



Market Release

12 November 2020

ClearView Wealth Limited 2020 Annual General Meeting addresses to shareholders

ClearView Wealth Limited (ASX: CVW, ClearView) will address shareholders today at its virtual Annual General Meeting (Meeting) to be held at 10.00am.

In accordance with Listing Rule 3.13.3, attached is a copy of the Chairman's address and Managing Director's address that will be delivered at the Meeting.

ENDS

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Approval of announcement

The Board of ClearView has authorised the release of these announcements to the market.

About ClearView

ClearView is an ASX-listed diversified financial services company which partners with financial advisers to help Australians protect and build their wealth, achieve their goals and secure a comfortable financial future. The Group's three business segments: Life Insurance, Wealth Management and Financial Advice are focused on delivering quality products and services.

For more information visit clearview.com.au

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ClearView Wealth Limited
Annual General Meeting 2020

Addresses to shareholders | 12 November 2020

Chairman's address

Mr Geoff Black, Chairman

On behalf of the Board, welcome to ClearView's first completely virtual Annual General Meeting, my first AGM as both a Director and Chairman.

2020 has been an extraordinary year for everyone across the globe. COVID-19 has had a profound impact on every aspect of life and, although a sense of normalcy is returning to Australia, we must all stay vigilant to contain the virus and look after one another.

ClearView's focus remains on supporting our staff and customers during this challenging period while continuing to build for a vibrant future.

To that end, ClearView has done a remarkable job meeting its commitments to customers, advisers and other stakeholders.

While this effort was not reflected in this year's financial results or the current share price, which I believe significantly undervalues the organisation, I am confident that we are on the right path.

Reflecting on comments made by former Chairman Bruce Edwards in his AGM address last year, I am pleased that ClearView has made significant progress on all the items Bruce previously outlined.

- We have progressed well in relation to the development of a new life insurance administration platform, which is expected to go live in calendar year 2021;
- A strategic review of the Wealth Management business was completed, culminating in our partnership with HUB24;
- We strengthened our capital position through the recent issue of \$75m of subordinated notes;
- Steps have been taken to reduce our reinsurance concentration risk exposure to Swiss Re; and
- We completed a successor fund transfer of part of the ClearView Retirement Plan which also goes some way to resolving the risk of non-recovery of tax benefits.

In addition to this, ClearView has strengthened its risk management and governance processes, following a comprehensive review. This included a significant investment in our capability and resourcing to support both the risk and corporate governance function.

The Board undertook this investment because embedding risk strategy into ClearView's broader strategy is critically important, particularly in these uncertain times.

We recognise that effective risk management is a continuous process.

It requires diligence, ongoing monitoring and staff buy-in to ensure everyone from the Board to the call centre understands the financial and non-financial risk a business is exposed to and the role they play in identifying and managing risk.

In October, the business hosted a series of staff strategy and risk management sessions, as part of a broader program to socialise the Group's strategy and foster a strong risk culture.

Staff feedback surveys revealed some pleasing findings, including:

- 98% of staff indicated they have a clear understanding of ClearView's vision, mission and purpose;
- 95% of staff indicated they have a clear understanding of ClearView's overall strategy;
- 97% of staff said they had a better understanding of ClearView's Risk Management Framework and Risk Appetite, including the three lines of defence, as a result of attending the session; and
- 94% of staff said they would feel comfortable raising concerns to their manager and/or the risk management team.

That said, the survey also showed there is room for improvement.

The Board will be actively monitoring the Group's progress towards achieving its desired risk culture and other objectives.

As part of the aforementioned risk management review, the Board also examined the Group's remuneration structure to align it with the proposed Financial Accountability Regime recommendations.

Key priorities

Addressing the sustainability of income protection insurance remains a key priority for the business alongside expanding the Wealth Management segment, continuing to build a quality Financial Advice network and prudent capital management.

As a long-time life insurance professional, I understand the fundamental need for life and disability insurance and the impact the receipt of a benefit can have on people's lives. For that reason alone the sustainability of our products and services is critical.

The Australian life insurance industry must act decisively to improve the long-term sustainability of life insurance products, particularly individual disability income insurance (IDII), to better support customers and financial advisers, and positively impact business performance.

During the year APRA issued a letter to all life insurers in relation to IDII. ClearView is highly supportive of APRA's IDII sustainability measures.

Since the regulator's December 2019 letter to all life insurers, ClearView has taken important steps to satisfy APRA's demands and pursue sustainable practices.

The ClearView Life Company's decision to move early on repricing the LifeSolutions product series and cease the sale of IDII Agreed Value contracts has positioned it strongly to focus on product design and innovation at a critical time.

