,988
Operating profit	3	19,175	437	(724)	18,891
Capital transfer between funds	-	1,200	(1,200)	-	-
Dividend paid	(5,000)	-	-	-	(5,000)
Shareholders' retained profits	**(73,290)**	**242,221**	**258**	**8,690**	**177,879**
Shareholders' capital	77,125	160,700	200	1,600	239,625
Total equity	**3,835**	**402,921**	**458**	**10,290**	**417,504**

5. Life insurance and investment contracts continued

5.3 Sources of profit

	Consolidated		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Components of profit related to movements in life insurance liabilities				
Planned profit margins released	22,675	23,786	-	-
Profit arising from the difference between actual investment income and expected interest on policy liabilities	3,292	4,774	-	-
Profit arising from the difference between actual and expected experience[1]	(22,758)	(18,944)	-	-
Impact of change in economic assumptions	5,737	9,559	-	-
Life insurance	**8,947**	**19,175**	**-**	**-**
Components of profit related to movements in life investment liabilities				
Profit arising from life investment contracts[1]	1,699	(287)	-	-
Life investment	**1,699**	**(287)**	**-**	**-**
Profit for the statutory funds	10,646	18,887	-	-
Profit for the shareholders fund	196	3	-	-
Profit for ClearView Life Assurance Limited	**10,841**	**18,891**	**-**	**-**

1 Includes costs considered unusual to the ordinary activities relevant to the segment.

5. Life insurance and investment contracts continued

5.4 Policy liabilities

Reconciliation of movements in policy liabilities

	Consolidated		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Life Investment Policy Liabilities				
Opening gross life investment policy liabilities	1,152,535	1,198,780	-	-
Net increase/(decrease) in life investment policy liabilities reflected in the income statement	7,572	95,896	-	-
Decrease in life investment policy liabilities due to management fee reflected in the income statement	(18,903)	(20,159)	-	-
Life investment policy contributions recognised in policy liabilities	277,442	153,132	-	-
Life investment policy withdrawals recognised in policy liabilities	(233,320)	(275,114)	-	-
Closing gross life investment policy liabilities	**1,185,326**	**1,152,535**	**-**	**-**
Life Insurance Policy Liabilities				
Opening gross life insurance policy liabilities	(151,652)	(197,116)	-	-
Movement in outstanding claims	97,672	46,783	-	-
Decrease in life insurance policy liabilities reflected in the income statement	(5,361)	(1,319)	-	-
Closing gross life insurance policy liabilities	**(59,341)**	**(151,652)**	**-**	**-**
Total gross policy liabilities	**1,125,985**	**1,000,883**	**-**	**-**
Reinsurers' share of life insurance policy liabilities				
Opening reinsurer's share of life insurance policy liabilities	(95,669)	(38,243)	-	-
Movement in outstanding reinsurance	(70,049)	(38,214)	-	-
Decrease/(increase) in reinsurance assets reflected in the income statement	1,564	(19,212)		
Movement in reinsurer's share of incurred claims liability	35,611	-	-	-
Closing reinsurer's share of life insurance policy liabilities	**(128,543)**	**(95,669)**	**-**	**-**
Net policy liabilities at balance date	**997,442**	**905,214**	**-**	**-**

Components of net life insurance policy liabilities

	Consolidated		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Future policy benefits	517,050	317,336	-	-
Future expenses and commissions	602,316	482,115	-	-
Less future revenues	(1,670,028)	(1,399,856)	-	-
Best estimate liability	**(550,662)**	**(600,405)**	**-**	**-**
Present value of future planned profit margins	362,778	353,083	-	-
Net life insurance policy liabilities	**(187,884)**	**(247,322)**	**-**	**-**

5. Life insurance and investment contracts continued

5.4 Policy liabilities continued

Disclosures on asset restrictions, managed assets and trustee activities

Restrictions on assets

Investments held in the life statutory funds (Funds) can only be used within the restrictions imposed under the Life Insurance Act 1995. The main restrictions are that the assets in a Fund can only be used to meet the liabilities and expenses of that Fund, to acquire investments to further the business of the Fund or as a distribution when solvency and capital adequacy requirements are met for that Fund. The shareholder can only receive a distribution from a Fund if the capital adequacy requirements continue to be met after the distribution.

5.5 Capital adequacy

ClearView Life Assurance Limited (ClearView Life) is subject to minimum capital regulatory capital requirements in accordance with Australian Prudential Regulation Authority (APRA) Life Insurance Prudential Standards. ClearView Life is required to maintain adequate capital against the risks associated with its business activities and measure its capital to the 'Prudential Capital Requirement' (PCR).

ClearView Life has in place an Internal Capital Adequacy Assessment Process (ICAAP), approved by the Directors, to ensure it maintains required levels of capital within each of its statutory and general funds. The capital adequacy position at balance date for ClearView Life, in accordance with the APRA requirements, is as follows:

Capital position

	Shareholder's Fund	Statutory fund No. 1 Australian non-participating	Statutory fund No. 2 Australian non-participating	Statutory fund No. 4 Australian non-participating	ClearView Life Assurance Limited
	2020 $'000	2020 $'000	2020 $'000	2020 $'000	2020 $'000
Net Assets (Common Equity Tier 1 Capital)	388	431,623	569	8,378	440,958
Goodwill and intangibles	-	(4,020)	-	(1,600)	(5,620)
Net tangible assets	**388**	**427,603**	**569**	**6,778**	**435,338**
Capital base adjustments					
Deferred tax assets	-	(3,127)	-	(63)	(3,190)
Deferred acquisition costs	-	(346,580)	-	-	(346,580)
Regulatory capital base	**388**	**77,897**	**569**	**6,715**	**85,569**
Prescribed Capital Amount (PCA)	**(3)**	**(21,496)**	**(18)**	**(3,395)**	**(24,912)**
Available Enterprise Capital (AEC)	**385**	**56,401**	**551**	**3,320**	**60,657**
Capital Adequacy Multiple	**129.4**	**3.6**	**31.6**	**2.0**	**3.4**
Prescribed capital amount comprises of:					
Insurance Risk	-	(11,697)	-	-	(11,697)
Asset Risk	(3)	(5,152)	(15)	(435)	(5,605)
Asset Concentration Risk	-	-	-	-	-
Operational Risk	-	(7,804)	(3)	(2,960)	(10,767)
Aggregation benefit	-	3,157	-	-	3,157
LPS110 CLAL Minimum	-	-	-	-	-
Prescribed Capital Amount	**(3)**	**(21,496)**	**(18)**	**(3,395)**	**(24,912)**

5. Life insurance and investment contracts continued

5.5 Capital adequacy continued

	Shareholder's Fund	Statutory fund No. 1 Australian non-participating	Statutory fund No. 2 Australian non-participating	Statutory fund No. 4 Australian non-participating	ClearView Life Assurance Limited
	2019 $'000	2019 $'000	2019 $'000	2019 $'000	2019 $'000
Net Assets (Common Equity Tier 1 Capital)	3,836	402,921	458	10,291	417,505
Intangible adjustments[2]	-	(5,112)	-	(3,368)	(8,480)
Net tangible assets after intangible adjustments	**3,836**	**397,809**	**458**	**6,924**	**409,024**
Capital base adjustments					
Deferred tax assets	-	(1,590)	-	(41)	(1,631)
Investment in subsidiaries	(3,450)	-	-	-	(3,450)
Deferred acquisition costs	-	(336,303)	-	-	(336,303)
Other adjustments to capital base[1]	-	(12,547)	-	-	(12,547)
Regulatory capital base	**386**	**47,368**	**457**	**6,882**	**55,094**
Prescribed Capital Amount (PCA)	**(34)**	**(19,966)**	**(5)**	**(3,260)**	**(23,266)**
Available Enterprise Capital (AEC)	**352**	**27,403**	**452**	**3,622**	**31,828**
Capital Adequacy Multiple	**11.4**	**2.4**	**91.4**	**2.1**	**2.4**
Prescribed capital amount comprises of:					
Insurance Risk	-	(6,720)	-	-	(6,720)
Asset Risk	(34)	(3,854)	(4)	(380)	(4,272)
Asset Concentration Risk	-	(4,284)	-	-	(4,284)
Operational Risk	-	(7,293)	(1)	(2,880)	(10,175)
Aggregation benefit	-	2,185	-	-	2,185
LPS110 CLAL Minimum	-	-	-	-	-
Prescribed Capital Amount	**(34)**	**(19,966)**	**(5)**	**(3,260)**	**(23,266)**

1 Regulatory capital includes a $12.5 million inadmissible asset reserve for tax credits within the ClearView Retirement Plan (CVRP) relating to insurance premiums paid via rollover. There is currently not sufficient taxable income in the CVRP currently to utilise these tax credits. While strategies to utilise the carried forward losses in the CVRP are in progress there are risks and uncertainties involved. Furthermore, a project for the CVRP (part of a broader wealth strategy review), has commenced. For this reason an offset is held against the ECB risk reserve for $12.5 million.

2 Intangible adjustments relate to capitalised software.

5. Life insurance and investment contracts continued

5.6 Actuarial methods and assumptions

Actuarial methods and assumptions

The effective date of the actuarial report on life insurance policy liabilities and life investment policy liabilities is 30 June 2020. The actuarial report was prepared by the ClearView Life Appointed Actuary, Ashutosh Bhalerao. The actuarial report indicates that the Appointed Actuary is satisfied as to the accuracy of the data upon which the policy liabilities have been determined.

The methods used for the major product groups are as follows:

Related Product Group	Method	Profit carrier
Fund 1 Non-Advice Lump Sum (including the Old Book)	Projection	Premiums
Fund 1 LifeSolutions Lump Sum Ordinary	Projection	Premiums
Fund 1 LifeSolutions Lump Sum Super	Projection	Premiums
Fund 1 LifeSolutions Income Protection Ordinary	Projection	Premiums
Fund 1 LifeSolutions Income Protection Super	Projection	Premiums
Fund 2 Investments	Accumulation	n/a
Fund 4 Investments	Accumulation	n/a

The projection method uses the discounted value of future policy cash flows (premiums, expenses and claims) plus a reserve for expected future profits. The policy liabilities for life investment contracts are determined as the fair value of the policyholders' accounts under the accumulation method with no future profit reserve.

(a) Actuarial assumptions used in the valuation of life insurance policy liabilities

Key assumptions used in the calculations of life insurance policy liabilities are as follows:

Discount rates: Discount rates are based on a yield curve derived from Commonwealth Government bond market yields as at the valuation date, plus an adjustment for illiquidity premium which is based on a formula driven by the difference between these yields and BBSW swap rates as at the valuation date. As an indication, the resulting average effective discount rate adopted was 1.1% (2019: 1.4%).

Acquisition expenses: Per policy acquisition expense assumptions were based on the actual acquisition expenses incurred for the 12 months to 30 June 2020.

Maintenance expense and inflation: The per policy maintenance expense assumptions were based on the longer term per policy unit costs implied by ClearView Life's 2021 business plan. Expense inflation of 1.0% p.a. (2019: 1.4% p.a.) was assumed.

Lapses: Rates adopted vary by product, duration, age, commission type and premium frequency, and have been based on an analysis of ClearView Life's experience over recent years with allowance for expected trends. Whilst there have been no changes to best estimate lapse assumptions at 30 June 2020, there is an expectation of higher lapses driven by affordability related concerns from COVID-19 and ClearView's recent repricing activity. This short term elevation in lapses is allowed for in the reported best estimate liability and present value of future profit margins.

Mortality: Rates adopted vary by product, age, gender, and smoking status. The primary underlying mortality tables used were the AI-FSC 2004-2008 industry standard tables, which were adjusted for industry experience and ClearView's own experience. The mortality claims assumptions have been updated to take into account recent observed experience.

Morbidity (TPD, Income Protection and Trauma): Rates adopted vary by age, gender, and smoking status. The primary rates adopted are based on the AI-FSC 2004-2008 and ADI-FSC-KPMG 2007 - 2011 industry standard tables, which were adjusted for industry experience and ClearView's own experience. The morbidity claims assumptions have been updated at 30 June 2020 to take into account recent observed experience.

COVID-19: Whilst there is a significant level of uncertainty and limited data, there is an expectation of higher mortality and morbidity related claims with respect to COVID-19. This short term elevation in claims is allowed for in the reported best estimate liability and present value of future profit margins. See section 1 (j) for further details.

