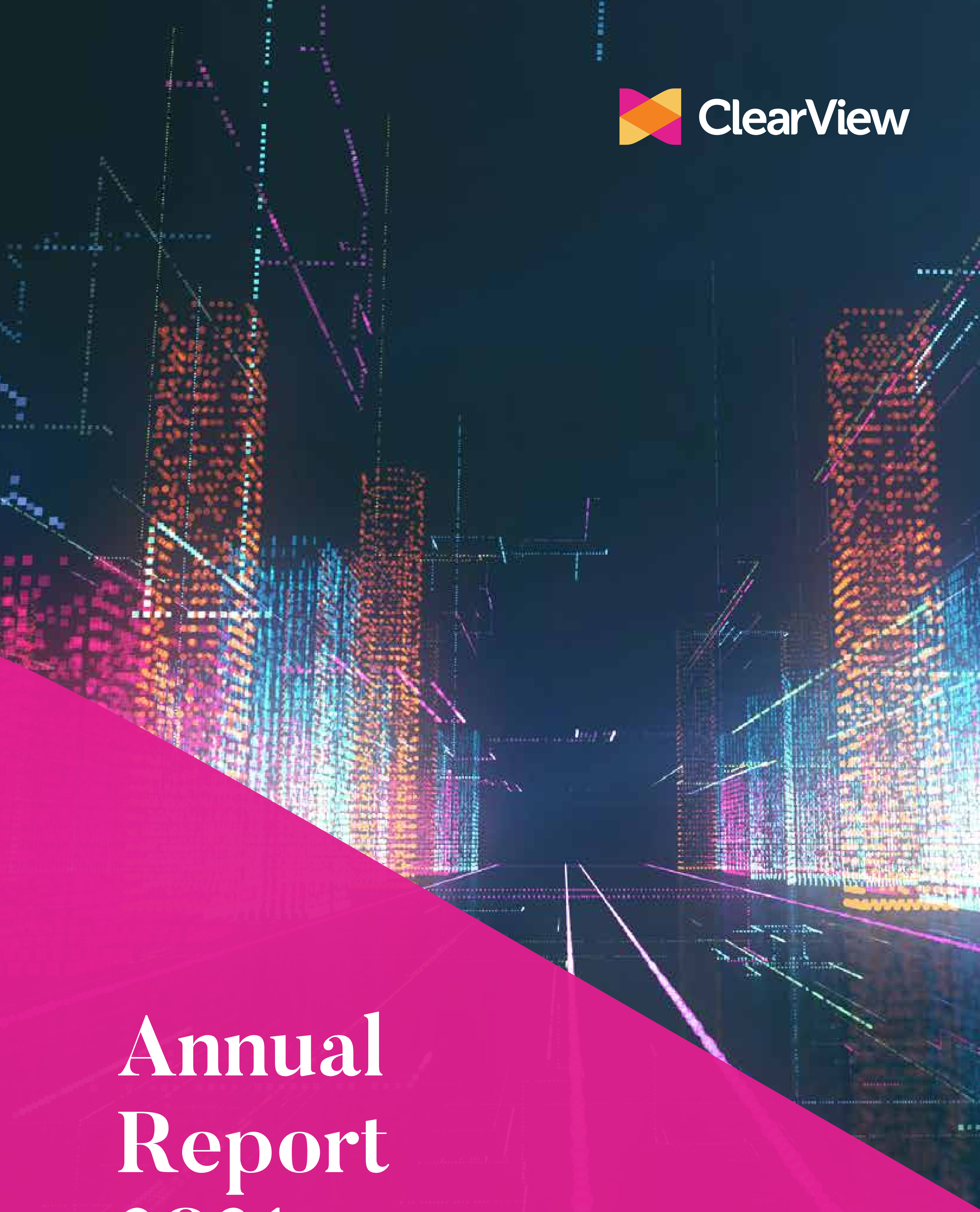

ClearView

Annual Report 2021

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Annual General Meeting

11 November 2021

Half year end

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Year end

30 June 2022

Annual Report

August 2022

Dates are subject to change.

Chairman's address

Geoff Black

For the second year, large parts of Australia are in lockdown this reporting season.

Globally, the human and economic impact of COVID-19 has been devastating and there is still so much uncertainty.

At ClearView, the health and safety of our people, customers and business partners remains our top priority.

Our teams are working from home while maintaining day-to-day operations and minimising disruption to our customers.

This is a testament to ClearView's resilient people, strong customer-centric culture and robust systems.

With the country's attention firmly on rolling out the vaccine, staff are being encouraged to get vaccinated.

To protect lives and eradicate the virus, it is critical that everyone has access to the vaccine and is vaccinated in a timely manner. To support this, ClearView provides two half days of paid leave to employees to attend vaccine appointments.

However, even after the threat of infection has passed, the longer term physical impact of COVID-19 is unknown. For the majority, symptoms pass quickly but some will experience longer term effects.

This condition has been labelled Long COVID. The longer term impact of Long COVID has yet to be determined from both a medical wellbeing or life insurance perspective and we remain vigilant to this.

ClearView had a solid financial result in FY21 in what was always a transitional year as we invested in infrastructure and sustainable product development. Despite ClearView's solid FY21 result, as a business whose main profit driver is life insurance, a strong capital position is paramount because it underpins a life insurer's ability to pay claims.

ClearView continues to closely monitor COVID-19 developments and has taken a prudent approach to capital management.

It is in this context that ClearView raised an additional $75 million in Tier 2 capital in November 2020.

There is no question that COVID-19 has changed how people interact and businesses operate. This trend will continue as we adopt new technologies and engage remotely more frequently.

It has increased everyone's awareness of the importance of health and safety. It has also increased awareness of the importance of professional advice and life insurance.

According to proprietary research, over 30% of advisers believe that COVID-19 has increased public awareness of mortality and the value of life insurance.

In more recent months, COVID-19 has highlighted the fragility of trust and leadership.

Since the nation's most recent spate of lockdowns, there has been a noticeable shift in trust, with more Australians challenging information from trusted sources. This lack of trust has directed many Australians to social media platforms for information. Unfortunately they cannot always be a trusted and this will be one of the major challenges for society in the future.

The financial services industry understands the impact of loss of trust and the hard work required to get it back.

In the three years since the Financial Services Royal Commission, the industry has fought to regain consumer trust. This year we, as an industry, will introduce significant changes to our products, disclosure materials and customer engagement. The Design and Distribution Obligations, Unfair Contract Term changes supported by a completely redesigned sustainable income protection product are all part of the journey to regaining consumer trust.

During the year, ClearView adopted a simplified line of business structure, expanded its executive team and outsourced non-core functions such as wrap platform administration. In response to challenging income protection claims last year ClearView has invested in strengthening its claims management capability. We have seen some very positive outcomes this year.

As flagged last year the implementation of a new life policy administration system continues to progress despite the difficult operating environment and we expect phase 1 to be launched in October this year. This will coincide with the introduction of a new life insurance product suite and support a best-in-market service proposition.

In Wealth Management, our partnership with HUB24 will enable ClearView to deliver a high-quality, differentiated wrap platform and collaborate on future investment and insurance product initiatives.

In 2020/21, ClearView also continued investing in governance and risk management.

Following our three Lines of Defence Model for risk management, we strengthened our first and second lines of defence resources and refined the ownership of risk types within each line of defence.

A risk culture framework is firmly embedded in the organisation, with a recent staff survey finding an uplift in risk awareness and significant resources have been committed to achieve a stronger risk culture. ClearView is committed to strengthening its risk culture across the whole business.

Subsequent to year end, the Board initiated a strategic review in our financial advice segment to seek out and pursue inorganic opportunities to obtain scale in the market. We are pleased to announce today the sale of our financial advice businesses to Centrepoint Alliance in exchange for $3.2 million in cash and the acquisition of a strategic 25% stake in Centrepoint Alliance (subject to net asset adjustment as defined under the terms of the agreement).

The deal with Centrepoint Alliance provides the combined entity with immediate scale, a strong and effective management team, best of breed technology and processes and the capability to take a market leading position in the financial advice industry to build a strategically successful and profitable financial advice business.

As a financial services company, customers trust us to be there when they need us most. The sustainability of our business, our products and our services are critical. Our customers trust us to manage their superannuation and investments, pay all claim entitlements as quickly as possible, and look after their best interests.

Individual Disability Income Insurance has been problematic for both ClearView and the broader industry and premium rate increases over the past few years have made the product unaffordable for many Australians. The implementation of the Australian Prudential Regulation Authority's (APRA) Individual Disability Income Insurance (IDII) sustainability measures will hopefully reverse this trend and help rebuild trust in the sector.

Under APRA's direction, a wave of simpler, clearer and fairer life insurance products will hit the market by October 1. New solutions, including ClearView's flexible, competitive product series, ClearView ClearChoice, will address flaws in existing product design and provide more financial certainty for customers.

APRA has also directed life insurers to provide "relevant, quality and timely data" in a bid to attain deeper insights into the underperformance of IDII and turn the product around.

Improved access to accurate customer information and the ability to generate data-driven insights to capture timely opportunities and aid strategic and tactical decision-making is one of many benefits to come from ClearView's multi-year transformation program.

The cornerstone of the program is a new life insurance platform which will deliver an enhanced user experience, drive efficiencies, and become a single source of truth for all customer data.

The transformation taking place at ClearView would not be possible without visionary leadership and buy-in from the entire business.

Throughout the year, our people displayed focus and resilience to get on with the task at hand, in the face of disruption.

Our people embody the group's corporate values of integrity, persistence, authenticity and collaboration.

Capital management

As noted earlier ClearView successfully raised $75 million in Tier 2 capital during the year. This and the improved financial performance have materially strengthened the groups capital position.

I am pleased to announce that ClearView will declare a 1cps dividend for FY21. While this reflects an element of conservatism compared to the target payout ratio, it balances an appropriate level between prudent capital management and shareholder needs.

Acknowledgements

On behalf of the Board, I would like to thank Simon and his team for successfully guiding ClearView through a period of tumultuous change and a very difficult operating environment.

For a dynamic organisation like ClearView, which continues to invest in people, technology and infrastructure, this disruption spells opportunity.

While others are encumbered by legacy issues and the bedding down of acquisitions, ClearView is focused on executing its vision and strategy for the future.

I am proud of the gender and social diversity represented at board and senior management level, acknowledging that there is always room for improvement to embrace different perspectives, eliminate blind spots and foster greater trust and inclusion.

Finally, I would like to thank my fellow Board members for their support and commitment throughout the year. I would also like to recognise the work of ClearView's subsidiary boards.

Geoff Black
Chairman

Managing Director's report

Simon Swanson

ClearView is starting to look like a very different organisation to the one it was just a few years ago.

During the year, the group transitioned to a line of business structure, bolstered its senior leadership team and continued investing in governance and risk management.

Further changes are underway, as part of a multi-year transformation program that will ensure ClearView remains easy to do business with and delivers competitive, fit-for-purpose solutions that offer exceptional value.

The cornerstone of our transformation program is a scalable life insurance platform with a rich digital front-end and integrated policy administration system and underwriting rules engine.

It will be the central point for advisers to engage with ClearView and access our life insurance solutions.

Our transformation program will drive back-office efficiencies, provide a single source of truth for customer data and insights, and create a springboard for future growth.

But there is still a long way to go on this journey.

Over the next few years, ClearView will continue to invest heavily in technology, capability and change management to bring our people, business partners and customers along for the ride.

In the face of change, both internally and across the industry, our commitment to our people, business partners and customers remains constant.

In 2020-21, ClearView paid $93.8m in life insurance claim entitlements to around 833 customers and their families.

In response to the ongoing COVID-19 crisis and spate of natural disasters, ClearView supported vulnerable customers by granting short-term premium waivers and allowing policyholders to suspend their cover and premiums for up to 12 months. As a result, many customers were able to keep valuable cover in place to protect themselves and their families.