A comprehensive review the ClearView LifeSolutions product series is almost complete with several product initiatives underway.

This follows the March 2020 launch of the LifeSolutions Indemnity 60 income protection option.

But modern product design and affordable pricing is only part of the solution. Ultimately, there must be greater attention and resources allocated to rehabilitation and helping claimants safely return to work.

COVID-19 has highlighted the opportunity for the various insurers and advisers in a person's life, including their health insurer, life insurer and government compensation schemes, to come together to prioritise the well-being of our mutual customers.

There should be greater cooperation and collaboration between all parties to better support the physical and mental health of individuals.

Board changes

During the year, the Board underwent a number of changes including my appointment, the retirement of former Chairman Bruce Edwards, the retirement of David Brown as an independent Non-Executive Director and the appointment of Jennifer Lyon as an Independent Non-Executive Director. I would like to take the opportunity to thank Bruce and David for their tremendous contribution over a number of years. I was delighted with Jenny's appointment as it brings a very strong actuarial discipline and deep superannuation expertise to the table.

Looking forward our focus is to build on the good work of the past year. Key projects and initiatives include:

- Successfully implementing our selected technology platform;

- Building on our existing customer loyalty;
- Ensuring our claims services continue to deliver great outcomes for everyone;
- Successfully launching a new sustainable LifeSolutions product offering;
- Strengthening the depth and capability of the team;
- Continuing to grow the Wealth Management business; and
- Expanding support of adviser networks through our La Vista offering.

The Board continues to regularly monitor ClearView's capital position to ensure it remains well capitalised and able to withstand any severe future events.

The Board will of course take into consideration expectations in relation to recommencing future dividend payments or the share buyback facility.

At this stage, we consider it prudent to conserve our capital position given the high degree of uncertainty surrounding COVID-19 and the broader economic environment.

In a moment, I'll hand over to Simon to share more about ClearView's reinvigorated strategy and how the business is positioned to meet its medium-to-long term performance objectives but first I'd like to acknowledge the efforts of my fellow directors who have worked tirelessly this past year whether serving on committees or supporting management through the pandemic. I would also like to thank Simon and his entire team for their efforts in maintaining a strong business in very challenging circumstances.

I will now hand over to Simon to give the Managing Director's address.

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Managing Director's address

Mr Simon Swanson, Managing Director

Thank you Geoff.

Today, I will provide an update on the current market environment, the impact of COVID-19 and how ClearView is positioned to achieve its medium-to-long term performance objectives.

I will also spend some time talking about ClearView's reinvigorated strategy and strong capital management position, following our recent \$75 million Tier 2 capital raising.

The financial services industry continues to face extremely difficult trading conditions due to ongoing structural and regulatory change, heightened market volatility and global economic uncertainty, exacerbated by COVID-19.

ClearView continues to monitor COVID-19 developments closely.

From the outset, the business has acted decisively to prioritise the health and safety of our staff and customers, and support staff to work remotely.

I am pleased that no staff member lost their job as a result of COVID-19 and there was only minimal disruption to day-to-day business.

That said, it is challenging to develop strong relationships, build a cohesive company culture and drive positive change with staff working exclusively from home for prolonged periods of time.

We believe that regular face-to-face interaction between colleagues, customers and other stakeholders is important for business growth. We also place high importance on the physical and mental health of our people.

Since July, staff have been gradually trickling back into the office. The majority are working in the office 2-3 days per week, socially distanced of course. If conditions change, the business is poised to take appropriate action.

While COVID-19 has had minimal impact on BAU and there has been no material change to new business volumes, ClearView has made provision for a further increase in income protection claims due to the expected secondary economic impacts of the pandemic.

Let me explain what I mean by secondary impacts.

Historically, the death toll stemming from the pandemic has been relatively low among working-age people; those most likely to hold cover. However, the social and economic impact of COVID-19 is expected to see mental health-related income protection claims increase, compounding the industry's already heavy losses.

For the year to June 30, 2020, the industry lost a staggering \$1.4 billion extending five year losses to over \$2.3 billion. The main cause is the increasing number, size and duration of Income Protection claims, which led to APRA's unprecedented intervention in late 2019.

I'll talk more about ClearView's response to APRA's IDII measures in a moment but on the topic of COVID-19, the business has developed various stress test scenarios covering the potential direct and secondary impacts of the virus. While profitability can be sensitive within each scenario, the Group's regulatory capital position is resilient (to various degrees) to each of these scenarios.

Focus on sustainability

As Geoff mentioned, ClearView is highly supportive of APRA's IDII measures to return to the life insurance industry's products to profitability.