5. Life insurance and investment contracts continued

5.6 Actuarial methods and assumptions continued

(b) Effects of changes in actuarial assumptions (over 12 months to 30 June 2020)

	Effect on profit margins Increase/ (decrease) $'000	Effect on policy liabilities Increase/ (decrease) $'000
Assumption category		
Discount rates and inflation	15,005	(8,196)
Maintenance expenses	-	-
Lapses	(49,759)	-
Mortality and morbidity	(103,763)	8,429
Total	**(138,517)**	**233**

(c) Processes used to select assumptions

Discount rate

Benefits under life insurance contracts are not contractually linked to the performance of the assets held. As a result, the life insurance policy liabilities are discounted for the time value of money using discount rates that are based on current observable, objective rates that relate to the nature, structure and term of the future obligations. The discount rate is based on Commonwealth Government bond rates adjusted for the value of the illiquidity of the policy liability. The effect of this approach is unchanged from that adopted last valuation.

Maintenance expenses and inflation

Maintenance expenses are set having regard to the cost base in the three year Board adopted business plan. Per policy maintenance expenses are assumed to increase in the future with inflation, at a rate that allows for basic price increases (CPI).

Acquisition expenses

Per policy acquisition expenses were derived from the analysis of acquisition expenses adopted for this financial report.

Taxation

It has been assumed that current tax legislation and rates continue unaltered.

Mortality and morbidity

Appropriate base tables of mortality and morbidity are chosen for the type of products written. An investigation into the actual experience of the insurance portfolio over recent years is performed annually and ClearView Life's mortality and morbidity experience is compared against the rates in the base tables. Where the data is sufficient to be fully statistically credible, the base table is adjusted to reflect the portfolio's experience. Where data is insufficient to be fully statistically credible, the base table is adjusted having regard to the extent of the credibility of the portfolio's experience, the overall experience of the industry and advice from ClearView's reinsurers.

Lapse

An investigation into the actual lapse experience of ClearView Life over the most recent years is performed and statistical methods are used to determine appropriate lapse rates. An allowance is then made for any trends in the data as well as industry experience to arrive at a best estimate of future lapse rates.

(d) Sensitivity analysis

ClearView Life conducts sensitivity analyses to quantify the exposure to risk of changes in the key underlying variables such as discount rates, expenses, mortality, morbidity and lapses. The valuations included in the reported results and ClearView Life's best estimate of future performance are calculated using certain assumptions about these variables. The movement in any key variable may impact the reported performance and net assets of ClearView Life and the consolidated entity and as such represents a risk.

5. Life insurance and investment contracts continued

5.6 Actuarial methods and assumptions continued

Variable	Impact of movement in underlying variable
Interest Rate Risk	The life insurance policy liabilities are calculated using a discount rate that is derived from market interest rates. Changes in market interest rates will affect the present value of cash flows and profit margins in the policy liabilities, which in turn will affect the profit and shareholder equity. The change in interest rates would also impact the emerging profit via its impact on the investment returns on the assets held to back the liabilities.
Expense Risk	An increase in the level (or inflation) of expenses over the assumed levels will decrease emerging profit. However, a change in the base expense assumptions adopted for the policy liability is unlikely to impact the current policy liability determination as such a change is absorbed into the policy liability profit margin reserve in the first instance.
Mortality Rates	For life insurance contracts providing death benefits an increased rate of mortality would lead to higher levels of claims, increasing associated claims cost and thereby reducing emerging profit. However, a change in the mortality assumptions adopted for the policy liability is unlikely to directly impact the current policy liability determination as such a change is absorbed into the policy liability profit margin reserve in the first instance.
Morbidity Rates	The cost of claims under TPD, Income Protection and trauma cover depends on the incidence of policyholders becoming disabled or suffering a 'trauma' event such as a heart attack or stroke. Higher incidence or claims duration would increase claim costs, thereby reducing profit and shareholder equity. Similar to mortality above, a change in the morbidity assumptions is absorbed in the policy liability profit margin in the first instance. For policyholders who are currently on claim there is no profit margin. Therefore, any change in claims costs due to a change in expectation around claims duration is reflected through a change in the policy liability.
Lapses	Lapse risk represents the extent to which policyholders choose not to renew their policy, and allow it to lapse. An increase in the lapse rates will have a negative effect on emerging profit owing to the loss of future revenue, including that required to recover acquisition costs. The impact on the policy liability of a change in lapse assumptions is as per mortality above.

The table below illustrates how outcomes during the financial year ended 30 June 2020 in respect of the key actuarial variables, would have impacted the reported life insurance policy liabilities, profit and equity for that financial year.

		Impact on policy liabilities		Impact on net profit and shareholder equity	
Variable	Change in variable	Gross of reinsurance $'000	Net of reinsurance $'000	Gross of reinsurance $'000	Net of reinsurance $'000
Interest rates	+ 100 bp	18,510	17,717	(12,957)	(12,402)
	- 100 bp	(16,809)	(16,089)	11,766	11,262
Mortality and morbidity	110.0%	-	-	(7,986)	(2,209)
	90.0%	-	-	7,986	2,209
Lapses	110.0%	-	-	(2,850)	(2,708)
	90.0%	-	-	2,850	2,708
Maintenance expenses	110.0%	-	-	(1,980)	(1,980)
	90.0%	-	-	1,980	1,980

* Note: The interest rate sensitivities show the change to policy liabilities and profit from a change in the discount rate by adding or subtracting 1% from the yield curve adopted. The other sensitivities show how different the policy liabilities and reported profit would have been if ClearView Life's experience in the current year in relation to those variables had been higher or lower by 10% of that experienced.

5. Life insurance and investment contracts continued

5.7 Critical accounting judgements and key sources of estimation uncertainty

Life insurance policy liabilities

Life insurance policy liabilities are, in the majority of cases, determined using an individual policy-by-policy calculation. Where material liabilities are not determined by individual policy valuation, they are computed using statistical or mathematical methods, which are expected to give approximately the same results as if an individual liability were calculated for each contract. The calculations are made by suitably qualified personnel on the basis of recognised actuarial methods, with due regard to relevant actuarial principles. The methodology takes into account the risks and uncertainties of the particular classes of life insurance business written.

The key factors that affect the estimation of these liabilities and related assets are:

- The cost of providing benefits and administering these insurance contracts;
- The costs incurred in acquiring the policies, including commissions, underwriting and policy issue costs;
- Mortality and morbidity experience on life insurance products; and
- Discontinuance experience, which affects ClearView Life's ability to recover the cost of acquiring new business over the term of the contracts.

In addition, factors such as regulation, competition, interest rates, taxes, securities market conditions and general economic conditions affect the level of these liabilities. Details of specific actuarial policies and methods are set out further below.

Assets arising from reinsurance contracts

Assets arising from reinsurance contracts are computed using the same methods as used for insurance policy liabilities. In addition, the recoverability of these assets is assessed on a periodic basis to ensure that the balance is reflective of the amounts that will ultimately be received, taking into consideration factors such as reinsurer counterparty and credit risk.

Impairment is recognised where there is objective evidence that the Group may not receive amounts due to it and these amounts can be reliably measured.

COVID-19

In response to COVID-19 the Group undertook a review of best estimate assumptions, with a particular focus on claims and lapses to determine impacts and implications from COVID-19.

With respect to the health and economic implications of COVID-19, whilst there is uncertainty, there is expected to be an increase in claims cost over the next two years. ClearView has made an estimation on the likely implications of COVID-19 at 30 June 2020. Refer to section 1 (j) for further details.

6. Capital structure and capital risk management

This sections provides information in relation to the Group's capital structure and financing facilities

6. Capital structure and capital risk management

6.1 Issued capital

				Company
	2020 No. of Shares	2020 $'000	2019 No. of Shares	2019 $'000
Issued and fully paid ordinary shares				
Balance at the beginning of the financial year	631,817,448	450,229	619,259,012	438,289
Dividend Reinvestment Plan (inclusive of costs)	-	-	10,593,144	11,119
Shares bought back	(615,000)	(374)	-	-
Shares issued during the year (ESP vested/forfeited)	-	-	1,965,292	821
Balance at the end of the financial year	**631,202,448**	**449,855**	**631,817,448**	**450,229**
Executive share plan				
Balance at the beginning of the financial year	45,256,670	-	49,003,595	-
Shares forfeited during the year	(1,666,068)	-	(1,781,633)	-
Shares exercised during the year	-	-	(1,965,292)	-
Balance at the end of the financial year	**43,590,602**	**-**	**45,256,670**	**-**

In accordance with AASB 2, Share-Based Payments the shares issued under the Executive Share Plan are treated as options and are accounted for as set out in section 7.2.

The Company does not have a limited amount of authorised capital and issued shares do not have a par value. Fully paid ordinary shares carry one vote per share and carry the rights to dividends.

6.2 Movements in reserves

	Consolidated		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Retained losses				
Balance at the beginning of the financial year	(26,371)	(9,274)	(105,479)	(64,969)
Change on initial application of AASB 9	-	(1,008)	-	-
Restated balance as at beginning of the financial year	**(26,371)**	**(10,282)**	**(105,479)**	**(64,969)**
Net profit/(loss) attributable to members of the parent entity	13,081	3,959	-	(40,510)
Dividend paid during the year	-	(20,048)	-	-
Balance at the end of the financial year	**(13,290)**	**(26,371)**	**(105,479)**	**(105,479)**
Executive Share Plan Reserve[1]				
Balance at the beginning of the financial year	16,087	12,509	11,901	12,509
Recognition of share based payments	437	2,889	437	(1,297)
ESP loans settled through dividend	-	746	-	746
ESP shares vested/(forfeited)	(161)	(57)	(161)	(57)
Allocation of treasury shares	(1,779)	-	-	-
Balance at end of the financial year	**14,584**	**16,087**	**12,177**	**11,901**

6. Capital structure and capital risk management continued

6.2 Movements in reserves continued

	Consolidated		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Profit Reserve				
Balance at the beginning of the financial year	-	-	18,952	31,200
Net profit attributable to the parent entity	-	-	322	7,800
Dividend paid during the year	-	-	-	(20,048)
Balance at end of the financial year	**-**	**-**	**19,274**	**18,952**
General Reserve[2]				
Balance at the beginning of the financial year	3,294	2,785	3,294	2,785
ESP shares vested/(forfeited)	685	509	685	509
Balance at end of the financial year	**3,979**	**3,294**	**3,979**	**3,294**

1 The above executive share plan reserve relates to share options granted by the Company to employee and contractor participants under the ClearView Executive Share Plan (Plan). Further information about the Plan is set out in section 7.2.

2 The general reserve comprises the profit on sale of forfeited ESP shares ($4 million) where the shares were sold via an off market transfer with the proceeds being received by the Company. The general reserve is not an item of other comprehensive income and the items in the general reserve will not be reclassified subsequently to profit or loss.

6.3 Shares granted under the executive share plan

In accordance with the provisions of the ESP, as at 30 June 2020, key management, members of the senior management team, the managing director and contractor participants have acquired 43,590,602 (2019: 45,256,670) ordinary shares. Shares granted under the ESP carry rights to dividends and voting rights. Financial assistance amounting to $27,742,029 (2019: $29,120,042) was made available to executives, senior employees and contractor participants to fund the acquisition of shares under the ESP.

During the year, no performance rights issued to SMT members were vested. 2,057,242 shares vested on 30 June 2019 were allocated from the ESS trust and 2,783,324 shares continued to be held in the ESS trust for future issues.

6.4 Borrowings

Financing Facilities

	Consolidated		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
The Group has access to the following facilities:				
Bank Guarantees				
– amount used	1,598	1,598	-	-
Overdraft and credit				
– amount used	-	-	-	-
– amount unused	2,000	2,000	-	-
Bank Facility				
– amount used	60,000	15,000	60,000	15,000
– amount unused	-	45,000	-	45,000

6. Capital structure and capital risk management continued

6.4 Borrowings continued

As at the reporting date, the Company had a $60 million facility agreement with the National Australia Bank that has been fully drawn down as at the balance date. The facility is repayable on 1 April 2024. The facility was renewed for a further three year period in April 2020.

As part of the renewal of the facility, the margins paid on the facility were renegotiated. From the date of renewal, interest on the loan accrues at BBSY plus a margin of 0.95% per annum (FY19: 0.80%), and is payable monthly. Furthermore, a line fee of 0.80% per annum (FY19: 0.65%) is payable on the facility on a quarterly basis.