In Wealth Management, around 620 customers received early access to their superannuation, representing $5.7 million.

Throughout 2020/21, ClearView continued to invest in people, adding resources and capability in critical areas like product, transformation, and risk and compliance.

The business continues to embrace flexible working arrangements, enabling staff to stagger their start and finish times, and split their time between the office and working remotely (while ensuring compliance with any lockdown restrictions).

This flexibility has increased job satisfaction with the added benefit of helping to reduce our carbon footprint and environmental impact.

Recently, ClearView launched a workplace mental health and well-being program, ClearMind, to help build resilience and coping skills among our people.

Our commitment to promoting positive mental health recognises the mounting mental load on people in society. This is reflected in broader industry trends.

The rise of mental-health related illnesses has also been a factor behind increased income protection claims and the life insurance industry's significant underperformance over the past five years.

ClearView has openly supported the Australian Prudential Regulation Authority's (APRA) Individual Disability Income Insurance (IDII) measures, which seek to move the product to a sustainable state and kick-start the industry's return to profitability.

Alongside Pillar 2 capital charges, the hallmark of APRA's measures is a requirement on life insurers to address poor product design.

ClearView ClearChoice

On 1 October, ClearView will officially launch its new life insurance product series, ClearView ClearChoice.

ClearChoice is a flexible, fair and unique offer that enables customers to adjust cover as their circumstances and priorities change.

It signals a key milestone in ClearView's story to date.

Since 2011, ClearView LifeSolutions has been our only life insurance offering.

From a standing start, LifeSolutions has earned a place on 777 Approved Product Lists (APLs) and is consistently rated highly by independent research houses.

ClearChoice will build on that momentum.

However, APRA's unprecedented action to force all life insurers to overhaul their products by 1 October means multiple products will hit the market at the same time.

As a nimble organisation with strong financial advice relationships, ClearView is ideally positioned to respond quickly to developments and support advisers to navigate the product maze.

As part of the launch of ClearChoice, ClearView will release educational content, training videos and client-facing tools to accelerate learning.

This reflects our strategy to be the business partner of choice for financial advisers across life insurance, wealth management and licensee solutions.

The ongoing COVID-19 crisis

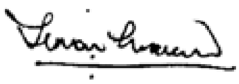
The devastating impact of COVID-19 on individuals, families and businesses has heightened awareness of the importance and value of professional financial advice and life insurance.

According to proprietary research conducted in March and April 2021, public awareness of the importance of personal advice and life insurance has increased 54% and 30% respectively. A quarter of advisers also stated that clients are more receptive to conversations about taking out cover or reviewing existing arrangements, due to COVID-19.

As regulatory activity eases, more Australians seek advice and a sense of optimism returns, ClearView will be poised to capitalise on opportunities to support advisers and continue growing.

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

Director’s 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 2021 (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 (Chair)
- Michael Alscher
- Gary Burg
- Jennifer Lyon
- Simon Swanson (Managing Director)
- Nathanial Thomson
- Susan Young

Current directors

The biographies for the Directors of ClearView are detailed below.

Geoff Black BCom

Independent non-executive Chair

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 Chair 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, 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.

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, Australian Clinical Labs Limited, National Dental Care Pty Limited and National Home Doctor Service Pty Limited.

Nathanial was appointed to the Board on 22 October 2012 and currently serves as a member of 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, Australian Clinical Labs Limited, National Media Services Group Limited, Crumpler 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 of 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.

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

Independent non-executive Director

Jennifer is an experienced actuary, small business owner and Director. She was a founding owner of recruitment firm SKL Executive and served as a Director until December 2020. 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 ClearView's superannuation trustee board, and held the position as its Chairperson from July 2014 until December 2016.

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.

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
	Australian Clinical Labs Limited	14 May 2021 – current
Nathanial Thomson	Cardno Limited	6 November 2015 – 28 January 2016; and 24 May 2016 – current
	Australian Clinical Labs Limited	14 May 2021 – 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 2021, 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	16	16	6	6	7	7	9	9
Gary Burg	16	16	6	6	7	7	9	9
Michael Alscher	16	14	—	—	—	—	9	7
Nathanial Thomson	16	16	—	—	—	—	9	9
Jennifer Lyon	16	16	6	6	7	7	9	9
Susan Young	16	16	6	5	7	6	9	9
Simon Swanson	16	16	—	—	—	—	—	—

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	Performance Rights			Subordinated notes
			FY20[2]	FY21[3]	FY22[4]	
Geoff Black	50,000	—	—	—	—	—
Gary Burg	10,918,090	—	—	—	—	10,000
Michael Alscher[1]	—	—	—	—	—	—
Nathanial Thomson[1]	—	—	—	—	—	—
Jennifer Lyon	27,212	—	—	—	—	—
Susan Young	83,092	—	—	—	—	—
Simon Swanson	5,550,000	10,000,000	897,868	1,199,632	1,111,111	—

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.

2 Vesting date 30 June 2022

3 Vesting date 30 June 2024

4 Vesting date 30 June 2025

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.

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 2017/191, 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 75.

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 4th 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 products and services.

As at 30 June 2021, the Groups's subsidiaries hold a number of licences enabling them to operate across three core business segments:

- **Life Insurance:** ClearView Life Assurance Limited (CLAL) manufactures ClearView life insurance products under a retail life insurance Australian Financial Services (AFS) licence.
- **Wealth Management:** ClearView's Wealth Management products are designed to assist in the accumulation and preservation of wealth to achieve personal goals and objectives such as a comfortable retirement. ClearView Financial Management Limited (CFML), ClearView Life Nominees Pty Limited (CLN) and CLAL manufacture these investment and retirement solutions (managed investments and superannuation) under AFS licenses and a registrable superannuation entity (RSE) trustee licence; and
- **Financial Advice**: Financial advice is critical to most Australians in order to manage their financial affairs soundly. ClearView's financial advice subsidiaries provide licensing solutions to financial advisers through its two AFS Licensed dealer groups (ClearView Financial Advice (CFA) and Matrix Planning Solutions (Matrix)) and outsourced B2B licensee services to other AFS Licensees through LaVista Licensee Solutions (LaVista).

Industry overview and ClearView strategy

Australia has a large and growing 'financially active' population. Australian households are relatively affluent but highly leveraged (based on home ownership/mortgage rates). There appears to be broad community recognition of the role and value of life insurance (regarded as a 'community good').

'Life risk insurance' provides pure life risk cover products and plays a crucial community role in helping people manage unexpected events and protect themselves and their families against financial difficulties. Consumers wishing to take out a life insurance policy will typically pay premiums to a life insurer in return for a future benefit linked to the occurrence of some coverage event.

CLAL's LifeSolutions product has, to date, been its single, contemporary product series for retail customers that is available through financial advisers.

In December 2019, the Australian Prudential Regulation Authority (APRA) launched an intervention into the life insurance market in response to ongoing heavy losses in respect of individual disability income insurance (IDII or income protection). The losses from income protection products have been a significant driver of the negative industry profitability from both poor product design and pricing issues. This has resulted in APRA imposing several IDII sustainability measures on the industry, including certain changes that are required to be made to policies offered and imposing capital charges on life insurance companies and friendly societies. These sustainability measures ultimately require life insurers and friendly societies to address flaws in income protection product design and pricing that are contributing to unsustainable practices in the industry.

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 its income protection products continue to be appropriate and satisfy the regulatory intent and requirements of this initiative. ClearChoice, the new income protection product, is being launched into the market from 1 October 2021, with the expectation that the new product design and pricing will improve profitability and ultimately the sustainability of the industry.

Australia's life insurance industry is well established. As at 31 March 2021, the total size of the Australian life risk insurance market, as measured by in-force annual premiums, was approximately $16.3 billion[1] and is comprised of:

- Individual risk: Approximately $10.0 billion[1] of in-force premiums; and
- Group risk: Approximately $6.3 billion[1] of in-force premiums

The individual risk market typically includes policies that are distributed to consumers via an intermediary, generally with personal financial advice through a licenced financial adviser. The risk is individually underwritten and policies are priced on a individual basis. Policies can also be distributed directly to consumers, typically under general advice models (with some products having automatic acceptance covers).

The group risk market typically includes life insurance products purchased by the trustee of a superannuation fund or an employer, with fund members or employees ultimately given the benefit of the cover. The risk is pooled amongst group members and policies are priced on a group cohort basis with a large component of participants within group schemes covered under a default arrangement (where they automatically receive an amount of cover).

ClearView only participates in the financial advised segment of the individual risk market and therefore does not participate in the Group risk market.

The overall growth in the life insurance industry is underpinned by a number of longer term sustainable factors, including:

- Population growth: As the population grows, the insurable market size increases and demand for life insurance policies are expected to increase.
- Ageing population: Consumers generally maintain their life insurance policies for a longer period of time as age expectancy increases. The pricing of policies typically also increases with older individuals' higher health risk profiles.
- Household wealth, income and debt: As individuals increase their incomes or take on more debt, the sum insured required to maintain that individual's quality of life increases. A higher sum insured generally results in higher life insurance premiums; and
- Inflation: Most life insurance premiums are index-linked to inflation, meaning that inflation drives nominal increases in life insurance risk in-force premiums.

Furthermore, since 2015, there has been a significant and unprecedented change of ownership in the Australian life insurance industry (acquirers have been mainly foreign owned insurers). This has consolidated the market and created significant disruption while incumbents separate and integrate. These ownership changes, coupled with the recent industry and regulatory change, impact the distribution of life insurance, the full effects of which are still likely to emerge:

- The bank channel is expected to be significantly impacted following the recent exit of the life insurance manufacturing market by the major Australian banks (bank referral network reduction). ClearView does not participate in this channel;
- The divestment of wealth management businesses and dealer groups by the major Australian banks (coupled with the transformation process at AMP) is leading to former institutionally aligned advisers joining third party dealer groups, boutique AFSLs or establishing their own AFSL. This opens up the distribution landscape and provides access to financial advisers that may have been previously institutionally aligned and not accessible given restricted approved product lists. This expanding distribution access point is occurring at the same time as the contraction of the number of life insurance product providers due to market consolidation;
- There are shrinking financial adviser numbers, reducing access and choice for 'middle Australians' at points of need (both advised and non-advised) and driving reductions in consumer adoption across channels. This has been exacerbated by regulatory changes, increasing education and licensing requirements of financial advisers. Further commentary and the implications for ClearView is provided below; and
- The Direct Distribution channel is now materially reduced. The ASIC review into the direct life insurance market found that life insurers engaged in sales conduct that led to consumers buying a direct insurance product they did not want or could not afford, or that did not meet their needs. Changes are required to consistently place the interests of consumers at the centre of the direct life insurance market, and to increase consumer trust in direct life products and how they are sold. ClearView has not participated in this channel since 2017.

1 APRA Quarterly Life Insurance Performance Statistics March 2021.

The financial advice distribution channel is therefore shifting from large institutionally aligned AFSLs to self-licencing; and individual advisers are focusing on wealthier clients able to afford advice fees at an economically sustainable level. The declining financial adviser numbers and shift to higher value clients is also expected to further erode access to financial advice. This is not a positive development for the broader community.

Overall, the market disruption and changes present opportunities for businesses like ClearView, given its market positioning and ability to take advantage of market dislocation. It creates an opportunity within middle Australia at key points of need with ClearView tilting its business towards solutions for the growing segment through an active engagement model including leveraging multi-product loyalty and cross-sell.

Life insurance has been central to ClearView's strategy from inception with a focus on the individual risk market and aligned to the evolution of consumer needs. ClearView's target risk-focused financial advisers have super and investment needs and broadening the range of products offered to the financial advisers spreads the cost of placement. This has resulted in ClearView's targeted participation in wealth management (including via third-party supported white label or badge arrangements such as HUB24).