The sustainability of our Life Insurance business is a key priority alongside establishing ClearView as a formidable player in Wealth Management and building a profitable, self-sustaining Financial Advice business.

In Life Insurance, we are focused on executing our plans in relation to:

- Claims management
- Retention
- Product design and pricing
- Reinsurance
- Capital and tax management

There are early signs that initiatives to improve claims and lapse performance are yielding results.

Last month, ClearView announced a strong September quarter, due to a material improvement in life insurance claims performance and solid growth in in-force premium.

Life Insurance inforce premium increased to \$276.0 million during the quarter, up 8% on the previous corresponding period.

The Group remains on track to achieve its medium-to-long term performance objectives, and reaffirms the Group's guidance of Underlying Net Profit After Tax of \$20m to \$24m for FY21.

Strategy update

Last month, ClearView announced a number of key senior management appointments, as part of a business realignment

that will enable the business to better execute its reinvigorated strategy and continue growing in a rapidly changing environment.

Deborah Lowe has transitioned from her role as General Manager, People and Operations to the newly-created position of General Manager, Wealth Management.

Early next year Gerard Kerr will join ClearView to lead our Life Insurance business and Nadine Gooderick has been appointed General Manager, Transformation.

The decision to shift from a functional organisational structure to a line of business structure reflects our diversified model and represents our intention to move to a model in the spirit of the impending Financial Executive Accountability regime. Importantly, it also emphasises our steadfast commitment to building a material Wealth Management and Financial Advice business.

Going forward, Wealth Management will be an increasingly important segment and growth engine for ClearView.

We are focused on accelerating the growth and development of both our wealth management and life insurance businesses.

Alongside our simple, transparent and effective WealthFoundations master trust, ClearView now offers advisers and customers a world-class investment and administration wrap platform, through our important partnership with HUB24. Our ambition in Wealth Management is to own the space between no-frills industry funds and complex wrap platforms by delivering sustainable, cost-effective and fit-for-purpose solutions.

Our intention is also to collaborate with HUB24 on future investment and insurance product initiatives including the addition of ClearView's managed portfolios and our flagship LifeSolutions product series on HUB24 Invest and HUB24 Super.

Similarly, Financial Advice is an important segment for ClearView.

In Advice, we are focused on expanding our relationships with independent financial advisers (IFA) and operating a self-sustaining Financial Advice business.

During a period when the institutions either exited or significantly scaled back their advice operations, we invested in our Financial Advice business and supported advisers to grow their business and navigate regulatory change.

Our robust advice framework, supported by our front-end system (CWT) and compliance and monitoring system (Lumen), underpins the delivery of high quality, client-centric strategic advice.

The launch of La Vista Licensee Solutions in late 2018 provides another way for IFAs to partner with ClearView. To date, 31 self-licensed practices have joined La Vista for their licensing and back-office infrastructure.

Of course, hitting our strategic objectives requires the right technology platform to serve the needs of our current and future customers.

In 2020, ClearView progressed on its multi-year IT transformation journey. We partnered with Munich Re to develop a cloud-based underwriting rules engine that seeks to transform the customer experience and ensure ClearView remains easy to do business with.

An integrated Policy Administration System (PAS) and Underwriting Rules Engine (URE) is the cornerstone of our IT strategy. Upon completion, it will underpin the ongoing development and delivery of high-quality products and solutions, supported by excellent customer service.

Upon completion, our end-to-end digital solution will deliver a superior adviser and client experience, ensure ClearView remains easy to do business, and will underpin long-term sustainable growth.

Capital management

Last week, ClearView also confirmed the volume and aggregate principal amount of its wholesale subordinated notes offering at \$75m.

Of the A\$75 million raised, \$44 million net of costs has been utilised to repay existing debt, while \$30 million has been used for regulatory capital purposes for ClearView Life Assurance Limited.

Outlook

Despite significant headwinds, we believe that the market will return to normalised conditions and we maintain a positive long-term outlook for the business.

Fundamental demand for the financial products and services that ClearView manufactures and distributes is underpinned by regulation, and socio-economic and demographic trends. Australia has one of the highest household debt to disposable income ratios in the world, fuelled by mortgage debt.

In wealth management, demand for competitive solutions and quality advice is also strong, underpinned by Australia's aging population, complex superannuation and tax system, and soaring household wealth.

This guarantees that demand for professional advice will only rise.

Our diversified business model, strong balance sheet and recurring revenue base creates security for our stakeholders while ongoing regulatory and structural change creates opportunities for us to expand our relationships with financial advisers and customers.

The business remains well positioned to meet its obligations to customers, staff and other stakeholders.

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