The covenants of the facility agreement state that the Group's debt must not exceed 35% of the Group's total debt and equity and the Group's EBITDA (excluding policyholder net profit and removing any effects from the adoption of AASB 16) must not be less than 3x interest expense. In the recent renewal, a Review Event was also added based on the capital base of the life company, ClearView Life. This has been set as a minimum PCA ratio of 1.5x (excluding Pillar 2 and reinsurance concentration risk charges for a period of two years from the date of the facility renewal). The covenants are calculated on six monthly basis under the terms of the facility agreement. As part of the COVID-19 response, a waiver was sought such that these covenants are calculated on an annual basis for FY20. Notwithstanding this waiver, based on the results to 30 June 2020, ClearView has been operating within its covenants under the terms of the Facility Agreement (as calculated on a six monthly basis). The Group has therefore not identified any breaches at 30 June 2020 nor at the time at which these financial statements were authorised for issue.

The facility has been secured by a number of cross guarantees, refer to section 9.4 for details.

ClearView Life Assurance Limited has a $2 million overdraft facility with National Australia Bank at a benchmark interest rate of 8.12% p.a calculated daily. Any overdrawn balance in excess of the overdraft will incur an additional margin of 1.5% p.a above the benchmark interest rate. The bank overdraft is short-term in nature and was unutilised at 30 June 2019. There is an additional $0.25 million credit card facility with National Australia Bank in the name of ClearView Administration Services Pty Limited.

6.5 Capital risk management

The Group maintains capital to protect customers, creditors and shareholders against unexpected losses to a level that is consistent with the Group's risk appetite. The Group's capital structure consists of ordinary equity comprising issued capital, retained earnings and reserves (as detailed in section 6.2).

To date, $60 million of the Debt Funding Facility has been drawn down as follows:

- $15 million drawn down to fund the cash component of the FY18 final dividend and the cash payment for purchasing ClearView shares to support the ClearView SMT LTIP share plan (recognised as (treasury shares)) in FY19;
- $16 million was drawn down in December 2019 in relation to the assigned tax receivable from CRP;
- $19 million in relation to the corporate restructure ($12 million), to fund the costs associated with the wealth management project and for further funding of CRP tax credits as may be considered from time to time; and
- $10 million for liquidity purposes

ClearView generates positive cash flows from in-force portfolios which is subsequently reinvested into new business generation:

- Now achieving underlying self-funding capability (excluding allowances for COVID-19, Pillar 2 requirements and assuming experience is line with FY20 best estimate assumptions)
- New Business capital utilisation is related to the upfront costs associated with policy acquisition that is collected via the premiums from policyholders over the life of the policy – converts to cash over time subject to lapse risk. These are referred to as deferred acquisition costs (DAC).[1]
- In-force capital generation reflects a combination of the Underlying NPAT[2] achieved and DAC[1] released (collected) from the in-force portfolios in a particular financial year.
- Reduced capital needs over time reflects the growth in in-force portfolio given increased scale of business from start-up phase.

1 DAC is deferred acquisition costs.

2 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.

6. Capital structure and capital risk management continued

6.5 Capital risk management continued

- Capital needs from a group perspective are driven by the need to replace at least part of the debt with a permanent capital solution ($34 million). 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.
- As noted earlier in the report, the Debt Funding Facility was extended to 1 April 2024 in 2H FY20.
- For ClearView's medium-to-long term capital solutions, the Board is actively considering alternative capital management initiatives.
- The Board is now actively investigating the prospect of an issue of Tier 2 Subordinated Notes (Notes) (subject to the regulatory approval process and market conditions). In anticipation a rating from Fitch was obtained in March 2020.
- Fitch assigned ClearView a Long-term Issuer Default Rating (IDR) of 'BBB'. At the same time, Fitch assigned ClearView's operating subsidiary, ClearView Life, an Insurer Financial Strength Rating (IFS) of BBB+. The outlooks for both ratings are stable and were reaffirmed as 'stable' subsequent to the onset of the pandemic.

Dividends and On-market 10/12 limit share buyback

ClearView's ability to pay a franked dividend depends upon factors including its profitability, the availability of franking credits and its funding requirements which in turn may be affected by trading and general economic conditions, business growth, and regulation.

In light of the adverse impact due to COVID-19, challenging market conditions, prudent capital management and in line with APRA communications to consider limiting discretionary capital distributions, no FY20 dividend has been declared (FY19: $nil).

In August 2019, the Board approved the recommencement of its 10/12 limit on market buy-back program and extended it for a further 12-month period until December 2020.

Existing buy-back arrangements continue to apply and Blue Ocean Equities Pty Limited is the appointed broker for the program. Since January 2014, the total number of shares bought back and cancelled under the scheme is 1,208,824 of which 615,000 shares have been bought back and cancelled in the year ended 30 June 2020.

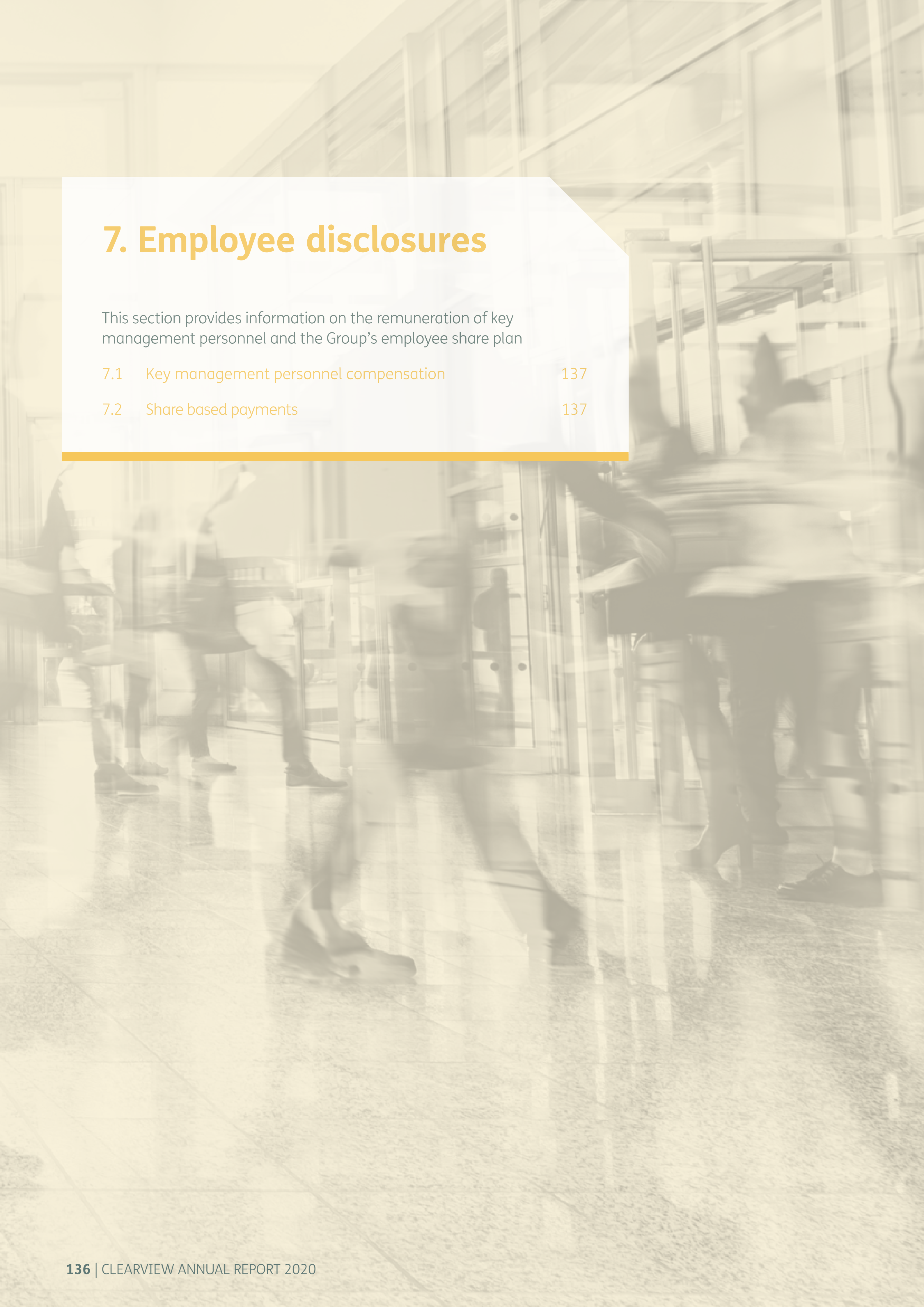
However, ClearView does not intend to undergo any on-market share buy-back activity given the current environment and market conditions. One of the Board's key priorities is prudent capital management.

Selective buy-back

As approved by Shareholders at the ClearView 2019 Annual General Meeting (AGM) and disclosed on market, ClearView undertook a selective buy-back of unvested Executive Share Plan (ESP) Shares in November 2019. 365,504 were selectively bought back and cancelled on the terms outlined in the ClearView AGM Notice of Meeting, Appendix 3C and Appendix 3F. These announcements are under the Shareholders tab on the ClearView website.

Employee Share Scheme buy-back

As approved by the Board and disclosed on market, ClearView undertook an Employee Share Scheme buy-back of unvested ESP Shares in June 2020. 1,300,564 shares were bought back and cancelled on the terms outlined in the Appendix C, Appendix E and Appendix 3F. These announcements are under the Shareholders tab on the ClearView website.



7. Employee disclosures

This section provides information on the remuneration of key management personnel and the Group's employee share plan

7. Employee disclosures

7.1 Key management personnel compensation

Transactions with KMP

Key management personnel compensation

Details of Key Management Personnel compensation are disclosed in the Directors' Report on pages 50 to 69 of the Annual Report. The aggregate compensation made to Key Management Personnel (KMP) of the Company and the Group is set out below:

	Consolidated	
	2020 $	2019 $
Short-term employee benefits	4,339,884	5,888,896
Post-employment benefits	240,936	352,642
Share based payments	157,682	2,301,047
Total	**4,738,502**	**8,542,585**

Limited recourse loans

Limited recourse loans were granted to KMP ESP participants in May 2017. This limited recourse loan facility is secured by the ESP shares held and became interest bearing from 30 November 2017 at 3 month BBSY rate plus a margin of 1%. This limited recourse facility is reflected as loans on balance sheet of the listed entity.

In accordance with AASB 9, an expected credit loss (ECL) of $1.9 million (2019: $0.4 million) was recognised against the limited recourse loans given the decrease in ClearView's share price subsequent to the issue of the loans. The loans were granted up to a maximum of $1 per vested ESP share held.

7.2 Share based payments

Share based payment arrangements

Share-based payment transactions of the Company

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Executive Share Plan

ClearView operates the ClearView Executive Share Plan (ESP or Plan). In accordance with the provisions of the Plan, as approved by shareholders at the 2018 Annual General Meeting, the ownership-based compensation scheme allows participation in the Plan of:

- Employee Participants - These participants are key managers, members of the Senior Management Team (SMT) and the Managing Director; and
- Contractor Participants - These participants are financial advisers.

7. Employee disclosures continued

7.2 Share based payments continued

Eligible Employees under the Plan Rules therefore include both Employee Participants and Contractor Participants of the Company and its related body corporates. Non-executive Directors are ineligible to participate in the Plan in accordance with the Plan Rules.

Offer and consideration

Under the ESP, the Board may invite Eligible Employees to participate in an offer (Offer) of fully paid ordinary shares in ClearView, subject to the terms of conditions of the ESP. Each Share is issued at a price to be determined by the Board prior to making an Offer and this price is set out in the invitation (Invitation) to Eligible Employees. This price may be the market price of a Share (as defined in the ESP Rules) on the date of the Invitation. Taking into account the liquidity, volatility, and the average trading activities of the ClearView Shares, the Board determined in February 2013 that it is appropriate and reasonable for ClearView to adopt the Volume Weighted Average Price (VWAP) over a 3 month period to determine the market value of the ClearView Shares for the purposes of ESP issues. This has been implemented for all ESP Share issues since that date.

Restrictions on offer

Shares may not be offered under the ESP to an Eligible Employee if that Eligible Employee would hold, after the issue of the Shares, an interest in more than 5% of the issued Shares of ClearView or be able to control the voting rights of more than 5% of the votes that might be cast at a general meeting of ClearView.

As at the date of this Report, the Board has not set a limit on the number of Shares that may be issued under the Plan. The Board or Board Authorised Delegates approve the issue of new ESP shares and monitors the overall quantum of ESP shares on issue, relative to the interests of existing shareholders and the overall objectives of the business.