ClearView is investing in a multi-year life insurance transformation program to support the ease of doing business with financial advisers, provide digital customer engagement tools, improve retention initiatives and drive administration (and related cost) efficiencies. The transformation program includes the implementation and integration of a new life insurance policy administration system and underwriting rules engine (new PAS) aligned to the launch of a new product range, ClearView ClearChoice. Simultaneous with this program of work the business has commenced a simplification of its wealth management segment that should drive cost efficiencies and has entered into a transaction with Centrepoint Alliance to separate out its financial advice arm and further simplify the Group's cost base.

From a dealer group perspective, the resetting of the financial advice market is also creating an opportunity for a non-bank independent dealer group with scale, strong compliance capability, modern technology and deep adviser relationships to pursue inorganic opportunities with the aim of consolidating the market. To achieve this requires a significant investment in technology, automation and compliance to ensure an industrial strength back office and that regulatory requirements are consistently satisfied.

CFA and Matrix are currently mid-sized dealer groups with leading edge technology, a strong management team and compliance processes but suffer from a lack of scale that has resulted in sub-optimal profitability. There is a significant opportunity for the business to scale its "infrastructure" to support a very large number of AFSLs and financial advisers. Advisers will be attracted to a high-quality dealer group where the support services are robust, efficient and competitively priced.

Subsequent to year end, the Board initiated a strategic review in the financial advice segment to seek out and pursue inorganic opportunities to obtain scale in the market.

The deal with Centrepoint Alliance provides the combined entity with immediate scale, a strong and effective management team, best of breed technology and processes and the capability to take a market leading position in the financial advice industry to build a strategically successful and profitable financial advice business.

It further allows ClearView to indirectly participate in the industry consolidation (given structural market changes) and at the same time separate its product manufacturer and financial advice arms.

Much of the value of the transaction is in the strategic value and extraction of significant synergies and creation of a platform and capability to further consolidate the market.

The capability to operate across all three segments is now relatively unique in the Australian market.

ClearView offers a product solution based on simplicity and being easy to do business with:

- Offering a sustainable life insurance product and pricing with limited legacy issues. ClearView is launching its new product series on 1 October 2021.
- 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.
- Participation in the market consolidation (in financial advice) and roll up as the service provider to financial advisers.
- Future state: a risk and wealth offering, combined sales effort leveraging distribution, and a focus on making the product experience simple and efficient for financial advisers and their customers who need to maintain a focus on practice efficiency meeting customer needs.

The key focus areas for FY21 have been on customer retention, effective claims management, product design and pricing. FY21 has been considered a base transitional year.

ClearView's focus has also been 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.

Further details on FY22 key focus areas are provided in the segment review that follows later in the report.

COVID-19 and ClearView responses

The world continues to navigate the unprecedented circumstances including significant economic, social and health challenges caused by the COVID-19 pandemic. Australia has more recently experienced outbreaks in various parts of the country driven by the Delta variant. The Delta variant is a mutant strain of the SARS-CoV-2 virus with early estimates and experience suggesting the new Delta strain is significantly more transmissible than previous variants of the virus.

Up until the recent outbreaks, the jobs data had continued to improve. The RBA Statement on Monetary Policy published in May 2021 affirmed stronger recovery in the economy than anticipated with the unemployment rate at 5.6% (compared to the 8.5% forecast in last year's RBA statement at 30 June 2020).

However, the further waves of infections and ease of transmission of the Delta variant since mid June 2021, has led to quick and extended lockdowns and the reinstatement of certain government support measures to protect the economy and jobs. The recent outbreaks have impacted significant aspects of everyday lives including travel, work (such as construction), entertainment (such as sporting events, eating out at restaurants), education and school closures and the flow on effects to the economy. Furthermore, the states and territories responses include closing their borders which itself has economic consequences including dampening domestic travel.

The pathway to a more normal way of life rests in an effective vaccine roll out and uptake where early evidence suggests effectiveness against the Delta variant, in particular against hospitalisation and intensive care (if fully vaccinated). Australia has been slower than other countries to immunise its population, with supply shortages being blamed for the delays. Vaccine hesitancy in some pockets of the community has also risen even as the pace of the rollout has picked up in recent weeks.

Steps have been taken to speed up the rollout, such as mass immunisation hubs. In short, obtaining the anticipated increased supplies of the Pfizer and Moderna vaccine and the take up of AstraZeneca will be a key determinant in the success and timing of exits from the lockdowns and Australia's response to the Delta variant. Significant uncertainty therefore remains at least until such time as a significant part of the population has been vaccinated in Australia.

To date, COVID-19 related mortality has (for the most part) tended to be in the older and relatively uninsured segment of the population. However, the mutation and ease of transmission of the Delta strain of the virus, the flow on economic impacts of further outbreaks, unpredictable lock downs (and a protracted lock down in New South Wales), border closures and continuation of the government support measures creates uncertainty and risk that could potentially drive a spike in morbidity (income protection) claims and lapses (premium affordability) in the months ahead (until such time as the vaccine is successfully rolled out).

As an example, for income protection claims, this could manifest itself due to claims termination rates deteriorating (the duration a claimant stays on claim for), linked to higher than expected unemployment/ underemployment and lower financial incentive to return to work. Alternatively, for lapses of policies this could manifest itself due to premium affordability as a result of job losses.

ClearView has also acted swiftly to address the challenges faced by COVID-19, with its response focused on certain key priorities, including:

- Protecting its people and customers;
- Modelling its capital exposure, stress testing and liquidity;
- Conserving capital and cash flow;
- Stabilising the operations to the 'new normal'; and
- Playing offence, not just defence.

The above mentioned scenarios considered business impacts (capital, cash flow and profitability) from COVID-19, including direct COVID-19 claim impacts (based on assumed infection and mortality rates), indirect claims impacts (economic downturn induced), asset value impacts, reduced sales and elevated lapses.

CLAL's regulatory capital position remains resilient to each of these scenarios. Furthermore, an additional amount of Tier 2 capital was raised to further allow for some of these sensitivities to the capital base in a downside scenario. It was also noted that profitability can be sensitive within each scenario, to claims and lapse assumptions and relative to the allowances made in policy liabilities versus the actual experience that emerges.

The business has proven resilient to the health and economic impacts of COVID-19 to date and is on track to meet its medium to long term performance improvement objectives.

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 its 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;
- As part of the existing LifeSolutions product, 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 provided they have held cover for 12 months; and

- There were some special measures up to 15th July 2020, including extending the waiver of premium whilst involuntarily unemployed benefit to employees temporarily stood down from employment and for owners of a business which has been required to close due to COVID-19, evidenced by a public notice on their website and extending the waiver of premium and cover suspension benefits to ClearView's legacy business.

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

Regulatory environment and changes

The financial services industry has faced unprecedented regulation, scrutiny and disruption over the past few years.

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

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

Regulatory Reform

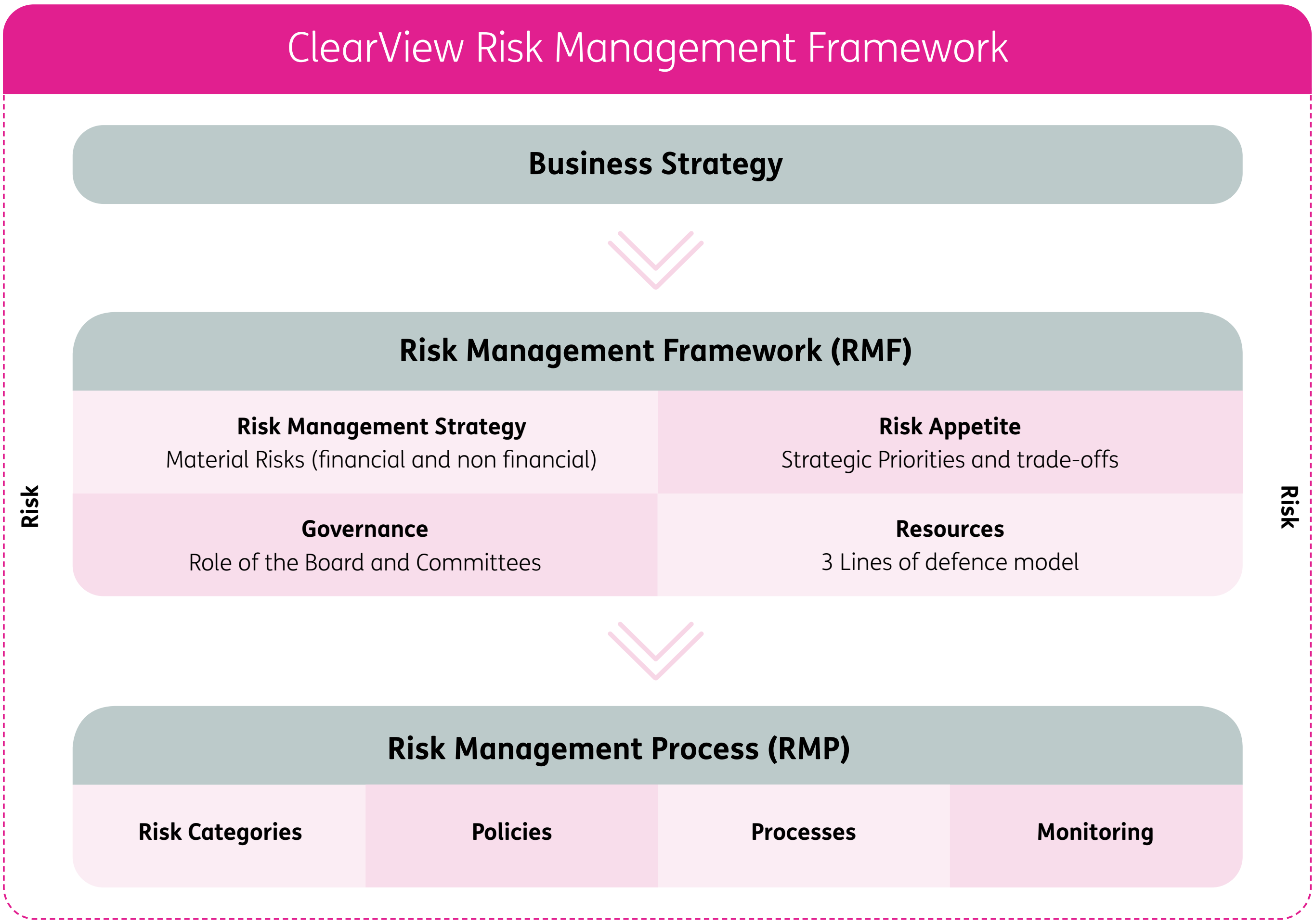
ClearView has implemented a number of regulatory and legislative industry reforms over the course of the financial year and continues to progress those that will come into force later this year and in 2022. These include the Design and Distribution Obligations (DDO) and Product Intervention Powers; treating Claims Handling and Settlement as a financial service, requiring licence authorisation.

Risk management

Risk management describes the activities, processes and decisions that manage the risks that could drive outcomes diverging from ClearView's stated objectives.

ClearView regards the skills, experience and focus of its staff as vital assets in managing material risks across the organisation. The competence of staff is complemented by a structured Risk Management Framework (RMF) consisting of strategies, policies and procedures to manage both financial and non-financial risks. The RMF supports the Board and management's oversight of these risks. The RMF incorporates the requirements of APRA's prudential standard on risk management (CPS 220 Risk Management).

The following diagram illustrates the key elements of the RMF.



The RMF is described by Board-approved documents, including (but not limited to):

- 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.
- 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 Risk Culture Framework (RCF) describes the Group's shared values and behaviours, and makes clear the expectation of all ClearView staff to consider, identify, understand, discuss, and manage current and emerging risks.
- 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 in extreme circumstances. 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, the Board Risk and Compliance Committee (Risk Committee) and senior management team (SMT) in the ongoing development and maintenance of the RMF to support the company in operating within its approved risk appetite. 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.

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

The Risk 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 (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.

Management of Material Risks

The Risk Management Statement (RMS) outlines ClearView's material risks from a strategic, customer, business and financial perspective. For each material risk the RMS articulates the mitigation strategy as well as the policy, governance elements and responsibilities for management. ClearView's Risk Appetite Statement (RAS) describes the appetite for each material risk type and identifies key risk metrics that are reviewed quarterly at the Risk Committee. 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

Ongoing Development of the Risk Management Framework

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

Enhancing the Risk Management Framework

Over the past year, ClearView has taken material steps towards a stronger, more robust approach to risk management. The uplift has been run through the Risk Transformation Project and activities fall broadly into four categories; the investment in a stronger risk and compliance function, the strengthening of governance and process within the risk management framework, the uplift of the company's risk technology to provide more robust documentation and data and fostering stronger engagement across the company to create a risk-aware culture.

The risk and compliance function is now established to align with business activities, as well as internally identifying experts to oversee the management of material risk types. The business function alignment enables a more effective and targeted engagement with the first line activities and concerns. The higher level of engagement contributes to the strengthening risk culture in the first line. In addition risk specialists have become established in line one teams.

The RMS and RAS continue to evolve through the regular review, and the metrics used in the RAS have seen significant improvement. The establishment of active risk registers and risk review activities across the business has brought risk matters into regular discussions within business functions as well as at more senior forums and the Risk Committee. The review of incidents and complaints has become more structured with a view to better understanding the portfolio of risk by considering the root causes of these issues. These improvements to the framework governance and activities are a focus area for continued improvement through the next twelve months.

The corporate risk system has had focused development to allow it to be applied more broadly and make it easier for business managers to engage with across the organisation. As well as the original use for managing compliance assurance processes, the system has now been configured for incident management and to record and analyse business level risk registers. The risk system is now also able to be used by first line managers for activities such as incident management and risk self-assessment.

Risk Culture in ClearView

ClearView recognises that the greatest asset in effectively managing risks in the organization is the people that manage the business. By instilling a culture that is outcome focused, risk aware, transparent and accountable the business will be significantly stronger in the face of emerging risks than it would be through reliance on process and policy alone. ClearView has invested in raising the standard of risk culture over the last year.

A project to develop a stronger framework for the fostering and measurement of risk culture has been in place, incorporating the advice of external consultants who bring industry-wide perspective. A new risk culture framework is now approved by the Board. A program of internal risk culture workshops has been rolled out across all employee groups, introducing core concepts and encouraging risk aware approaches to work. Internal audit is now incorporating risk culture measures in internal audit reports, providing a regular sense-check of the state of the business. Company-wide culture surveys are run on an annual cycle, and these are now linked to the risk culture framework. Regular training

such as Induction Training and Code of Conduct Training now includes explicit discussion of risk culture. These activities are part of a program that is expected to become part of the permanent approach to culture at ClearView.
ClearView's Board has approved the following risk culture statement:
"Managing risk is integral to our business and demonstrated in our actions and decisions of our people, senior management team (SMT) and Board. Our people and customers are at the centre of our risk culture and we commit to ongoing communication, escalation, constructive challenge and making considered decisions to manage risk consciously. Where there is ambiguity, ClearView will firstly ask "Should we?" and then "Can we?".

FY21 Results overview

The majority of the Group's 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.

ClearView's strong Balance Sheet and capital base supports its ability to continue meeting its obligations to policyholders and customers and is supported by:

- Shareholder cash and investments position of $463.2 million - shareholder capital is conservatively invested in the large institutional Australian banks ($158.7 million) and a specialist investment mandate has been entered into with PIMCO ($304.5 million), a global investment manager focused on active fixed income management, to manage (in consultation with ClearView) and match the shareholder funds with the insurance liabilities and reserves in the life insurance entity. The investment mandate retains a focus on a strong and conservative capital position, but with appropriate asset/liability matching.
- The net cash and investments position is $373.7 million. ClearView has in a place a $60 million Debt Funding Facility, of which $16 million is drawn down at 30 June 2021. ClearView also successfully completed a $75 million subordinated, unsecured notes issue to wholesale investors in November 2020, which represents fully paid, unsecured debt obligations of ClearView and is counted as part of the APRA regulatory capital base.
- Past policy acquisition costs of $352.5 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 $640.4 million or 95.7 cents per share at 30 June 2021. The EV calculation reflects the cash flow generation from the in-force portfolios.
- CLAL's LifeSolutions product range is heavily reinsured with Swiss Re Life and Heath Australia (Swiss Re). An incurred claims treaty is in place to protect reinsurance recoveries for both lump sum and income protection claims to manage the counterparty risk. These arrangements will remain in place with the launch of ClearChoice in October 2021.
- ClearView has a surplus net capital position over its internal benchmarks of $14.3 million as at 30 June 2021. This includes a working capital reserve of $12.1 million that is held as part of its risk capital.
- ClearView Life is rated BBB+, Outlook Stable IFS rating by Fitch.

ClearView's FY21 key priorities were as follows:

- Focus on customer retention to manage price changes and COVID-19 impacts including providing alternatives to customers to improve premium affordability;
- New product development, starting with the alternative Indemnity 60 income protection (IP) product and thereafter the new product launch in October 2021 in accordance with its IDII action plan;
- Project for development and implementation of Phase 1 of the new PAS (aligned to the launch of ClearChoice in October 2021). This forms part of a multi year life insurance system transformation project.
- Increase claims management resourcing, capability, deeper engagement with claimants and enhancing systems support to improve return to work outcomes;
- Simple WealthFoundations product aimed at IFAs[1] seeking practice efficiency and cross sell opportunities through the ClearView IFA distribution platform;
- Obtaining scale in Financial Advice to build a commercially sustainable business, noting the Centrepoint Alliance transaction that has been announced and outlined elsewhere in the report;
- Material changes to the claims assumptions were made at 30 June 2020, including an allowance for shorter-term overlays to reflect expected COVID-19 related income protection claims (incidence and terminations) and an increase in complex claims;
- Repricing of the life insurance portfolios over time (to recover increased reinsurance and claims costs); and
- Changes were also made to the lapse assumptions to allow for shorter-term shock lapse overlays in response to price changes and secondary economic impacts from COVID-19.

Performance relative to these key priorities is discussed in further detail in the sections that follow.

1 Independent financial adviser

Overview of result

The ClearView Group achieved the following results for the year ended 30 June 2021.

After Tax Profit by Segment, $M	FY21 $M	FY20 $M	% Change[3]
Life Insurance[7]	23.5	8.8	166%
Wealth Management	0.6	3.3	(80)%
Financial Advice	0.9	2.1	(58)%
Listed/Group Costs	(1.2)	(1.1)	(4)%
Operating Earnings After Tax[1]	**23.9**	**13.1**	**83%**
Underlying investment income	1.6	2.3	(30)%
Interest on corporate debt	(2.8)	(0.6)	Large
Group Underlying NPAT[2]	**22.7**	**14.8**	**54%**
Policy liability discount rate effect[5]	(11.4)	2.2	Large
Wealth Management project[4]	(3.1)	(1.4)	127%
Impairments[6]	(1.5)	(2.6)	(42)%
Other costs[8]	(0.1)	0.2	Large
Reported Profit After Tax	**6.7**	**13.2**	**(49%)**
Embedded value[9]	640.4	643.4	-
Net asset value	459.4	452.7	1%
Reported diluted EPS (cps)	1.06	2.08	(49%)
Underlying diluted EPS (cps)	3.62	2.34	55%

1 Operating Earnings (after tax) represents the Underlying NPAT[2] of the business segments before underlying investment income and interest costs associated with corporate debt and Tier 2 Capital. Costs associated with the incurred claims treaty are reflected as part of reinsurance costs.

2 Underlying NPAT consists of consolidated profit after tax excluding amortisation, the effects of changing discount rates on policy liabilities and costs considered unusual to the Group's ordinary activities. Includes amortisation of capitalised software and leases.

3 % change FY20 to FY21.

4 Costs associated with transition to HUB24 platform. Further costs to be incurred in FY22 as project is finalised.

5 The policy liability discount rate effect is the result of changes in the long-term discount rates used to determine insurance policy liabilities and the incurred income protection disabled lives claims reserves. The life insurance policy liability (based on AIFRS) and income protection incurred disabled lives reserves are discounted using market discount rates that typically vary at each reporting date and create volatility in the policy liabilities and the disabled lives claims reserves, and consequently, earnings. ClearView reports this volatility separately.

6 Impairments to receivable from ClearView Retirement Plan (CRP). The recoverability of the receivable from CRP will continue to be assessed at each reporting period.

7 Includes 2HFY20 impact of $5.9 million from material changes made to claims assumptions at 30 June 2020. Includes 2HFY21 impact of $2.9 million from changes made to income protection claims assumptions at 30 June 2021 as part of the APRA IDII review and adoption of new tables. From 1 January 2021, APRA has required companies to base their income protection claims assumptions on the most recent industry table, with a release date of not older than 18 months. Currently, this table is the FSC-KPMG ADI 2014-2018 table released last year, based on the 2014 to 2018 experience.

8 Net impact of new arrangements entered into with financial advisers in FY20.

9 Embedded Value at 4% discount rate margin, including a value for future franking credits, accrued franking credits and Employee Share Plan (ESP) loans.

Operating Earnings After Tax[1] reflects the underlying performance of the business segments and has been adopted by the Board (in FY21) as its key measure of Group profitability and basis for dividend payment decisions. Operating Earnings After Tax[1] increased 83% to $23.9 million (FY20: $13.1 million). Life Insurance contributes 98% to business segment Operating Earnings After Tax[1].

Underlying NPAT[2], which includes the underlying investment income and interest cost on corporate debt[3], increased 54% to $22.7 million (FY20: $14.8 million) and fully diluted Underlying EPS increased 55% to 3.62 cps (FY20: 2.34 cps).

Interest earnings on capital has been negatively impacted in the year by ultra-low interest rates and changes to the capital structure. Interest costs associated with the issue of the Tier 2 subordinated notes arose from November 2020.

Costs associated with settlement of claims liabilities under incurred claims treaties are reported as part of reinsurance costs and is reflected in the Operating Earnings After Tax[1] of the life insurance business. ClearView pays an annual cost on the liabilities related to the settlement of the incurred liabilities (FY21: $1.7 million after tax).

FY21 is a strong result in a challenging environment, with the increase in profitability predominantly driven by a strong underlying claims performance ($4.2 million positive impact)[4] and significantly improved lapse performance ($3.7 million positive impact)[4] in the life insurance segment.

The claims experience profit is reflective of improved claims management outcomes and limited COVID-19 claims impacts (in particular income protection related claims).

The lapse experience profit in FY21 was driven by lower than expected shock lapses on lump sum products, partially offset by losses on income protection products given the related price increases that were passed through the in-force portfolios.

Customer retention strategies remain in place with further investment in capability in 2H FY21. There have also been limited COVID-19 lapse impacts to date, observed through experience of the non-advice portfolios.

The positive FY21 life insurance result should also be viewed in the context of overall industry performance, amidst extremely difficult market conditions. For the year ending 31 March 2021, the life insurance industry risk products lost $0.2 billion (March 2020: -$1.6 billion), largely attributable to a $0.3 billion loss on individual income protection products (March 2020: -$1.4 billion)[5]. Further commentary is provided in the claims section of the life insurance segment result.

Reported NPAT

Reported NPAT, decreased 49% to $6.7 million (FY20: $13.2 million) and reported diluted EPS decreased 49% to 1.06 cps (FY20: 2.08 cps). Reported NPAT was adversely impacted by the changes in the long-term discount rates used to determine insurance policy liabilities and the incurred income protection disabled lives claims reserves, which is separately reported below the line and explained in further detail below.