Financial Assistance

The Company may provide financial assistance to an Eligible Employee for the purposes of subscribing for Shares under the ESP. The financial assistance will be a limited recourse loan equal to the purchase value of the Shares and is repayable in accordance with the terms of the accompanying Invitation, or as follows:

- For Share issues prior to 14 February 2013 - within 60 days (or a longer period determined by the Board in its discretion) after the 5th anniversary of the grant of the financial assistance (unless it is required to be repaid at an earlier date owing to the operation of the Rules); or
- immediately in the event of certain 'disqualifying circumstances' including failure to meet performance or vesting conditions, cessation of the Employee Participant's employment in circumstances defined in the ESP Rules or termination of the Contractor Participant's contract with a Group Company for the provision of services.

For Employee Participants, the financial assistance is secured over the shares and rights attached to the shares.

The Board has delegated authority to Mr Swanson, Mr Chiert and Mr Thomson to approve granting an extension to the loan term of all ESP participants who remain employees at the expiration of their loan term for a period until a Change in Control of the Company (as defined in the ESP Rules).

ESP loans to SMT members became interest bearing at 3 months BBSY rate plus a margin of 1% from 30 November 2017. Since 1 August 2018, the limited recourse loans secured by unvested shares held by SMT members have become interest free.

Holding lock

The shares granted under the ESP to participants are subject to a holding lock restricting the holder from dealing with the shares, unless otherwise provided under the Invitation. Where all performance conditions and/or vesting conditions (if any) attaching to the Shares issued prior to 14 February 2013 have been satisfied (or waived) a holding lock will cease to have effect if:

- The Board accepts a disposal request (as defined in the ESP Rules) (Disposal Request); or
- 5 years have passed from the Acquisition Date; or

If the Participant:

- is an Employee Participant, their employment with the Group ceases, or
- is a Contractor Participant, their contractor agreement is terminated; or
- The ESP is terminated, or
- The holding lock period otherwise ceases;

provided that the Financial Assistance and any interest that has been accrued have been repaid.

For share issues from 14 February 2013 the Holding Lock ceases on vesting or forfeiture of Shares.

The holding lock is imposed through the share registry and in accordance with the ASX Listing Rules. Participants will not be able to sell their shares on ASX or have an off-market transfer registered (and are also otherwise prohibited from dealing in the shares) while the holding lock is in place.

7. Employee disclosures continued

7.2 Share based payments continued

If the participant is a Contractor Participant, following the removal of the holding lock over the Shares of the participant, the participant may not sell, or otherwise deal with, any such Shares without the prior written consent of the Company, which consent the Company may give or withhold in its absolute discretion and which consent may be given subject to conditions.

Eligible Employees are entitled under the ESP Rules to make a Disposal Request provided the performance and vesting conditions have been met (or waived). The holding lock applicable to their ESP shares will cease to have effect upon the Board (in its absolute discretion) accepting the Disposal Request. ClearView may dispose of these ESP shares on behalf of the participant in one or more of the following ways (at the discretion of the Board):

- Reallocate the Shares to give effect to acquisitions by other Eligible Employees under the ESP;
- Sell to the Company in accordance with buy-back provisions of the Corporations Act; or
- Offer or sell to buyers on the ASX.

The amount payable by these Eligible Employees to ClearView following such a disposal is the amount outstanding in relation to the financial assistance, including accrued interest. The Eligible Employees may retain any surplus proceeds.

Change of control

Under the ESP Rules, all performance and vesting conditions in relation to Shares held by an Eligible Employee who is an Employee Participant are deemed to have been satisfied upon a Change of Control unless stated otherwise in the participants invitation offer. A Change of Control is defined under the ESP Rules as being:

(a) Until 14 February 2013:

- A person who did not Control the Company at the date of issue of the Plan Shares gains Control of the Company (but only if the person is not itself Controlled by another person who Controlled the Company at the date of issue); or
- Other circumstances occur which the Board determines in its absolute discretion are analogous to a Control transaction and justify removal of Performance Conditions and/or Vesting Conditions;
- 'Control' is defined as where a person and its related bodies corporate holds more than 50% of the Shares in ClearView.

(b) After 14 February 2013:

- 12 months after a Change of Control; or
- Circumstances occur which the Board determines in its absolute discretion are analogous to a Control transaction and justify removal of Performance Conditions and/or Vesting Conditions.
- 'Control' is defined as Crescent Capital Partners and its Associated Entities no longer holding 20% of the voting rights of the Company.

(c) After 1 July 2015:

- For ESP Shares issued to employee participants after 1 July 2015, unless stated otherwise in the participants Invitation Offer, all performance and vesting conditions in relation to these shares, are not deemed to have been met upon a Change of Control
- 'Control' is defined as Crescent Capital Partners and its Associated Entities no longer holding 20% of the voting rights of the Company.

The above provisions concerning change of control apply only to Employee Participants and not Contractor Participants under the ESP.

Administration of the ESP

The ESP is administered by the Board. The Board may make rules and regulations for its operation that are consistent with the rules of the ESP. The Company pays all costs and expenses of operating the ESP. Employees are liable for any brokerage and tax payable associated with their participation in the ESP.

Termination of the ESP

The Board may resolve at any time to terminate, suspend or reinstate the operation of the ESP for the issue of shares in future.

Long Term Incentive Plan

Since October 2017, ClearView operates the ClearView Long Term Incentive Plan (LTIP). The LTIP underpins the Group's strategy of rewarding performance and retaining its key talent.

7. Employee disclosures continued

7.2 Share based payments continued

Offer and consideration

Under the LTIP, the Board may invite Eligible Employees to participate in an offer of performance rights in ClearView (Awards). Each Award represents a right to receive one ordinary share in the capital of the Company (Share) or to receive a cash payment equal to the value of one ordinary share, subject to the rules of the LTIP Plan (LTIP Rules) and the terms and conditions which an Eligible Employee is invited to participate in the Plan (Invitation).

Vesting and exercise conditions

The Awards are divided into tranches but may be subject to separate vesting conditions. The rights will vest only where the Eligible Employees Recipient (Recipient) remains employed by the Company and the vesting conditions are satisfied.

The Awards are not subject to any Exercise Conditions. A Recipient will be able to exercise their vested Awards, in accordance with the LTIP Rules upon receiving a vesting notice.

Settlement mechanism

Upon exercise the Board will determine whether the Awards will be Equity Settled and/or Cash Settled.

If an Award is to be Equity Settled, the Company will arrange for the Recipient to receive the requisite number of shares.

If an Award is to be Cash Settled, the Recipient will receive a cash payment equal to:

- the volume weighted average share price (VWAP) at which the Company's Shares were traded on the ASX in the 90 days up to and including the day on which the Award is validly exercised, or as otherwise determined by the Board (acting reasonably); or
- if the cash payment is calculated at a time of a Change of Control Event, the price per share paid by the entity acquiring the Company under the Change of Control Event, or such other higher amount as otherwise determined by the Board (acting reasonably).

Change of control and expiry date

On the occurrence of a 'Change of Control Event' (as defined in the LTIP Rules, which includes when a bona fide takeover bid is made to the holders of Shares), the Board may in its absolute discretion determine (having regard to various factors) the manner in which any or all of the Recipient's Award to be dealt with.

The expiry date of the Award is the fifth (5th) anniversary of the Grant Date of the Award.

Employee share trust (EST)

The Board may elect to use such terms and conditions as determined by the Board in its absolute discretion an employee share trust for the purposes of holding Shares before or after the exercise of an Award or delivering any shares under these Rules. Under an employee share trust structure, the trustee of the employee share trust would be registered as the legal owner of the shares but the recipient would be the beneficial owner.

Administration of the LTIP and EST

The LTIP and EST (where used) is administrated by the Board. The Board may make rules and regulations for its operation that are consistent with the rules of the LTIP.

The Company pays all costs and expenses of operating the LTIP and EST (where used) as well as the funding for the EST (where used). Employees are liable for any brokerage and tax payable associated with their participation in the Awards.

Termination of the LTIP

The Board may resolve at any time to terminate, suspend, or reinstate the operation of the LTIP.

7. Employee disclosures continued

7.2 Share based payments continued

Share-based payment arrangements

The following share-based payment arrangements were in existence during the current and comparative reporting periods:

Series	Issue Date	Type of Arrangement[8]	Number	Grant date	Expiry date[9]	Issue price at grant date $	Fair value at grant date (pre modifica-tion[1]) $	Fair value at grant date (post modifica-tion[1]) $
Series 6[6]	30/06/2008	KMP	500,000	30/06/2008	30/06/2013	0.59	0.10	0.10
Series 7[2,6]	29/09/2009	KMP	2,600,000	29/09/2009	29/09/2014	0.49	0.07	0.10
Series 10[3,6]	25/06/2010	MD	2,000,000	25/06/2010	26/03/2015	0.50	0.11	0.11
Series 11[4,6]	25/06/2010	MD	4,000,000	25/06/2010	26/03/2015	0.58	0.08	0.08
Series 12[5,6]	25/06/2010	MD	4,000,000	25/06/2010	26/03/2015	0.65	0.06	0.06
Series 15[5,6]	18/08/2011	KMP	2,000,000	1/07/2011	1/07/2015	0.50	0.10	0.13
Series 16[5,6]	6/10/2011	KMP and SM	2,450,000	1/09/2011	1/09/2016	0.50	0.10	0.13
Series 18[6]	1/03/2012	CP	2,500,000	10/02/2012	10/02/2017	0.50	0.12	0.15
Series 21[6]	25/05/2012	CP	1,375,000	7/05/2012	7/05/2017	0.50	0.13	0.17
Series 23[6]	6/08/2012	CP	1,281,650	6/08/2012	6/08/2017	0.54	0.17	0.21
Series 24[5,6]	22/08/2012	SM	300,000	22/08/2012	22/08/2017	0.55	0.16	0.19
Series 25[6]	21/12/2012	CP	300,000	21/12/2012	21/12/2017	0.58	0.16	0.20
Series 26[6,7]	16/04/2013	KMP and SM	2,575,000	12/04/2013	50% Change in Control; 50% 1 year after	0.57	n/a	0.29
Series 27[6]	16/04/2013	SM	75,000	12/04/2013	1 year post Change in Control	0.57	n/a	0.27
Series 28	16/04/2013	CP	566,667	12/04/2013	12/04/2018	0.69	n/a	0.22
Series 29	31/05/2013	CP	828,335	31/05/2013	31/05/2018	0.68	n/a	0.22
Series 30	27/06/2013	CP	637,463	27/06/2013	27/06/2018	0.64	n/a	0.21
Series 31	14/10/2013	SM	275,000	14/10/2013	Change in Control	0.61	n/a	0.17
Series 32	14/10/2013	SM	275,000	14/10/2013	1 year post Change in Control	0.61	n/a	0.19
Series 35	31/01/2014	SM	75,000	31/01/2014	Change in Control	0.65	n/a	0.17
Series 36	31/01/2014	SM	75,000	31/01/2014	1 year post Change in Control	0.65	n/a	0.20
Series 37	31/01/2014	CP	1,473,283	31/01/2014	31/01/2019	0.65	n/a	0.17
Series 38	30/05/2014	SM	605,000	30/05/2014	30/05/2018	0.75	n/a	0.17
Series 39	30/05/2014	SM	621,667	30/05/2014	30/05/2019	0.75	n/a	0.19
Series 40	30/05/2014	SM	621,667	30/05/2014	30/05/2020	0.75	n/a	0.22
Series 41	30/05/2014	CP	285,925	30/05/2014	30/05/2019	0.75	n/a	0.19
Series 42	9/07/2014	CP	3,384,195	9/07/2014	8/07/2019	0.79	n/a	0.17
Series 43	26/11/2014	SM including KMP and CP	2,027,282	26/11/2014	25/11/2018	1.01	n/a	0.19

7. Employee disclosures continued

7.2 Share based payments continued

Series	Issue Date	Type of Arrangement[8]	Number	Grant date	Expiry date[9]	Issue price at grant date $	Fair value at grant date (pre modification[1]) $	Fair value at grant date (post modification[1]) $
Series 44	26/11/2014	KMP and SM	132,013	26/11/2014	25/11/2019	1.01	n/a	0.22
Series 45	26/11/2014	KMP and SM	132,013	26/11/2014	25/11/2020	1.01	n/a	0.24
Series 46	30/03/2015	SM	75,000	30/03/2015	30/03/2019	1.00	n/a	0.22
Series 47	30/03/2015	SM	75,000	30/03/2015	30/03/2020	1.00	n/a	0.25
Series 47	30/03/2015	CP	826,587	30/03/2015	30/03/2020	1.00	n/a	0.25
Series 48	30/03/2015	SM	75,000	30/03/2015	30/03/2021	1.00	n/a	0.28
Series 49	30/07/2015	CP	2,658,419	30/07/2015	30/07/2020	0.97	n/a	0.19
Series 50a	30/07/2015	SM	25,773	30/07/2015	30/07/2019	0.97	n/a	0.17
Series 50b	30/07/2015	SM	25,773	30/07/2015	30/07/2020	0.97	n/a	0.19
Series 50c	30/07/2015	SM	25,773	30/07/2015	30/07/2021	0.97	n/a	0.22
Series 51a	23/12/2015	SM including KMP	602,032	23/12/2015	23/12/2020	0.96	n/a	0.19
Series 51b	23/12/2015	SM including KMP	602,032	23/12/2015	23/12/2021	0.96	n/a	0.22
Series 52	27/04/2016	SM	134,365	27/04/2016	27/04/2021	0.93	n/a	0.20
Series 53	27/04/2016	CP	1,279,156	27/04/2016	27/04/2021	0.93	n/a	0.20
Series 54	20/06/2016	SM including KMP	79,601	20/06/2016	20/06/2021	0.94	n/a	0.20
Series 55	14/06/2017	CP	800,000	14/06/2017	14/06/2022	1.38	n/a	0.30

1 On the 14th February 2013, the Board approved a change to the rules of the ESP which changed the interest rate charged on the financial assistance granted to the ESP Participants from the RBA official cash rate plus 25 basis points to zero percent. This resulted in changes to the inputs of the option pricing model which had an impact on the fair value of the option at the date of the change.