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)	FY21	FY20
Policy liability discount rate effect	(11.4)	2.2
Wealth Management project	(3.1)	(1.4)
Impairment costs	(1.5)	(2.6)
Other costs	(0.1)	0.2
Total	**(16.1)**	**(1.6)**

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 income protection disabled lives claims reserves. The life insurance policy liability (based on AIFRS) and income protection 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 the life insurance policy liability, this represents a timing difference in the release of profit and has no impact on underlying earnings. However, this movement in policy liability creates a cash flow tax effect. The net impact of the changes in long-term discount rates on policy liability in the year ended

1 Operating Earnings (after tax) represents the Underlying NPAT[2] of the business segments before underlying investment income and interest costs associated with corporate debt and Tier 2 Capital. Costs associated with the incurred claims treaty are reflected as part of reinsurance costs.

2 Underlying NPAT consists of consolidated profit after tax excluding amortisation, the effects of changing discount rates on policy liabilities and costs considered unusual to the Group's ordinary activities. Includes amortisation of capitalized software and leases.

3 Includes interest costs associated with Tier 2 subordinated notes.

4 Relative to the material changes that were made to claims assumptions in FY20, including an allowance to reflect an expected increase in COVID-19 related claims.

5 APRA Quarterly Life Insurance Performance Statistics March 2021.

30 June 2021, caused a decrease in after-tax profit of -$10.3 million (FY20: +$2.4 million).

For the incurred income protection 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 December 2020, ClearView updated its investment strategy and appointed PIMCO with a specialist investment mandate to manage, in close consultation with ClearView, the shareholder funds that match the insurance liabilities, claims and capital reserves and surplus capital in the life company.

At 30 June 2021, $304.5 million is invested in the PIMCO funds, noting that the amounts that were invested across the ClearView WealthSolutions Macquarie True Index Fund and the Vanguard Inflation Linked Fund were sold down and invested into the PIMCO funds. An overall investment loss of -$0.7 million after tax was made in the year ended 30 June 2021 (FY20: -0.2 million).

The asset liability management solution has been appropriately calibrated and aligned with the business risk appetite. The extent that the investments impacted earnings to offset the above-mentioned liability (claims cost) impact from changes in discount rates has also been reported below the line. An overall loss of -$0.4 million after tax was made in the year ended 30 June 2021.

The investment mandate with PIMCO allows for the consolidation of shareholder funds into a single mandate and replaces the previous strategy of investing short duration shareholder funds in bank term deposits and longer duration assets in index bond funds.

Impairments

Impairment of receivable from ClearView Retirement Plan (CRP)

In FY21, the ClearView LifeSolutions Risk Only Division has been transferred from CLN as trustee of the ClearView Retirement Plan (CRP) to HTFS Nominees Pty Limited as trustee of the HUB24 Super Fund. All the members under the Risk Only Division are now members of the ClearView Insurance Plan within the ClearView Super Plan, a division under HUB24 Super Fund. CLAL continues to issue life insurance policies and provide insurance services to the transferred members as well as new members in the ClearView Super Plan.

As at 30 June 2021, the Group held a receivable amount from CRP of $9.0 million (30 June 2020: $15.5 million), including an impairment provision of $1.5 million. It is expected that the receivable amount will be recoverable in the foreseeable future as CRP continues to generate future taxable income. The recoverability of the receivable from CRP will continue to be assessed at each reporting period.

Costs unusual to ordinary activities

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

ClearView selected HUB24 Limited (HUB24) as its strategic wrap platform provider following a comprehensive market review. As previously announced, the overall project represents a significant investment for ClearView with development, transition and implementation costs of the wrap platform to HUB24 expected to be a net cost of circa $6 million. In FY21, a further $4.4 million of these costs were incurred, with the total cost of $6.3 million incurred on the project. Further details of the project are provided in the wealth management section that follows.

Cost base, investments and savings

Total operating expenses of $84.3 million were incurred in FY21 (FY20: $77.2 million) and represents a 9% increase in the cost base, predominantly driven by an additional pay period and the accrual of the FY21 short term variable remuneration (STVR) accrual in FY21. There were no redundancies or bonuses paid in FY20. Adjusting for these items, the cost base is broadly flat with FY20, with savings achieved through the year being reinvested into key areas of the business including the claims function, risk management and compliance uplift, new product development and key projects (including the implementation of the new PAS).

ClearView is investing in a multi-year life insurance transformation program to support the ease of doing business with financial advisers, provide digital customer engagement tools, improve retention initiatives and drive administration (and related cost) efficiencies. The transformation program includes the implementation and integration of a new life insurance policy administration system and underwriting rules engine (new PAS) aligned to the launch of a new product range, ClearView ClearChoice. Simultaneous, with this program of work the business has commenced a simplification of its wealth management segment that should drive cost efficiencies and has entered into a transaction with Centrepoint Alliance to separate out the financial advice business, further simplifying the Group's cost base.

The business has also experienced significant changes to its cost base in FY21, with a shift to a line of business structure in addition to the implementation of the IT transformation program. A line of business structure was implemented in 2H FY21, with key appointments made and changes flowing through the cost base in 2H FY21.

The new IT infrastructure software as a service arrangement has now been fully implemented. Furthermore, the information technology spend increased significantly in 2H FY21 as ClearView's new PAS implementation commenced, having been approved by the Board in November 2020.

The design, build and implementation of the new PAS is a key strategic focus and represents a circa $25 million investment over a three year period (with circa $19-20 million of these costs being capitalised in accordance with ClearView's IT capitalisation policy). The first phase of the project relates to the launch of ClearChoice on the new platform in 1H FY22, with the migration of the in-force portfolios expected to occur subsequent to the successful implementation of Phase 1 of the project. The project reflects a multi year IT transformation project, with Phase 1 expected to complete in Q3 FY22.

Costs that have been expensed to date are in relation to the research and development of the project and the proof of concept.

Looking forward, the successful implementation of the new PAS is expected to drive new business administration efficiencies from Q4 FY22. The further back end and maintenance administration efficiencies from the implementation are then expected to flow through progressively post migration of the in-force portfolios onto the new platform (from FY23).

Costs that are anticipated to be expensed in FY22 include data migration costs that are incurred as planning and implementation of the migration of the in-force portfolios progress over time. These IT transformation costs, together with the costs associated with running dual platforms for a period of time, are expected to be reported as costs considered unusual to the ordinary activities of the Group and not form part of Underlying NPAT from FY22. Further details on the PAS project will be provided as it progresses.

Other key expense investments in the project pipeline include the implementation of IFRS17 (new insurance accounting standard) and regulatory changes such as the new design and distribution obligations.

The investment in both the claims management capability and processes to achieve improved return to work outcomes and the retention function is expected to continue into FY22. There is also expected to be a reduction in the front end of the cost base in FY22 to align with new business generation with some reinvestment into the implementation of a digital distribution function to supplement the traditional face to face business development model to improve sales.

A core focus of the business in FY22 is the simplification of the wealth management business which is likely to drive some further cost benefits as and when the simplification process is implemented.

The sale of the financial advice businesses is expected to reduce the overall cost base on transition of the businesses post completion.

The table below reconciles the FY21 operating expenses of $84.3 million with the reported operating expenses in the Annual Report:

Reconciliation of operating expenses to reported operated expenses per financial statements		
$M	**FY21**	**FY20**
Operating expenses per Chart 1	**84.3**	**77.2**
Custody investment management expenses	8.6	9.3
Depreciation and software amortisation	(3.6)	(5.7)
Stamp duty	11.2	9.9
Depreciation (right of use assets)	(2.2)	(1.6)
Medical costs	1.0	1.5
Interest expense	6.6	1.5
Reinsurance technology costs	0.8	0.5
Wealth Management Project	4.4	2.0
Recoverable adviser related costs	3.6	2.5
Impairments	3.3	2.6
Expense associated with buy out of adviser contractual arrangment	—	0.7
Other expenses	1.9	2.1
Operating Expenses per financial statements	**119.9**	**102.5**

Operating segment review

Life Insurance

The FY21 financial performance is detailed below.

Life Insurance result:

12 Months to June 2021 ($M)[1]	2020 1H	2020 2H	2020 FY20	2021 1H	2021 2H	2021 FY21	% Change[3]
Gross life insurance premiums	129.0	131.0	260.0	138.4	139.8	278.2	7%
Other income	—	—	—	—	0.2	0.2	NA
Net claims incurred	(22.6)	(35.5)	(58.1)	(19.1)	(25.5)	(44.5)	(23%)
Reinsurance premium expense	(41.3)	(45.5)	(86.8)	(50.2)	(54.0)	(104.2)	20%
Commission and other variable expenses	(29.0)	(27.2)	(56.2)	(26.4)	(26.9)	(53.3)	(5%)
Operating expenses	(24.4)	(21.6)	(46.1)	(26.1)	(28.2)	(54.3)	18%
Movement in policy liabilities	(0.3)	0.6	0.3	1.1	10.5	11.6	Large
BU Operating Earnings (before tax)	**11.4**	**1.7**	**13.1**	**17.7**	**15.9**	**33.6**	**157%**
Income tax (expense) / benefit	(3.4)	(0.8)	(4.2)	(5.3)	(4.8)	(10.1)	137%
BU Operating Earnings (after tax)	**8.0**	**0.9**	**8.8**	**12.4**	**11.1**	**23.5**	**166%**
Underlying investment income	0.7	0.9	1.6	0.6	0.8	1.4	Large
Interest expense on corporate debt[5]	—	—	—	(0.2)	(0.6)	(0.8)	Large
Underlying NPAT	**8.7**	**1.7**	**10.4**	**12.8**	**11.3**	**24.1**	**131%**
Policy liability discount rate effect (after tax)	(0.4)	2.6	2.2	(1.3)	(10.1)	(11.4)	Large
Impairments	—	(2.6)	(2.6)	(0.6)	(0.9)	(1.5)	(42%)
Cost Out Program Implementation Costs	(0.1)	(0.5)	(0.6)	—	—	—	Large
Direct Remediation Program and Royal Commission Costs	(0.5)	0.1	(0.4)	—	—	—	Large
Other costs	—	0.3	0.3	—	—	—	(100%)
Reported NPAT	**7.6**	**1.7**	**9.4**	**10.9**	**0.3**	**11.2**	**20%**

Analysis of Profit ($M)	2020 1H	2020 2H	2020 FY20	2021 1H	2021 2H	2021 FY21	% Change[3]
Expected Underlying NPAT[2]	**15.5**	**15.3**	**30.8**	**14.3**	**13.0**	**27.3**	**(11%)**
Claims experience	(4.7)	(7.8)	(12.5)	3.2	1.0	4.2	Large
Lapse experience	(1.4)	0.1	(1.3)	(0.9)	4.6	3.7	Large
Expense experience	0.3	(0.1)	0.2	(2.7)	(4.0)	(6.7)	Large
Other	(1.0)	0.1	(0.9)	(1.1)	(0.3)	(1.5)[4]	67%
Actual Underlying NPAT before claims assumptions	**8.7**	**7.6**	**16.3**	**12.8**	**14.2**	**27.0**	**66%**
Claims Assumptions Changes	—	(5.9)	(5.9)	—	(2.9)	(2.9)	Large
Actual Underlying NPAT	**8.7**	**1.7**	**10.4**	**12.8**	**11.3**	**24.1**	**131%**

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 Expected Underlying NPAT of $27.3 million reflects expected profit margins on in-force portfolios based on actuarial assumptions and includes short term COVID-19 overlays and changes to the claims assumptions as at 30 June 2020.

3 % change represents the movement from FY20 to FY21.