2 A Change of Control provision was triggered on 23 October 2009 by GPG increasing its shareholding above 50%. As a result, the vesting conditions for employees that were issued shares prior to the date of change of control were accelerated.

3 Shares vested 1 year from date of commencement of employment on 26 March 2011.

4 Shares vested 2 years from date of commencement of employment on 26 March 2012.

5 Change of control provision was triggered on 26 September 2012 by CCP Bidco obtaining a shareholding above 50%.

6 The Board approved granting an extension of the loan term until such time as there is a change of control in the Company.

7 Special condition relating to shares issued to KMP in Series 26: the shares may be sold on change of control with 50% of the funds held for in escrow for a period of 12 months.

8 KMP = Key Management Personnel, SM = Senior Management, MD = Managing Director, CP = Contractor Participant.

9 Expiry date represents either the relevant vesting or holding lock period.

7. Employee disclosures continued

7.2 Share based payments continued

Inputs into the model	Series 6	Series 7	Series 10	Series 11	Series 12
Grant date share price ($)	0.59	0.49	0.50	0.58	0.65
Anticipated vesting price ($)	0.58	0.55	0.54	0.63	0.71
Expected volatility (%)	25.26	30.24	28.78	28.78	28.78
Anticipated option life (years)	3.00	1.75	2.75	2.75	2.75
Inputs into the model	**Series 15**	**Series 16**	**Series 18**	**Series 21**	**Series 23**
Grant date share price ($)	0.50	0.50	0.50	0.50	0.54
Anticipated vesting price ($)	0.50	0.51	0.50	0.49	0.53
Expected volatility (%)	31.49	35.35	37.06	36.94	37.85
Anticipated option life (years)	3.00	3.00	4.95	4.95	5.00
Inputs into the model	**Series 24**	**Series 25**	**Series 26**	**Series 27**	**Series 28**
Grant date share price ($)	0.55	0.58	0.57	0.57	0.69
Anticipated vesting price ($)	0.54	0.58	0.57	0.57	0.69
Expected volatility (%)	37.99	35.21	35.92	35.92	35.92
Anticipated option life (years)	3.00	5.00	5.99	4.99	4.99
Inputs into the model	**Series 29**	**Series 30**	**Series 31**	**Series 32**	**Series 35**
Grant date share price ($)	0.68	0.64	0.61	0.61	0.65
Anticipated vesting price ($)	0.68	0.64	0.61	0.61	0.65
Expected volatility (%)	36.81	36.90	22.20	22.20	22.01
Anticipated option life (years)	5.00	5.00	5.00	6.00	5.00
Inputs into the model	**Series 36**	**Series 37**	**Series 38**	**Series 39**	**Series 40**
Grant date share price ($)	0.65	0.65	0.75	0.75	0.75
Anticipated vesting price ($)	0.65	0.65	0.75	0.75	0.75
Expected volatility (%)	22.01	22.01	21.12	21.12	21.12
Anticipated option life (years)	6.00	5.00	4.00	5.00	6.00
Inputs into the model	**Series 41**	**Series 42**	**Series 43**	**Series 44**	**Series 45**
Grant date share price ($)	0.75	0.79	1.01	1.01	1.01
Anticipated vesting price ($)	0.75	0.79	1.01	1.01	1.01
Expected volatility (%)	21.12	16.78	19.79	21.56	24.18
Anticipated option life (years)	5.00	5.00	4.00	5.00	6.00
Inputs into the model	**Series 46**	**Series 47**	**Series 48**	**Series 49**	**Series 50a**
Grant date share price ($)	1.00	1.00	1.00	0.97	0.97
Anticipated vesting price ($)	1.00	1.00	1.00	0.97	0.97
Expected volatility (%)	20.84	20.84	20.84	20.15	20.15
Anticipated option life (years)	4.00	5.00	6.00	5.00	4.00
Inputs into the model	**Series 50b**	**Series 50c**	**Series 51a**	**Series 51b**	**Series 52**
Grant date share price ($)	0.97	0.97	0.96	0.96	0.93
Anticipated vesting price ($)	0.97	0.97	0.96	0.96	0.93
Expected volatility (%)	20.15	20.15	20.03	20.03	20.31
Anticipated option life (years)	5.00	6.00	5.00	6.00	5.00
Inputs into the model	**Series 53**	**Series 54**	**Series 55**		
Grant date share price ($)	0.93	0.94	1.38		
Anticipated vesting price ($)	0.93	0.94	1.38		
Expected volatility (%)	20.31	20.55	20.11		
Anticipated option life (years)	5.00	5.00	5.00		

7. Employee disclosures continued

7.2 Share based payments continued

The shares were priced using a binomial option pricing model with volatility based on the historical volatility of the share price.

	2020		2019	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Balance at the beginning of the financial year	45,256,270	0.55	49,003,595	0.57
Issued during the financial year	-	-	-	-
Forfeited during the year	(1,666,068)	0.76	(1,781,633)	1.03
Exercised during the year	-	-	(1,965,292)	0.63
Balance at the end of the financial year	**43,590,602**	**0.64**	**45,256,270**	**0.55**

The above reconciles the outstanding shares granted under the executive share plan at the beginning and end of the financial year.

Shares that were granted in the current year

As at the date of this report, ClearView has a total of 43,590,602 ESP shares on issue. No new shares were granted in the year ended 30 June 2020.

During the financial year, no ESP shares were exercised and 1,666,068 forfeited ESP shares were bought back and cancelled.

The following table outlines the vesting conditions and performance conditions of share based payment arrangements in existence during the period.

Employee participants

Series	Vesting Conditions	Performance Conditions
Series 6 – 30 June 2008 Issue	Nil[1]	Nil
Series 7 – 29 September 2009 Issue	Nil[1]	Nil
Series 10 – 25 June 2010 Issue	Nil[2]	Nil
Series 11 – 25 June 2010 Issue	Nil[2]	Nil
Series 12 – 25 June 2010 Issue	Nil[2,4]	Nil
Series 15 – 18 August 2011 Issue	Nil[4]	Nil
Series 16 - 6 October 2011 Issue	Nil[4]	Nil
Series 24 - 22 August 2012 Issue	Nil[4]	Nil
Series 26 - 16 April 2013 Issue	Upon a change in control of the company[3]	Nil
Series 27 - 16 April 2013 Issue	First year anniversary upon the change in control	Nil
Series 31 - 14 October 2013 Issue	Upon a change in control of the company	Nil
Series 32 - 14 October 2013 Issue	First year anniversary upon the change in control	Nil
Series 35 - 31 January 2014 Issue	Upon a change in control of the company	Nil
Series 36 - 31 January 2014 Issue	First year anniversary upon the change in control	Nil
Series 38 - 30 May 2014 Issue	Remain an employee of the company for 4 years from Grant date of shares	Nil
Series 39 - 30 May 2014 Issue[5]	Remain an employee of the company for 5 years from Grant date of shares	Nil

7. Employee disclosures continued

7.2 Share based payments continued

Series	Vesting Conditions	Performance Conditions
Series 40 - 30 May 2014 Issue	Remain an employee of the company for 6 years from Grant date of shares	Nil
Series 43 - 26 November 2014 Issue[5]	Remain an employee of the company for 4 years from Grant date of shares	Nil
Series 44 - 26 November 2014 Issue	Remain an employee of the company for 5 years from Grant date of shares	Nil
Series 45 - 26 November 2014 Issue	Remain an employee of the company for 6 years from Grant date of shares	Nil
Series 46 - 30 March 2015 Issue[5]	Remain an employee of the company for 4 years from Grant date of shares	Nil
Series 47 - 30 March 2015 Issue	Remain an employee of the company for 5 years from Grant date of shares	Nil
Series 48 - 30 March 2015 Issue	Remain an employee of the company for 6 years from Grant date of shares	Nil
Series 50a - 30 July 2015 Issue[5]	Remain an employee of the company for 4 years from Grant date of shares	Nil
Series 50b - 30 July 2015 Issue	Remain an employee of the company for 5 years from Grant date of shares	Nil
Series 50c - 30 July 2015 Issue	Remain an employee of the company for 6 years from Grant date of shares	Nil
Series 51a & 51b - 23 December 2015 Issue	Upon a change in control of the company	Nil
Series 52 - 27 April 2016 Issue	Remain an employee of the company for 4 years from Grant date of shares	Nil
Series 54 - 20 June 2016 Issue	Remain an employee of the company for 4 years from Grant date of shares	Nil

1 Change of control provision was triggered on 23 October 2009 by GPG increasing its shareholding above 50%.

2 In accordance with Mr Swanson's employment contract, Mr Swanson is entitled to a long term incentive comprising 10 million Shares in accordance with the ESP, and vesting progressively over three years from the commencement date of his contract as follows:
Series 10: 2 million shares at an issue price of 50 cents vesting on 26 March 2011 (vested);
Series 11: 4 million shares at an issue price of 58 cents vesting on 26 March 2012 (vested); and
Series 12: 4 million shares at an issue price of 65 cents vesting on 26 September 2012 (vested) on change of control of ClearView.
The Shares issued to Mr Swanson have vested progressively each year as outlined above.

3 Special condition relating to shares issued to KMP in Series 26: 100% of the shares may be sold on change of control, but 50% are held in escrow after employment for 1 year thereafter.

4 Change of control provision was triggered on 26 September 2012 by CCP Bidco obtaining a shareholding above 50%.

5 Vested as at the date of the report.

7. Employee disclosures continued

7.2 Share based payments continued

Contractor participants

Series	Vesting conditions [1]	Performance conditions
Series 18 – 1 March 2012 Issue	4 years and 346 days from the date of issue and achievement of specific target	Nil
Series 21 – 25 May 2012 Issue	4 years and 347 days from the date of issue and achievement of specific target	Nil
Series 23 – 6 August 2012 Issue	5 years from the date of issue and achievement of specific target	Nil
Series 25 – 21 December 2012 Issue	5 years from the date of issue and achievement of specific target	Nil
Series 28 – 16 April 2013 Issue	4 years and 361 days from the date of issue and achievement of specific target	Nil
Series 29 – 31 May 2013 Issue	5 years from the date of issue and achievement of specific target	Nil
Series 30 – 27 June 2013 Issue	5 years from the date of issue and achievement of specific target	Nil
Series 37 – 31 January 2014 Issue	5 years from the date of issue and achievement of specific target	Nil
Series 41 – 30 May 2014 Issue	5 years from the date of issue and achievement of specific target/balanced scorecard	Nil
Series 42 – 9 July 2014 Issue	5 years from the date of issue and achievement of specific target/balanced scorecard	Nil
Series 43 - 26 November 2014 Issue	5 years from the date of issue and achievement of specific target/balanced scorecard	Nil
Series 47 – 30 March 2015 Issue	5 years from the date of issue and achievement of specific target/balanced scorecard	Nil
Series 49 – 30 July 2015 Issue	5 years from the date of issue and achievement of specific target/balanced scorecard	Nil
Series 53 – 27 April 2016 Issue	5 years from the date of issue and achievement of balanced scorecard	Nil
Series 55 – 14 June 2017 Issue	5 years from the date of issue and achievement of balanced scorecard	Nil

1 Subject to qualifying circumstances as outlined in the ESP Plan Rules.

Unless otherwise stated in the Invitation Letter to an individual employee participant, the vesting conditions in the ESP rules stipulate that shares issued in terms of the Plan to employees participants will either automatically vest with a change of control of the Company (for shares issued prior to 14 February 2013) and for all other issues 12 months after a change in control. The change of control provisions do not apply to shares issued in terms of the plan to contractor participants.