4 Other predominately relates to a reduction of net interest rates earned, additional commission payments in FY21 due to the large reduction in outstanding premiums between periods and volume and pricing variances to expected.

5 Interest expense on corporate debt relates to interest payable on $30 million subordinated Tier 2 note.

Business Unit Operating Earnings After Tax[1], increased by 166% to $23.5 million (FY20: $8.8 million). Reported NPAT, increased by 20% to $11.2 million (FY20: $9.4 million). The life insurance segment contributes 98% to Group Operating Earnings After Tax.

The material improvement in profitability in FY21 is driven by the strong underlying claims and lapse performance that is measured relative to the material changes to the assumptions (as at 30 June 2020) including an allowance for potential COVID-19 impacts.

Key items of the performance of the life insurance segment for the year ended 30 June 2021 are noted as follows:

- An underlying claims performance for the year compared to assumptions (▲$4.2 million). This is reflective of improved claims management outcomes and lower than assumed COVID-19 claims impacts (in particular income protection related claims).
- The implementation of the most recent industry income protection claims tables (as part of the IDII review) resulted in a 'one-off' change to the claims assumptions at 30 June 2021 (▼$2.9 million) to align with the new tables. This change is required to be broadly adopted across the industry.
- Strong lapse performance compared to expected (overall), with variances in performance between products (▲$3.7 million). The lapse profit was driven by lower than expected shock lapses on lump sum products, but partially offset by income protection lapses and the related price increases that were implemented.
- Impacts of the reduced interest earnings on capital (negatively impacted in the year by ultra-low interest rates and changes to the capital structure), additional commission payments in FY21 due to the large reduction in outstanding premiums between periods and volume and pricing variances to expected (▼$1.5 million).
- Non-deferred expense experience loss (▼$6.7 million) driven by the investment in claims management and the retention focus (across the business) adopted in FY21. These expense losses are expected to progressively unwind over the medium term. Further details are provided later in this section.

ClearView has a set of clear targets for the transformation of its life insurance business, with outcomes to be determined by the successful implementation of the new PAS, launch of ClearChoice (new product) and the further repricing of the LifeSolutions in-force portfolios (over a period of time).

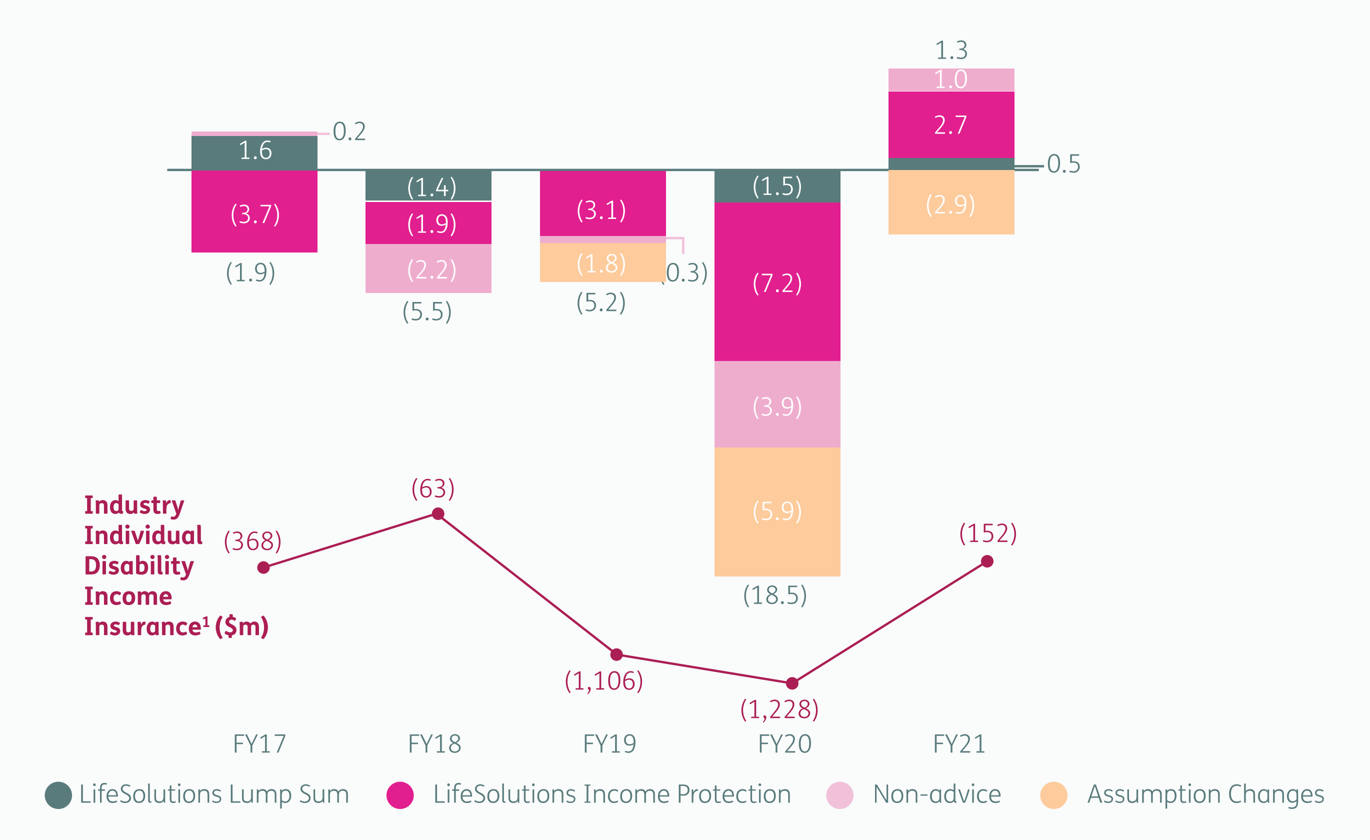
ClearView also continues to focus on retention initiatives (considering the repricing and COVID-19 impacts), claims management and customer engagement to take advantage of the structural changes that are taking place in the market.

1 Operating Earnings (after tax) represents the Underlying NPAT[2] of the business segments before underlying investment income and interest costs associated with corporate debt and Tier 2 Capital. Costs associated with the incurred claims treaty are reflected as part of reinsurance costs.

2 Underlying NPAT consists of consolidated profit after tax excluding amortisation, the effects of changing discount rates on policy liabilities and costs considered unusual to the Group's ordinary activities. Includes amortisation of capitalized software and leases.

Claims

Chart 1: Claims Experience ($M)



1 Industry Individual Disability Income Losses for relevant year end period. For FY21 the Industry Individual Disability Income Losses is for the 3 months ended 31 March 2021 as the June 2021 quarterly result was not available. Source: APRA Quarterly Life Insurance Performance Statistics March 2021.

The positive underlying claims experience of $4.2 million in FY21 (relative to the 30 June 2020 assumptions adopted) can be broken down as follows:

- ClearView LifeSolutions lump sum portfolio positive experience of $0.5 million in FY21 (FY20: -$1.5 million adverse experience). The positive experience was mainly driven by death claims;
- ClearView LifeSolutions income protection portfolio reflects positive experience of $2.7 million in FY21 (FY20: -$7.2 million adverse experience). The positive experience was mainly driven by improved claims management outcomes and limited COVID-19 impacts to date; and
- Direct portfolios (closed to new business) reflects positive experience in FY21 of $1.0 million (FY20: -$3.9 million adverse experience).

Material changes were made to the claims assumptions adopted at 30 June 2020 (and included in both the policy liability and EV calculations) as follows:

- Increased income protection 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
- An allowance was made for shorter term overlays to reflect expected COVID-19 related claims.

The changes to the claims assumptions adopted at 30 June 2020 resulted in adverse $5.9 million impact on the FY20 result.

ClearView has achieved improved case management by claims assessors in FY21 and has increased claims resourcing levels (and related skill sets for complex claims) to ensure appropriate case management by claims assessors.

The direct portfolios (closed to new business), have reflected a significant improvement in FY21 post a deteriorating trend over the more recent years, noting that the surplus reinsurance program of the portfolio acquired in 2010 retains more risk than the ClearView LifeSolutions products. The portfolio has historically reflected claims profits over a longer period of time, 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 poor performance in income protection claims across the industry has been driven by underpricing and generous benefits that have not kept up with societal trends.

From 1 January 2021, APRA has, under the IDII review, required companies to base their income protection claims assumptions on the most recent industry tables. Currently, this table is the FSC-KPMG ADI 2014-2018 table released last year, based on the 2014 to 2018 experience. The adoption of these new tables at 30 June 2021, resulted in a 'one-off' change to the ClearView income protection claims assumptions which had an adverse $2.9 million after tax impact on the FY21 Underlying NPAT result. The new tables have also been used for policy liability and EV calculations.

ClearView has also reviewed its claims assumptions for the potential impacts from COVID-19 at 30 June 2021.

With respect to income protection claims incidence rates (number of claims received) and impacts from COVID-19 (including long COVID), any increase in claims is likely to 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):

- In FY20, based on various papers, it was assumed that the claims costs would increase based on forecast unemployment rates at the time.
- Until the recent lockdowns caused by the Delta strain, the change in effective unemployment was forecast to be close to zero in FY22 compared to pre COVID-19 levels and there would therefore be a minimal impact on incidence rates. This will need to be closely monitored in due course given the ease of transmission of the Delta strain and flow on impacts to lockdowns until vaccination targets are reached.
- There is evidence that certain sectors of the economy have fared worse than others (albeit the recovery has been relatively widespread), based on ABS Labour Force data. Areas such as arts and recreation services, accommodation and food services and travel (amongst others), have been the most impacted. More recent lockdowns have impacted on the construction sector. The sectors are all affected to a different extent (including varying on a state by state basis).
- There could therefore be an increase in income protection claims, requiring a subjective assessment for the sectors affected, for which there is likely a delayed effect. Mental health under lockdown may also lead to an increase in claims. These have been allowed for by a claims overlay for increased income protection claims of 7.5% in FY22.
- There could also be delays in income protection claims reporting due to not visiting the medical practitioners for treatment and diagnosis. Subject to the impacts of the further lockdowns, this however could have potentially washed through the system.
- Overall, on balance a 7.5% loading on claims incidence has been included in the income protection claims assumptions adopted at 30 June 2021. This compares to the 15% previously assumed in FY22, which was on the basis of the effective unemployment increasing by 5% by June 2021.