On 26 September 2012 CCP Bidco Pty Limited and its Associates (CCP Bidco), CCP Bidco's off-market takeover bid for all the ordinary shares in ClearView became unconditional which resulted in accelerating the vesting of the shares in the ESP at that time, including all Series 10 to 24 which had been issued to employee participants prior to the change of control. Series 7 was issued prior to 23 October 2009, where the change of control provision was triggered upon GPG obtaining control of ClearView.

7. Employee disclosures continued

7.2 Share based payments continued

Shares that were forfeited during the year

The following table shows the shares that were forfeited due to the vesting conditions not being met.

Date	Number of share cancelled	Cancelled from
15/11/2019	365,504	Series 42, 43, 53
17/06/2020	1,300,564	Series 31, 32, 38, 39, 40, 51a, 51b, 54
Total	**1,666,068**	

LTIP Awards

As at the end of the current reporting period, 2,356,902 performance rights granted under the 2020 LTIP scheme were in existence. They are subject to a performance period that ends on 30 June 2022.

The key inputs into the valuation model for the current and previous performance rights tranches are as follows:

	2020[1]	2019[1]	2018[1]
Share price at grant date	0.61	1.03	1.48
Exercise price	Nil	Nil	Nil
Present value of future expected dividends	0.04	-	-
Dividend yield	-	2.91%	1.86%
Anticipated performance right life (years)	3	0.83	1.18

1 50% of the 2018 and 2019 tranches were measured against an EV target and 50% against a TSR target. The 2020 target is based on an underlying NPAT target in the year 2022.

For further details on the LTI plan details and the vesting and forfeiture of the SMT performance rights refer to page 53 of the remuneration report.

8. Related parties and other Group entities

This section provides information on the Group's structure and how it affects the financial position and performance of the Group as a whole. In particular, there is information about:

8. Related parties and other Group entities

8.1 Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries.

				Ownership interest	
Name of Entity	Principal Activity	Parent Entity	Country of incorporation	2020 %	2019 %
Parent entity					
ClearView Wealth Limited (CWL)	Holding Company	-	Australia		
Subsidiaries					
ClearView Group Holdings Pty Limited (CGHPL)	Holding Company	CWL	Australia	100	100
ClearView Life Assurance Limited (CLAL)	Life Company	CGHPL	Australia	100	100
ClearView Financial Management Limited (CFML)	Responsible Entity	CWL	Australia	100	100
ClearView Life Nominees Pty Limited (CLNPL)	Trustee	CWL	Australia	100	100
ClearView Administration Services Pty Limited (CASPL)	Administration Service Entity	CWL	Australia	100	100
ClearView Financial Advice Pty Limited (CFAPL)	Advice Company	CWL	Australia	100	100
Matrix Planning Solutions Limited (MPS)	Advice Company	CWL	Australia	100	100
Affiliate Financial Planning Pty Limited	Non operating	CFA	Australia	100	100
ClearView Employee Share Trust (CVEST)	Trustee	CWL	Australia	100	100
Lavista Licensee Solutions Pty Limited (LVSTA)	Advice Company	CWL	Australia	100	100
Controlled unit trusts					
CVW Index Fixed Interest Fund	Wholesale Fund	CLAL	Australia	100	100
CVW Schroder Equity Opportunities Fund	Wholesale Fund	CLAL	Australia	42	43
CVW Fixed Interest Fund	Wholesale Fund	CLAL	Australia	58	54
CVW Index International Shares Fund	Wholesale Fund	CLAL	Australia	96	95
CVW Listed Property Fund	Wholesale Fund	CLAL	Australia	56	61
CVW Money Market Fund (previously CVW Cash Fund)	Wholesale Fund	CLAL	Australia	84	70
CVW First Sentier Investors Infrastructure Fund (previously CVW CFS Infrastructure Fund)	Wholesale Fund	CLAL	Australia	54	57
CVW RARE Emerging Markets Fund	Wholesale Fund	CLAL	Australia	45	47
CVW Antipodes Global Fund	Wholesale Fund	CLAL	Australia	25	23
CVW Hyperion Australian Shares Fund	Wholesale Fund	CLAL	Australia	100	100
CVW Index Infrastructure and Property Fund	Wholesale Fund	CLAL	Australia	100	100
CVW Index Emerging Markets Fund	Wholesale Fund	CLAL	Australia	100	100
CVW Index Australian Shares Fund	Wholesale Fund	CLAL	Australia	88	81
CVW Stewart Investors Worldwide Sustainability Fund	Wholesale Fund	CLAL	Australia	43	45

CASPL was incorporated to centralise the administrative responsibilities of the group which includes being the employer of all staff within the Group. CASPL recoups all expenditure by virtue of a management fee from the various group companies and operates on a cost recovery basis (in accordance with an inter group agreement).

CWL is regulated as a Non-Operating and Holding Company by the Australian Prudential Regulation Authority (APRA) under the Life Insurance Act 1995, and via its subsidiaries, holds an APRA life insurance licence (CLAL), and APRA registrable superannuation entity (RSE) licence (CLN), an ASIC funds manager responsible entity (RE) licence (CFML) and operates two ASIC financial adviser licences (CFA and MPS).

8. Related parties and other Group entities continued

8.2 Transactions between the Group and its related parties

Other related parties include:

- Entities with significant influence over the Group;
- Associates; and
- Subsidiaries.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties during the financial year ended 30 June 2020 includes Directors fees were paid to Crescent Capital Partners Pty Limited the manager of the parent entity's majority shareholder CCP Bidco Pty Limited.

The ultimate parent entity in the Group is ClearView Wealth Limited which is incorporated in Australia.

Outstanding balances between the Group and its related parties

	ClearView Wealth Limited	ClearView Life Assurance Limited	ClearView Financial Management Limited	ClearView Financial Advice Pty Limited	Matrix Planning Solutions Limited	ClearView Administration Services Pty Limited	ClearView Life Nominees Pty Limited	LaVista Licensee Solutions	ClearView Retirement Plan	CFML Managed Investment Schemes	Total
2020	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
ClearView Wealth Limited	-	571,713	780,875	574,833	511,218	(53,464)	5,451	130,267	15,425,037	-	17,945,930
ClearView Life Assurance Limited	(571,713)	-	(229,108)	(621,184)	13,121	(3,200,881)	-	-	-	-	(4,609,765)
ClearView Financial Management Limited	(780,875)	229,108	-	(37,218)	-	(292,672)	196,876	-	-	887,124	202,343
ClearView Financial Advice Pty Limited	(574,833)	621,184	37,218	-	-	(1,222,758)	-	-	-	-	(1,139,189)
Matrix Planning Solutions Limited	(511,218)	(13,121)	-	-	-	(160,907)	-	-	-	-	(685,246)
ClearView Admin Services Pty Limited	53,464	3,200,881	292,672	1,222,758	160,907	-	-	1,048	-	-	4,931,730
ClearView Life Nominees Pty Limited	(5,451)	-	(196,876)	-	-	-	-	-	-	-	(202,327)
Lavista Licensee Solutions Pty Limited	(130,267)	-	-	-	-	(1,048)	-	-	-	-	(131,315)
ClearView Retirement Plan[1]	(15,425,037)	-	-	-	-	-	-	-	-	-	(15,425,037)
CFML Managed Investment Schemes	-	-	(887,124)	-	-	-	-	-	-	-	(887,124)
	(17,945,930)	**4,609,765**	**(202,343)**	**1,139,189**	**685,246**	**(4,931,730)**	**202,327**	**131,315**	**15,425,037**	**887,124**	**-**

8. Related parties and other Group entities continued

8.2 Transactions between the Group and its related parties continued

2019	ClearView Wealth Limited $	ClearView Life Assurance Limited $	ClearView Financial Management Limited $	ClearView Financial Advice Pty Limited $	Matrix Planning Solutions Limited $	ClearView Administration Services Pty Limited $	ClearView Life Nominees Pty Limited $	LaVista Licensee Solutions $	ClearView Retirement Plan $	CFML Managed Investment Schemes $	Total $
ClearView Wealth Limited	-	(5,098,974)	1,055,051	364,567	282,174	(2,878,825)	15,593	8,776	-	-	(6,251,638)
ClearView Life Assurance Limited	5,098,974	-	(345,515)	(661,055)	7,651	(2,434,891)	-	-	12,546,734	-	14,211,898
ClearView Financial Management Limited	(1,055,051)	345,515	-	(43,970)	-	(87,033)	191,021	-	-	849,443	199,925
ClearView Financial Advice Pty Limited	(364,567)	661,055	43,970	-	-	(1,685,187)	-	-	-	-	(1,344,729)
Matrix Planning Solutions Limited	(282,174)	(7,651)	-	-	-	730,058	-	-	-	-	440,233
ClearView Administration Services Pty Limited	2,878,825	2,434,891	87,033	1,685,187	730,058	-	-	-	-	-	6,355,878
ClearView Life Nominees Pty Limited	(15,593)	-	(191,021)	-	-	-	-	-	-	-	(206,614)
Lavista Licensee Solutions Pty Limited	(8,776)	-	-	-	-	-	-	-	-	-	(8,776)
ClearView Retirement Plan[1]	-	(12,546,734)	-	-	-	-	-	-	-	-	(12,546,734)
CFML Managed Investment Schemes	-	-	(849,443)	-	-	-	-	-	-	-	(849,443)
	6,251,638	**(14,211,898)**	**(199,925)**	**1,344,729**	**(440,233)**	**(6,355,878)**	**206,614**	**8,776**	**12,546,734**	**849,443**	**-**

1 The non-current receivable from ClearView Retirement Plan relates to the contribution tax funding payments for tax benefits on the life insurance premium. Due to the tax loss position in ClearView Retirement Plan, settlement of this amount is subject to the utilisation of tax losses. Under an arrangement with HUB24 Limited, it is intended that ClearView Retirement Plan's superannuation life insurance division be transferred to the HUB24 Super Fund. Subsequent to the transfer, ClearView Retirement Plan should be in a net taxable position to utilise the tax losses.

Related party tax assets

The ClearView Group holds a $15.5 million (non-current) receivable from its superfund, the ClearView Retirement Plan (CRP) relating to contribution tax funding payments for tax benefits on the life insurance premiums. This is after a write down of $2.6 million in the current year due to an error in the carried forward tax losses amounts in the CRP's prior years' income tax returns. Due to the tax loss position in the CRP, settlement of this amount is subject to the utilisation of tax losses. Various options are being considered and projects well progressed which collectively indicate recovery is considered probable at this point in time.

For Group capital management and efficiency, $16 million of the tax receivable was assigned from ClearView Life to the listed entity and funded through a $16 million draw down of the Debt Funding facility. The remaining balance of $0.5 million remains between ClearView Life and the listed entity as at 30 June 2020. The Board is also actively investigating longer-term capital solutions (such as the issue of Tier 2 subordinated notes) that is intended to repay at least part of the debt.

8. Related parties and other Group entities continued

8.2 Transactions between the Group and its related parties continued

Related party investments

The ClearView Life Assurance Limited Statutory Fund 1 has invested $29.5 million in Macquarie True Index Fund (which invests in very high quality bonds, principally issued by Australian Governments); and the Vanguard Inflation Linked Fund (which invests in CPI-linked, very high quality Australian government bonds) via ClearView WealthSolutions Investments. ClearView WealthSolutions Investments is an IDPS administered and operated by ClearView Financial Management Limited with Avanteos Investments Limited as custodian. This has been done to achieve asset/ liability matching.

Corporate reorganisation

During the year, ClearView Group has undertaken a corporate re-organisation to flatten and simplify the group structure and to align with evolving regulatory requirements. In this process, ClearView Wealth Limited purchased all the shares in:

- ClearView Life Nominees Pty Limited from ClearView Life Assurance Limited for a consideration of $3.6 million (net asset value); and
- ClearView Financial Management Limited from ClearView Group Holdings Pty Limited for a consideration of $8.1 million (net asset value).

The proceeds from these transactions were used to provide capital funding to ClearView Life Assurance Limited Statutory Fund No. 1.

As a result of the re-organisation, both ClearView Life Nominees Pty Limited (the trustee for ClearView Retirement Plan) and ClearView Financial Management Limited (Responsible Entity for ClearView Managed Investments and ClearView Pooled Funds) became directly owned by ClearView Wealth Limited, the ultimate parent company of the ClearView Group.

Transactions other than financial instrument transactions

No Director has entered into a material contract with the Company or the ClearView Group since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year end. Other transactions with directors, executives and their related parties are conducted on arm's length terms and conditions, and are deemed trivial or domestic in nature. These transactions are in the nature of personal investment, life insurance policies and superannuation.

8.3 Investment in controlled unit trusts

		Consolidated 2020		Consolidated 2019	
Name	**Type**	**$'000**	**%**	**$'000**	**%**
Controlled unit trusts					
CVW Index Fixed Interest Fund	Debt	79,645	100.00	42,744	100.00
CVW Schroder Equity Opportunities Fund	Equities	92,118	41.93	109,351	43.42
CVW Fixed Interest Fund	Debt	378,597	57.65	312,295	54.43
CVW Index International Shares Fund	Equities	111,775	96.47	86,649	95.11
CVW Listed Property Fund	Property	13,415	56.36	20,151	61.44
CVW Money Market Fund (previously CVW Cash Fund)	Debt	118,402	84.05	201,032	70.14
CVW First Sentier Investors Infrastructure Fund (previously CVW CFS Infrastructure Fund)	Property	91,243	54.01	122,087	56.67
CVW RARE Emerging Markets Fund	Equities	47,735	44.74	53,593	46.59
CVW Antipodes Global Fund	Equities	45,569	25.17	46,727	22.96
CVW Hyperion Australian Shares Fund	Equities	15,071	100.00	13,738	100.00
CVW Index Infrastructure and Property Fund	Property	25,160	100.00	11,334	100.00
CVW Index Emerging Markets Fund	Equities	17,303	100.00	5,932	100.00
CVW Index Australian Shares Fund	Equities	60,371	88.21	43,801	81.37
CVW Stewart Investors Worldwide Sustainability Fund	Equities	85,675	43.45	84,463	44.58
Total		**1,182,079**		**1,153,897**	

9. Other disclosures

9. Other disclosures

9.1 Notes to the Consolidated Statement of cash flows

	Consolidated		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Net profit/(loss) for the year	**13,081**	**3,959**	**322**	**(32,710)**
Fair value gains on financial assets at fair value through profit and loss	117,222	(68,082)	-	-
Amortisation and depreciation	5,693	30,515	-	37,681
Employee share plan expense	287	2,889	-	2,889
Other non cash items	-	-	287	-
Interest and dividend received from controlled entity	-	-	(1,500)	(7,800)
Movement in provision	(935)	(2,058)	-	-
Movements in liabilities to non-controlling interest in controlled unit trust	(13,532)	64,840	-	-
(Increase)/decrease in receivables	(3,566)	(4,204)	(1,272)	11,394
Decrease/(increase)/ in deferred tax asset	(2,911)	1,329	(643)	(58)
Increase/(decrease) in payables	(15,087)	24,186	(4,326)	(385)
Increase/(decrease) in policy liabilities	92,228	(58,207)	-	-
Increase/(decrease) in deferred tax liability	(936)	-	(538)	-
Increase/(decrease) in current tax liability	(2)	(5,967)	(2)	(5,967)
Net cash (utilised)/generated by operating activities	**191,542**	**(10,800)**	**(7,672)**	**5,044**

Cash and cash equivalents – accounting policy

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value.

9.2 Contingent liabilities and contingent assets

There may be outstanding claims and potential claims against the ClearView Group in the ordinary course of business. The ClearView group does not consider the outcome of any such claims known to exist at the date of this report, either individually or in aggregate is likely to have a material effect on its operations or financial position. The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Certain subsidiaries act as trustee for various trusts. In this capacity, the subsidiaries are liable for the debts of the trusts and are entitled to be indemnified out of the trust's assets for all liabilities incurred on behalf of the trusts.

In the ordinary course of business, certain ClearView subsidiaries enter into various types of investment contracts that can give rise to contingent liabilities. It is not expected that any significant liability will arise from these transactions as any losses or gains are offset by corresponding gains or losses on the underlying exposure.

Buyback arrangements

ClearView previously had contractual arrangements with a limited number of financial advice businesses to purchase their book of business at an agreed multiple to recurring revenues subject to certain conditions being met. This buy-back arrangement is known as Buyer of Last Resort (BOLR). During the financial year, ClearView's last remaining BOLR arrangement was settled and terminated. There no other BOLR arrangements currently in existence.

9. Other disclosures continued

9.2 Contingent liabilities and contingent assets continued

Industry and regulatory compliance investigations

ClearView is subject to review from time to time by regulators. ClearView's principal regulators are APRA, ASIC and AUSTRAC, although other government agencies may have jurisdiction depending on the circumstances. The reviews and investigations conducted by regulators may be industry-wide or specific to ClearView and the outcomes of those reviews and investigations can vary and may lead, for example, to enforcement actions and the imposition of charges, penalties, variations or restrictions to licences, the compensation of customers, enforceable undertakings or recommendations and directions.

Client remediation

ClearView has undertaken the remediation programs in relation to its closed Direct Life insurance business and a retrospective review of life insurance advice in its dealer groups. These remediation programs are now complete and compensation has been paid to affected customers where possible. The costs of completing the programs have historically been expensed (over time). Insurance recoveries of $1.5 million (in relation to the program costs incurred under the direct remediation program) have been raised as a receivable on Balance Sheet at 30 June 2020 and recovery is considered probable at this point in time. Insurance recoveries have been settled in relation to the life insurance advice remediation program.

The costs of remediation do not include amounts for potential recoveries from advisers or insurers (other than as stated above).

Letter of credit

ClearView is the beneficiary of a $70 million irrevocable letter of credit issued by Australia and New Zealand Banking Group Limited (ANZ) on behalf of Swiss Re Life and Health Australia (Swiss Re). This was increased from $45 million to $70 million as part of the COVID-19 response.

ClearView is required to manage the level of financial exposure to its reinsurer in accordance with APRA's regulations in relation to Asset Exposure Limits. The letter of credit is issued as a performance guarantee directed towards mitigating any loss which might be incurred by ClearView to secure its regulatory obligations in the event that Swiss Re was to fail to meet its reinsurance obligations under its reinsurance contract. Subsequent to year end, ClearView has entered into an incurred claims treaty for income protection products with Swiss Re to manage the reinsurance concentration risk exposure. As a result of entering into the new incurred claims treaty, ClearView is winding down the $70 million limit on the irrevocable letter of credit, but will be able to increase the limit in the future subject to Swiss Re having sufficient capacity at the time.

Off balance sheet items – ESP loans

In accordance with the provisions of the ESP, as at 30 June 2020, key management, members of the senior management team, the managing director and contractor participants have acquired 43,590,602 ordinary shares.

Shares granted under the ESP carry rights to dividends and voting rights. Financial assistance amounting to $28,007,416 was made available to executives, senior employees and contractor participants to fund the acquisition of shares under the ESP and is held as an off balance sheet receivable. Given the non-recourse nature of the loans and the current CVW share price, the off balance sheet loan is not considered recoverable as at 30 June 2020.

Stamp Duty

ClearView Life has recently identified that it has mistakenly overpaid excess insurance duty in respect of some of its life cover. The overpayment arose as a result of ClearView's understanding of the view of the particular State's duty treatment in accordance with their jurisdictions. ClearView has not passed on the duty paid on premiums for the life cover to policyholders and will be lodging a request for an extension of time to lodge objections relating to the period 1 February 2015 to 30 June 2016 and request a refund of overpayment in respect of that period. It is noted that the extension of time to lodge objections is subject to an absolute discretion of the Commissioner of the relevant State. In addition, a further objection may also be lodged to grant an extension to lodge objections for a further extended period. At the balance date, it is not probable to recognise a future economic benefit and the amount for certain period is not capable of reliable measurement. Furthermore, disclosure of any further information would be prejudicial to the interests of the Group.

Other

The Company in the ordinary course of business has guaranteed the obligations of one of its subsidiaries in respect of its obligations for leasehold premises.

The Company has guaranteed the obligations of one of its subsidiaries in respect of employee entitlements of employees who were previously employed by MBF Holding Pty Limited (Bupa Australia).

The Company in the ordinary course of business has provided a letter of financial support to its subsidiary ClearView

9. Other disclosures continued

Administration Services, the centralised administration entity of the group.

Other than the above, the Directors are not aware of any other contingent liabilities in the Group at the year end.

9.3 Capital commitments

The Group has committed to the following capital commitments subsequent to the year end.

	Consolidated		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Technology projects and service agreements	5,426	3,195	-	-
Total	**5,426**	**3,195**	**-**	**-**

9.4 Guarantees

The facility entered into with the National Bank of Australia is guaranteed jointly and severally by:

- ClearView Group Holdings Pty Limited ACN 107 325 388
- ClearView Administration Services Pty Limited ACN 135 601 875
- ClearView Financial Management Limited[1] ACN 067 544 549
- Matrix Planning Solutions Limited[1] ACN 087 470 200
- ClearView Financial Advice Pty Ltd[1] ACN 133 593 012

The guarantees are supported by collateral (in the form of the shares) of the entities.

9. Other disclosures continued

9.5 New accounting standards

The following new and revised Australian Accounting Standards and Interpretations have been adopted in the current year and have affected the amounts reported in these financial statements.

New and revised AASBs affecting amounts reported and/or disclosures in the financial statements

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for an accounting period that begins on or after 1 July 2019. New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

Standard/Interpretation
AASB 16 Leases

Impact of changes to Australian Accounting Standards and interpretations adopted in the current year

AASB 16 Leases

The Group has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). For classification within the Statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities.

Impact of adoption

AASB 16 was adopted using the 'modified retrospective' approach and as such the comparatives have not been restated. The effect on the adoption of AASB 16 as at 1 July 2019 is outlined in the table that follows.

	$'000
Assets	
Right of use asset	2,982
Total	**2,982**
Liabilities	
Lease liability	4,346
Provisions (onerous lease)	(584)
Payables (lease incentive in advance)	(780)
Total	**2,982**
Reconciliation from operating lease commitments disclosures at 30 June 2019 to the opening lease liability at 1 July 2019	
Lease commitments as at 30 June 2019	3,900
Contracts reassessed	680
Short term leases	(205)
Discounted using the incremental borrowing rate (1.8%)	(29)
Opening lease liability at 1 July 2019	**4,346**

The main type of right of use asset recognised by the Group relates to property leases.

Certain property leases are currently being finalised. The new lease agreement for ClearView Sydney head office premises was signed subsequent to year end. The lease liability will be measured and the corresponding right of use asset will be recognised in FY21.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less, leases that expire within 12 months of initial application and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentive received, any initial direct costs incurred, and except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

9. Other disclosures continued

9.5 New accounting standards continued

Right-of-use assets are depreciated on a straight-line basis over the lease term or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The following table details the carrying amount of right of use assets at 1 July 2019 and the movements during the period:

	$'000
Upon adoption of AASB 16 at 1 July 2019	2,982
Depreciation	(1,619)
Right of use asset at 30 June 2020	**1,363**

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payment that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties.

The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

The following table details the carrying amount of lease liabilities at 1 July 2019 and the movements during the period:

	$'000
Upon adoption of AASB 16 at 1 July 2019	4,346
Interest expense	17
Payments made	(2,559)
Lease liability at 30 June 2020	**1,804**

Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations (for which Australian equivalent Standards and Interpretations have not yet been issued) were in issue but not yet effective.

Standard/ Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 17 - Insurance Contracts	1 January 2022	30 June 2023

Impact of changes to Australian Accounting Standards and interpretations in issue not yet adopted

AASB 17 Insurance Contracts

AASB 17 *Insurance Contracts* (AASB 17) introduces significant changes to accounting for life insurance contracts and the reporting and disclosures in relation to those contracts. AASB 17 does not change the underlying economics or cash flows of the life insurance business, however, there will be significant changes to the measurement of insurance contract liabilities including the amount of deferred acquisition costs and the profit emergence profiles from life insurance contracts.

Since the standard was issued, various implementation matters have been raised by stakeholders and the International Accounting Standards Board (IASB) is currently considering certain targeted amendments to the standard.

The IASB issued the amendments to IFRS 17, 'Insurance contracts', on 25 June 2020, together with an amendment to IFRS 4, so that eligible insurers can still apply IFRS 9 alongside IFRS17. This concluded the IASB's targeted amendments to IFRS 17 which aimed to ease implementation of the standard. IFRS 17 should be applied to annual reporting periods beginning on or after 1 January 2023, with earlier application permitted, and the amendments should applied at the same time.

In addition to the financial reporting impacts, regulators are considering their response to the new standard which may lead to changes in the determination of capital requirements, income tax and prudential reporting.