Regarding terminations for income protection claims, the key considerations are as follows:

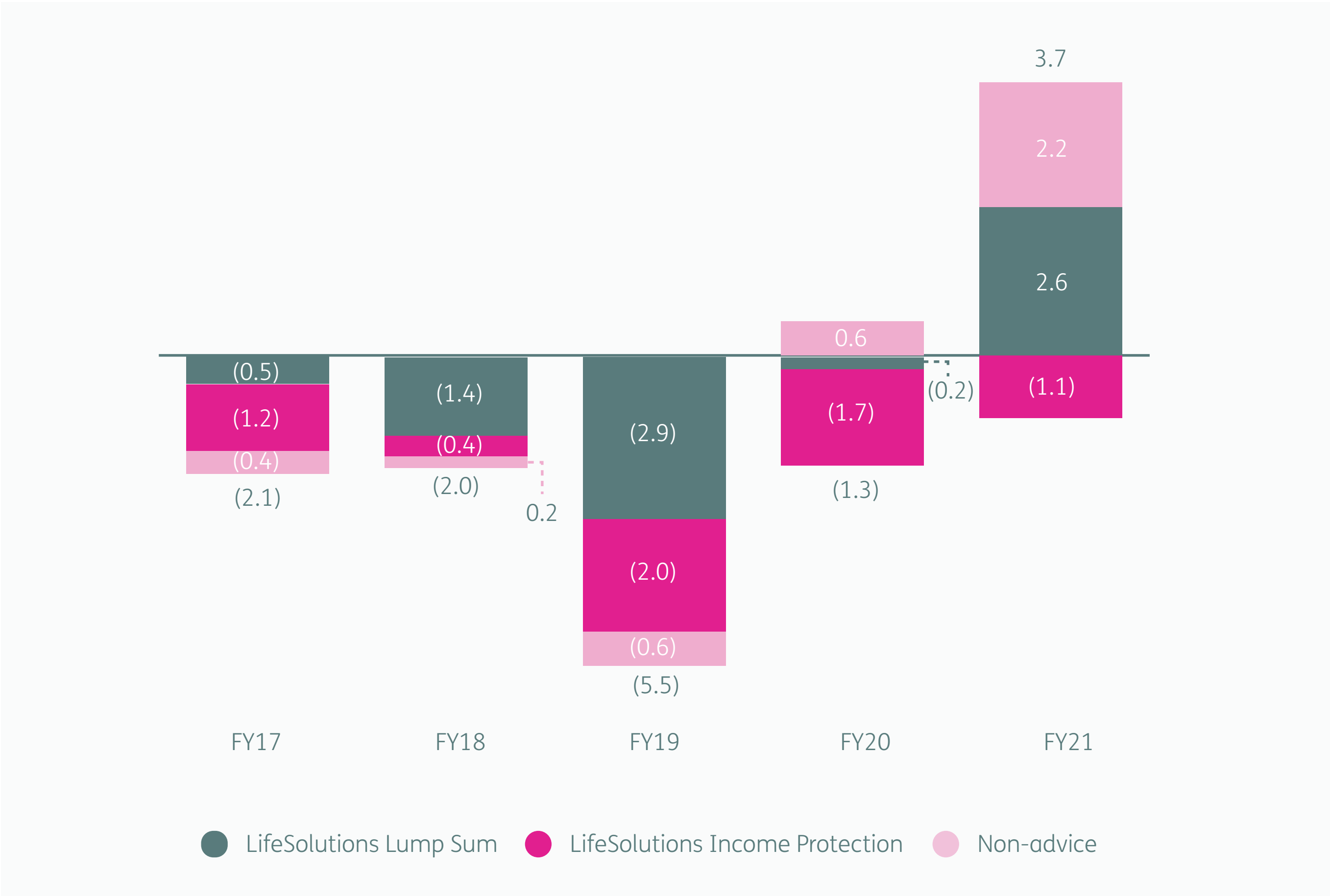
- COVID-19 may indirectly increase the duration of income protection claims, that is reduce claims termination rates (linked to higher unemployment/ underemployment and lower financial incentive to return to work for those sectors that are affected).
- In FY20, based on the results in the 2018 Group Long Term Disability Experience Study Report by the Group Long-Term Disability Committee of the Society of Actuaries, it could have been expected that a 5% increase in effective unemployment (which was expected at the time by June 2021) could lead to a 30% reduction in termination rates. An assumption of 15% was adopted by ClearView (for FY22) given the analysis that was completed on the ClearView portfolios and the exposure of the portfolio to affected industries.
- At 30 June 2021, based on an updated assessment of the exposures, a 5% termination reduction has been adopted. This would increase the cost of claims by circa 2% in FY22 (compared to 7% assumed at 30 June 2020 for FY22).

The above mentioned assumptions have been adopted as a COVID-19 claims cost overlay at 30 June 2021 to approximate the increase in income protection claims across the industry from the secondary economic impacts of the pandemic. The actuarial best-estimate assumptions adopt a long-term view and are based on expectations that claims experience will average out over time.

Lapses

The FY21 result includes a lapse experience profit (▲$3.7 million) (FY20: $1.3 million loss) driven by lower than expected shock lapses on lump sum products, but partially offset by income protection and the related price increases.

Chart 2: Lapse Experience ($M)



Changes were made to the lapse rate assumptions at 30 June 2020 to allow for shorter-term shock lapse overlays to reflect the price changes and potential secondary economic impacts from COVID-19. The shock lapses assumed were (on average) were as follows:

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

The FY21 lapse experience can be broken down as follows:

- ClearView LifeSolutions lump sum portfolio reflects positive experience in FY21 of $2.6 million (FY20: -$0.2 million adverse experience);
- ClearView LifeSolutions income protection portfolio reflects adverse experience in FY21 of -$1.1 million (FY20: -$1.7 million adverse experience); and
- Direct portfolios (closed to new business) reflects positive experience in FY21 of $2.2 million (FY20: $0.6 million positive experience

Whilst overall the business has experienced an improvement in lapse performance over time, the price increases on income protection products has driven the adverse lapse experience in this portfolio (relative to the shock lapse assumptions adopted). The business has now completed the initial twelve month repricing cycle.

For lump sum products, there appears to have been limited COVID-19 impacts to date, based upon the analysis of the direct portfolios where there were no pricing changes over the relevant period. This implies that the lapse losses on the income protection portfolio have been driven by the pricing changes.

Given the observed lapse rates over the last year have been impacted primarily by short term pricing effects, no change in long term best estimate lapse assumptions have been made to those that were adopted at 30 June 2020.

Customer retention strategies remain in place with further investment in capability in 2H FY21. New business price competition remains, especially in lump sum products with up-front tiered discounting increasingly becoming the market norm for most new business offers.

The maintenance expense assumptions have been updated at 30 June 2021 (refer to EV section for further details).

The pricing team continues to review the pricing of the existing LifeSolutions portfolio, including the uncertainty and overall environment. Further shock lapse assumptions of 4.5% on average have been allowed for and adopted at 30 June 2021. Given ongoing industry losses, ClearView expects that industry pricing for existing products will need to increase further in the coming years.

These rate increases on the in-force portfolios and related shock lapse assumptions have been included in policy liability and EV calculations. No shock lapse allowance for COVID-19 is held as at 30 June 2021, based on observed experience to date.

Expenses

Life insurance operating expenses increased to $54.3 million (FY20: $46.1 million). Key areas of investment include the claims area, risk management and compliance functions and projects (including regulatory changes and new system related costs). Expenses were also impacted by the additional pay period in FY21. These were partially offset by reduced overhead costs and software amortisation.

As previously outlined, in the FY21 financial year there has been a shift in the expense allocation profile (relative to prior periods) given the shorter-term headwinds from the disruption of the advice market, impacts on new business volumes and the business correspondingly adopting a retention focus in FY21 (part of the overall strategy on sustainability of product pricing and margins).

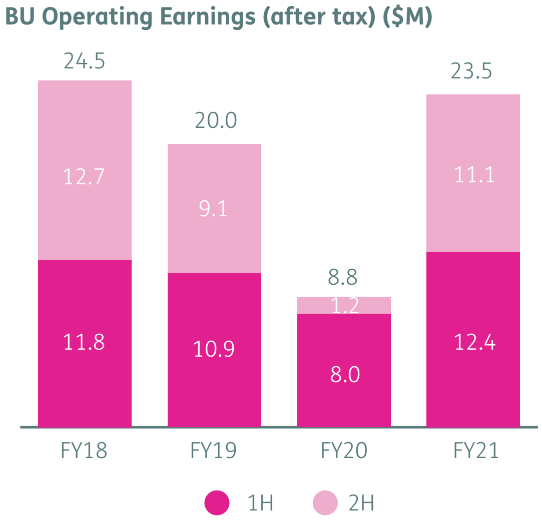
This has resulted in a non-deferred expense experience loss in FY21 of $6.7 million. It is anticipated that the structural changes to the market, return of rational pricing, implementation of the new PAS and the launch of new products will allow new business volumes to increase back over time.

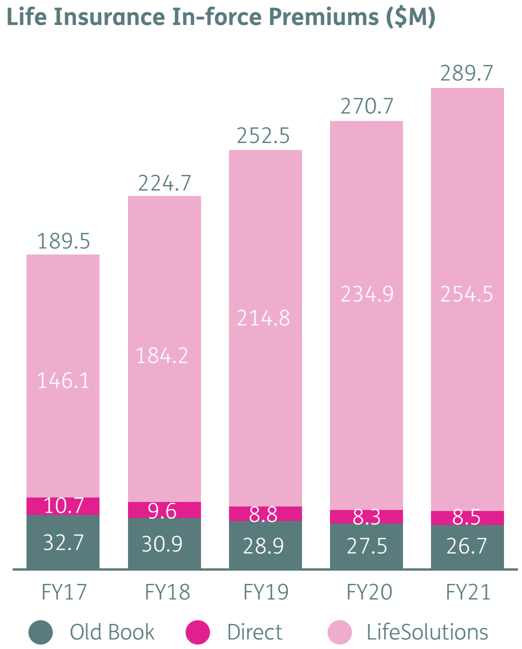
From FY22 it is expected that the business activity will shift back to acquisition with the launch of the ClearChoice product and implementation of the new PAS, initially for new business processing only. New business administration efficiencies are expected to start flowing through from Q4 F22 with maintenance administration progressively as the existing portfolios are migrated onto the new platform. The maintenance expense assumptions have been updated at 30 June 2021 (refer to EV section for further details).

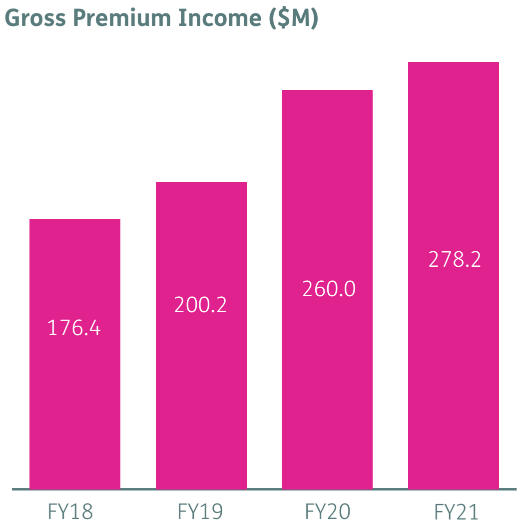
Other

- Shareholder capital is conservatively invested in the large institutional Australian banks and more recently a specialist investment mandate has been entered into with PIMCO, a global investment manager focused on active fixed income management, to manage (in consultation with ClearView) and match the shareholder funds with the insurance liabilities and reserves. The investment mandate retains a focus on a strong and conservative capital position, but with appropriate asset/liability matching.
- Investment earnings have been adversely impacted by the ultra-low interest rates on physical cash.
- The increased reinsurance expense reflects increases to reinsurer pricing, costs associated with the incurred claims treaties 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 an incurred claims treaty with its primary 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. As at 30 June 2021, $48.0 million had settled under the treaty.
- ClearView also entered an incurred claims treaty with Swiss Re for its income protection portfolio in FY21 to address the concentration risk. Under the treaty, ClearView LifeSolutions income protection claims are substantially settled on an earned premium and incurred claims basis. Each quarter, Swiss Re settles 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). As at 30 June 2021, $83.7 million had settled under the treaty.

Chart 3: Life Insurance key performance indicators







- Swiss Re retains 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 (reported as part of the reinsurance cost) has been included in the FY21 result ($1.7 million after tax).
- As a result of entering into the new treaty, ClearView has wound down the limits on the 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.
- Changes in variable expenses relate to commission, stamp duty and medical policy acquisition costs driven by changes in new business volumes between periods.

ClearView LifeSolutions is now on 777 APLs (up 311% on 592 in FY20):

- In-force premiums increased 7% to $289.7 million in FY21. 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 2021 is made up of ClearView LifeSolutions, ($254.5 million; +8%) and the closed direct portfolios ($35.2 million -2%).
- The mix of products making up the in-force portfolio has changed materially with the ClearView LifeSolutions, now representing 88% of total in-force premiums. This links to the margin shifts across the portfolio.
- Gross premiums increased 7% to $278.2 million.

Operating segment review

Wealth Management

The FY21 financial performance is detailed below.