Due to the complexities of the requirements, evolving interpretations and the potential changes to the original standard, it is not yet practicable to quantify the financial

9. Other disclosures continued

9.5 New accounting standards continued

impact on ClearView's life insurance business. In some cases, the final impact of the requirements will not be determined until any amendments, interpretations and regulatory responses to the new standard are determined. ClearView is in the initial phase of the IFRS 17 project and is continuing to develop its implementation plans for the adoption of AASB 17.

9.6 Other significant accounting policies

Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Termination benefit

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring cost.

9.7 Subsequent events

Incurred claims treaty

In addition to the incurred claims treaty ClearView entered into with its reinsurer Swiss Re Life and Health Australia (Swiss Re) in December 2019 for its lump sum portfolio, subsequent to year end ClearView also entered into an incurred claims treaty with Swiss Re for its income protection portfolio.

Under the treaty, ClearView LifeSolutions IP claims are substantially settled on an earned premium and incurred claims basis. Each quarter, Swiss Re will settle a substantial component of the outstanding income protection claims liabilities, the incurred but not reported claims (IBNR) and reported but not admitted claims (RBNA) based on best estimate assumptions, consistent with ClearView statutory and regulatory reported results and based on the applicable Australian Accounting Standards (excluding risk margins, profit margins and capital margins).

A further $74 million will be received from Swiss Re on entering the income protection incurred claims treaty. Swiss Re will be retaining the duration and matching risk under the terms of the incurred claims treaty.

The interest charge started to come through in 2H FY20 on the lump sum incurred claims treaty, but will increase further on implementation of the IP incurred claims treaty.

As a result of entering into the new 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.

COVID-19

In a COVID-19 context, ClearView notes the recent developments in Victoria, including the declaration of a State of Disaster with effect from 2 August 2020, where the related business effects remain highly uncertain.

New lease arrangements

The Group has entered into a formal lease agreement in relation to a 5 year lease for 3445 square meters of office space for its head office in Sydney at a cash cost of $3,874,500 p.a. The lease commences on 1 May 2021 with additional option term of 5 years.

The Group has entered into a heads of agreement in relation to a 4 year lease for 408 square meters of office space in Brisbane at a cost of $261,120 p.a. The heads of agreement is non-binding and the final terms of the lease are still being negotiated.

Directors' Declaration

The Directors declare that:

(a) In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(b) In the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including the compliance with accounting standards and giving a true and fair view of the financial position and the performance of the Company and the consolidated entity;

(c) In the Directors' opinion, the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board as disclosed in section 1 ; and

(d) The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the Directors

Mr Geoff Black
Chairman
25 August 2020

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Independent Auditor's Report to the members of ClearView Wealth Limited

Report on the Audit of the Financial Reports

Opinion

We have audited the financial reports of ClearView Wealth Limited (the "Company") and its subsidiaries (the "Group") which comprise the Group and the Company's statements of financial position as at 30 June 2020, the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial reports of the Group and the Company are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group and the Company's financial position as at 30 June 2020 and of their financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial reports in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company (the "directors"), would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the Group for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Insurance policy liabilities As at 30 June 2020 the Group's life insurance policy liabilities balance totalled $(59.3) million, calculated based of recognised actuarial methods and assumptions, as disclosed in Note 5.4. There is a high degree of management judgment and estimation uncertainty associated with the valuation of the policy liabilities. Key areas of judgement include: • Lapse rates; • Discount rates; • Expense allocation assumptions; • Economic assumptions – inflation and indexation; and • Impact of COVID-19.	In conjunction with our actuarial specialists our procedures included, but were not limited to: • Assessing the appropriateness of valuation methodology, valuation process and valuation model used to determine the insurance policy liabilities to ensure compliance with APRA's Life Prudential Standard 340, "Valuation of Policy Liabilities"; • Evaluating the design and operating effectiveness of relevant controls relating to the policy valuations; • Testing on a sample basis the accuracy of outstanding claims by tracing claims estimate and claims payments to third party evidence; • Testing the mathematical accuracy of the valuation model; • Assessing the valuation methodology and key assumptions (including interest rates, lapse rates, mortality, morbidity and expense ratios and the impact of COVID-19); • Comparing model outputs to results of experience studies for reasonableness; • Reviewing the reasonableness of the year's changes in reserves and analysis of profit conducted by management; and • Assessing the appropriateness of the disclosures in Note 5.4 to the financial statements.
Carrying value of intangible assets, including goodwill As at 30 June 2020 the Group's goodwill balance totalled $12.5 million and the capitalised software balance totalled $5.7million as disclosed in Note 4.1.	In conjunction with our valuation specialists our procedures included, but were not limited to:

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Goodwill has been recognised as a result of the Group's historical acquisitions, representing the excess of the purchase consideration over the fair value of assets and liabilities acquired. Goodwill is required to be tested annually for impairment by comparing it carrying amount with its recoverable amount with ClearView performing an Embedded Value ("EV") calculation to support its impairment assessment. In addition, AASB 136 *Impairment of Assets*, requires identifiable intangible assets to be assessed for indicators of impairment and if indicators of impairment exist then the recoverable amount for the asset needs to be estimated. The evaluation of indicators of impairment and the recoverable amount requires significant judgement in determining the key assumptions supporting the expected future cash flows and the utilisation of the relevant assets. The key EV assumptions as disclosed in Note 4.2 include: • Life insurance intangible: morbidity/mortality rates, lapse rates, discount rates, maintenance costs; and • Wealth management intangible: investment returns, lapse rates and maintenance costs.	• Obtaining an understanding of the relevant processes and controls associated with ClearView's impairment assessment and the preparation of the valuation model used to assess the recoverable amount of ClearView's CGUs; • Challenging the identification of impairment indicators of the intangible assets; • Assessing and challenging the identification of CGU's and allocation of goodwill and cash flows for the purposes of assessing the value in use of the cash generating units; • Agreeing forecast cash flows to latest Board approved forecast and assessed the historical accuracy of forecasting by ClearView; • Testing the mathematical accuracy of the model; • Evaluating managements methodologies and their documented basis for key assumptions utilised in the valuation model as described in Note 4.2 and ensured the methodologies applied are consistent with the relevant accounting standards; • Performing sensitivity analysis on the key drivers of growth rates used in the cash flow forecasts and discount rate used; • Assessing the appropriateness of the disclosures in Note 4.1 and Note 4.2 to the financial statements.
Recoverability of asset derived from unused tax losses As at 30 June 2020, the Group's receivable balance includes a receivable of $15.5 million from ClearView Retirement Plan ('CVRP'). This related to contribution tax funding payments paid by ClearView on behalf of CVRP and recoverable from CVRP upon its utilisation of tax losses against taxable income. The recoverability of the receivable is dependent on CVRP generating taxable income through the successful execution of the ClearView wealth	In conjunction with our taxation specialists our procedures included, but were not limited to: • Obtaining the tax schedules prepared by management supporting the contribution tax funding payments by CVRP and challenging their appropriateness and compliance with applicable tax legislation; • Assessed the assumptions and methodologies used by ClearView in determining the recoverability of the receivable;

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strategies and the potentially the transition of CVRP LifeSolutions Super to HUB24 as disclosed in Note 2.7.	• Assessing the probability with regards to the ability of CVRP to generate sufficient future taxable income; and • Assessing the appropriateness of the disclosures in Note 2.7 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group and Company's annual report for the year ended 30 June 2020, but does not include the financial reports and our auditor's report thereon.

Our opinion on the financial reports does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial reports, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial reports or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Reports

The directors are responsible for the preparation of the financial reports that give a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial reports that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial reports, the directors are responsible for assessing the ability of the Group and the Company to continue as going concerns, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Reports

Our objectives are to obtain reasonable assurance about whether the financial reports as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial reports.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial reports, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting

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from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group or the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial reports or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Company to cease to continue as going concerns.

- Evaluate the overall presentation, structure and content of the financial reports, including the disclosures, and whether the financial reports represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the Group financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 50 to 70 of the Directors' Report for the year ended 30 June 2020.

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In our opinion, the Remuneration Report of ClearView Wealth Limited, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Max Rt Murray

Max Murray
Partner
Chartered Accountants
Sydney, 25 August 2020

Shareholders' Information

As at 18 August 2020

Substantial shareholders

As at the date of this Annual Report, the following entities have notified ClearView that they hold a substantial holding in shares.

Rank	Name	No. of shares as per notice	% of issued capital
1	CCP Bidco Pty Ltd and Associates[1]	399,543,860	59.21%
2	Perpetual Corporate Trust Limited	74,450,844	11.03%
3	Sony Life Insurance Co., Ltd[2]	101,254,639	15.01%

1 Crescent Capital Partners Management Pty Limited represent the interests of CCP Bidco Pty Limited (CCP Bidco) and Perpetual Corporate Trust Limited (Perpetual) as manager. Perpetual's 11.03% is therefore included in the 59.21% holding of CCP Bidco in the table above.

2 Sony Life Insurance Co., Ltd's (Sony Life) 15.01% shareholding is held through its custodian, HSBC Custody Nominees (Australia) Limited and under the Option Agreement signed with Crescent and therefore also included in the 59.21% holding of CCP Bidco in the table above.

Twenty largest shareholders (as at August 2020)

Rank	Name	No. of shares as per notice	% of issued capital
1	HSBC Custody Nominees (Australia) Limited	138,196,412	20.48
2	Perpetual Corporate Trust Limited	66,950,844	9.92
3	CCP Bidco Pty Ltd	57,302,851	8.49
4	CCP Trusco 4 Pty Limited	43,582,632	6.46
5	Citicorp Nominees Pty Limited	36,799,260	5.45
6	CCP Bidco Pty Limited	33,786,569	5.01
7	CCP Trusco 5 Pty Limited	30,893,528	4.58
8	CCP Trusco 1 Pty Limited	28,458,809	4.22
9	Portfolio Services Pty Ltd	18,300,838	2.71
10	BNP Paribas Noms Pty Ltd	17,755,002	2.63
11	CCP Trusco 3 Pty Limited	16,262,175	2.41
12	CCP Trusco 2 Pty Limited	13,551,813	2.01
13	Portfolio Services Pty Ltd	10,304,057	1.53
14	Mr Simon Swanson	10,000,000	1.48
15	Accuro Trust (Switzerland) SA	8,235,295	1.22
16	Perpetual Corporate Trust Ltd	7,500,000	1.11
17	J P Morgan Nominees Australia Pty Limited	6,962,912	1.03
18	National Nominees Limited	6,801,710	1.01
19	Wintol Pty Ltd	10,849,382	1.61
20	Avanteos Investments Limited	5,550,000	0.82

Ordinary share capital

There are 674,793,050 fully paid ordinary shares held by 1,675 shareholders. All the shares carry one vote per share.

Distribution of shareholders

The distribution of Shareholders as at 18 August 2020 is as follows:

Range	Total holders	Units	% of issued capital
1 - 1,000	294	92,751	0.01
1,001 - 5,000	396	1,163,817	0.17
5,001 - 10,000	256	1,961,675	0.29
10,001 - 100,000	506	17,187,815	2.55
100,001 - 9,999,999,999	223	654,386,992	96.98
Total	**1,675**	**674,793,050**	**100.00**

Unmarketable parcels	Minimum parcel size	Holders	Units
Minimum $500.00 parcel at $0.3350 per unit	1,493	345	155,794

Shares under voluntary escrow

There are no shares subject to voluntary escrow as at 30 June 2020.

Directory

Current Directors

Geoff Black (Chairman)

Gary Burg

Jennifer Lyon

Michael Alscher

Nathanial Thomson

Susan Young

Simon Swanson

Managing Director

Simon Swanson

Company Secretary

Judilyn Beaumont

Appointed Actuary

Ashutosh Bhalerao

Chief Risk Officer

Orla Cowan

Registered Office and Contact Details

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Facsimile: +61 2 9233 1960
Email: ir@clearview.com.au
Website: www.clearview.com.au

Share Registry

For all enquiries relating to shareholdings, dividends and related matters, please contact the share registry:

Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000

GPO Box 2975
Melbourne VIC 3001

Telephone: 1300 850 505
+61 3 9415 4000

Facsimile: +61 3 9473 2500

www.computershare.com.au

Auditors

Deloitte Touche Tohmatsu

Stock Listing

ClearView Wealth Limited is listed on the Australian Securities Exchange (ASX) under the ASX code 'CVW'.

Annual Corporate Governance Statement

The ClearView Annual Corporate Governance Statement may be viewed at www.clearview.com.au/about-clearview/corporate-governance

ClearView Wealth Limited

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