Wealth Management financial result:

12 Months to June 2021 ($M)[1]	2020 1H	2020 2H	2020 FY20	2021 1H	2021 2H	2021 FY21	% Change[2]
Fund management fees	16.7	15.7	32.5	15.5	15.5	31.0	(4%)
Other income	—	—	—	—	0.2	0.3	Large
Funds management expenses	(4.8)	(4.5)	(9.3)	(4.3)	(4.3)	(8.6)	(7%)
Variable expense[3]	(2.8)	(2.6)	(5.4)	(2.5)	(2.7)	(5.3)	(3%)
Operating expenses	(7.4)	(6.7)	(14.1)	(8.3)	(8.7)	(16.9)	20%
BU Operating Earnings (before tax)	**1.6**	**2.0**	**3.6**	**0.4**	**—**	**0.4**	**(89%)**
Income tax (expense) / benefit	(0.2)	(0.2)	(0.4)	0.1	0.1	0.2	(166%)
BU Operating Earnings (after tax)[4]	**1.4**	**1.8**	**3.3**	**0.6**	**0.1**	**0.6**	**(80%)**
Underlying investment income	0.2	0.1	0.3	0.1	—	0.1	(71%)
Underlying NPAT[5]	**1.6**	**2.0**	**3.6**	**0.6**	**0.1**	**0.7**	**(79%)**
Wealth Project Costs	—	(1.4)	(1.4)	(1.5)	(1.6)	(3.1)	121%
Other costs	—	—	—	—	(0.2)	(0.2)	Large
Reported NPAT	**1.6**	**0.6**	**2.2**	**(0.8)**	**(1.7)**	**(2.5)**	**Large**

Business Unit Operating Earnings After Tax4, decreased by 80% to $0.6 million (FY20: $3.3 million). Reported NPAT, decreased to a loss of -$2.5 million (FY20: $2.2 million profit).

Fees earned on average FUM balances are the key profit driver in the segment. ClearView does not invest directly in assets but outsources the selection and ongoing management of underlying shares and securities to third party fund managers.

There was an overall increase in FUM of 22% to $3.4 billion. This includes $314 million in the recently launched WealthSolutions 2 product on the HUB 24 platform that is effectively a white labelled product with limited administration fee margins. The use of the ClearView model portfolios and platform funds on the HUB24 platform is therefore the key driver for the profitability of the segment (there was $71 million in ClearView models at 30 June 2021). On a like for like basis, excluding the WealthSolutions 2 product, FUM has increased 10% to $3.1 billion.

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 FY20 to FY21.

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 (traditional) product. The internal advice fee will cease from FY22.

4 Operating Earnings (after tax) represents the Underlying NPAT[5] of the business segments before underlying investment income and interest costs associated with corporate debt and Tier 2 Capital.

5 Underlying NPAT consists of consolidated profit after tax excluding amortisation, the effects of changing discount rates on policy liabilities and costs considered unusual to the Group's ordinary activities. Includes amortisation of capitalized software and leases.

The mix of products making up the portfolio has changed materially with contemporary products now representing 80% of total FUM. The increase in FUM is reflective of:

- Net inflows of $249.3 million, up 159% (FY20: $96 million) predominantly driven by the launch of WealthSolutions 2 on the HUB 24 platform ($294.2 million of inflows), increased WealthFoundations inflows (up 10% to $157 million), outflows in the WealthSolutions product ($119.3 million, includes external platforms of $24.5 million) and the closed Master Trust (traditional) product (improved to $82.6 million in FY21, down 12%); and
- Investment performance up 14.1% in FY21 (FY20: broadly neutral).

Overall fee income reduced 4% to $31.0 million and reflects the changes in business mix and margins earned. Gross fee margin[1] reduced to 0.99% (FY20: 1.16%) and net fee margin[2] reduced to 0.55% (FY20: 0.63%). This can be broken down by product as follows:

- WealthSolutions fee income fell 5% compared to an increase in average FUM balances of 4%. WealthSolutions fees are down to $11.0 million (includes external platforms of $1.5 million) (FY20: $11.6 million). This was adversely impacted by a reduction in the net average fee rate to 0.36% (FY20: 0.39%), reflecting the outflows and reduced FUM in ClearView model portfolios (and platform funds). The product has transitioned to the HUB24 platform in 2HFY21 that resulted in an increased platform fee cost payable to HUB24 that also adversely impacted on the net fee margins post transition.
- WealthFoundations fee income increased 22% to $5.7 million (FY20: $4.7 million) compared to an increase in average FUM of 36%. This was driven by the strong inflows into the product but partially offset by a lower net average fee rate achieved of 0.47% (FY20: 0.50%), reflective of the product mix and price changes.
- The Master Trust (Traditional) product is effectively a closed book with a portion of FUM in pension phase. The FY21 result includes impacts from the gradual run-off of the Master Trust product (fee income down 11% to $14.4 million (FY20: $16.3 million)). Average FUM balances were down by 9% and a net average fee rate of 1.18% (FY20: 1.22%) was achieved. Further commentary is provided below on proposed changes to the product structure in FY22.
- Given the structure of the WealthSolutions 2 product on the HUB 24 platform (effectively a white labelled product) and the limited administration fee margin earned, this is excluded from the fee analysis and is not considered material to the segment performance in FY21 - the use of ClearView model portfolios and platform funds is key to the success of the product (there is limited FUM currently in the ClearView models to date).

Operating expenses increased in FY21, largely attributable to the additional pay period in FY21, an increased shared services allocation and higher IT spend associated with the WealthFoundations product and its further development. These were partially offset by a reduction in software amortisation costs and other group overhead costs. The FY21 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 wealth management retail market continues to be impacted by platform (product) pricing and technology competition, technology cost and disintermediation (removal of rebates), with a material shift of flows out of the larger institutions to the newer industry players.

ClearView's strategy is focused on the simplification of its wealth management business.

This included 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 on the platform;
- 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 the life insurance tax credit issue; and
- Deliver new products to the market in the future.

ClearView selected HUB24 as its strategic wrap platform provider following a comprehensive market review. Under the arrangement, the FUM in the WealthSolutions platform product has been successfully migrated to HUB24, with the transition completed in 2H FY21 from a technology perspective.

In 1H FY21, the ClearView LifeSolutions Risk only division was transferred from ClearView Life Nominees Pty Limited (CLN) as trustee of CRP to HTFS Nominees Pty Limited as trustee of the HUB24 Super Fund. All the members under the Risk Only Division are now members of the ClearView Insurance Plan within the ClearView Super Plan, a division under HUB24 Super Fund. CLAL continues to issue life insurance policies and provide insurance services to the transferred members as well as new members in the ClearView Super Plan.

The partnership with HUB24 is expected to deliver on ClearView's goals to seek a modern replacement solution for the wrap technology and deliver competitive new products in the future.

As previously announced, the overall project represented a significant investment for ClearView with development, transition and implementation costs expected to be a net cost of circa $6 million. In FY21, a further $4.4 million of these costs were incurred.

1 Gross fee margin is calculated excluding administration fees on WealthSolutions 2 product. Includes FUM on WealthSolutions2 product in ClearView model portfolios.

2 Net fee margin is calculated as gross fee margin less asset management, custody and platform expenses payable. Includes internal advice fee on Master Trust (traditional) product.

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

ClearView's wealth management strategy is predicated on diversifying the ClearView business to take advantage of the growth and demand for wealth management product and services by Australians underpinned by the mandatory superannuation system. This provides an additional customer engagement point given the decline in the number of financial advisers meaning that financial advice will become more focused on wealthier individuals who can afford financial advice.

The CRP is the means by which ClearView offers its superannuation and pension products. ClearView is committed to the corporate mission to deliver effective, sustainable financial products and services to its members while being easy to do business with for members and financial advisers. The Trustee of the CRP is ClearView Life Nominees Pty Limited (CLN). The law and regulations supporting the superannuation industry are comprehensive and require expertise to ensure the regulatory requirements are met.

ClearView has a set of clear targets for the simplification and front end digitisation of the wealth business. The implication of this strategy aligns to the FY22 objectives that includes:

- The further integration of the WealthSolutions product with HUB24 (for both the superannuation and pension business and the Investor Directed Portfolio Service (IDPS)), representing the last step (post the technology transition) in the multi period transformation project of the wrap business with HUB24. Further costs are expected to be incurred in FY22 in relation to this;
- The repricing of the Master Trust (traditional) product to more closely resemble WealthFoundations superannuation and pension business and reopen the portfolio as a contemporary product. This will lead to further margin compression on the traditional wealth management product in FY22, both through further changes in the mix of business coupled with the price reductions (expected to be implemented from 2H FY22); and
- Investment in a new digitised front end (and customer engagement tool) for the WealthFoundations product to improve the customer experience and ease of doing business.

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.

Looking forward, in FY22, the reduction in the wealth management fees in FY22 is impacted by:

- the repricing of the Master Trust (traditional) product and transition to contemporary product; and
- Change in margin and revenue from the HUB24 transaction given the transition of the platform business.

These fee reductions are likely to be offset by:

- A reduction in custody costs and asset management in line with the change in product structure and transition of the traditional product to WealthFoundations;
- The reduction in the internal advice fee that is no longer paid to dealer group from 1 July 2021; and
- Simplification of the wealth management business leads to cost base reductions , coupled with digitisation of wealth front end to generate increased flows. Costs are expected to reduce progressively as the simplification process is implemented.

These overall impacts have been included in the EV calculations at 30 June 2021.

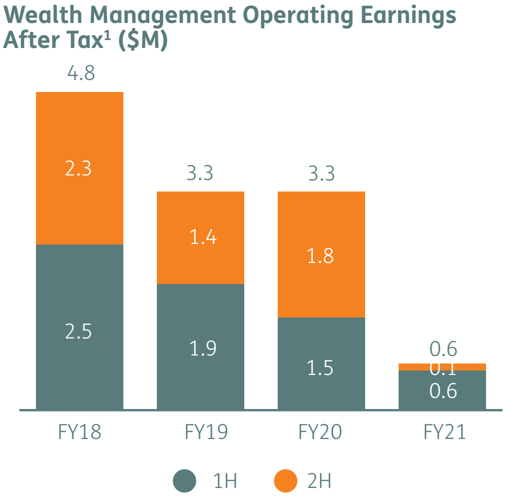
The rationale behind ClearView's wealth management strategy remains unchanged - the convergence of life insurance and wealth management creates a unique opportunity for companies that manufacture and distribute both products.

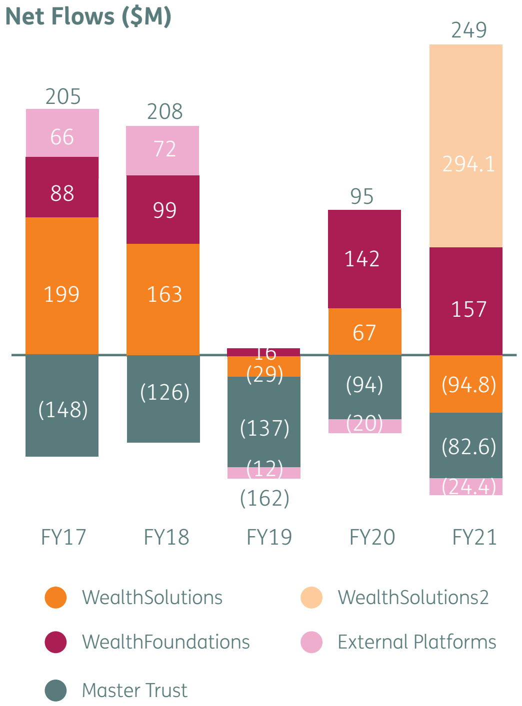
ClearView's contemporary Wealth Management solutions, which include a range of model portfolios and investment administration platforms, are only accessible through financial advisers.

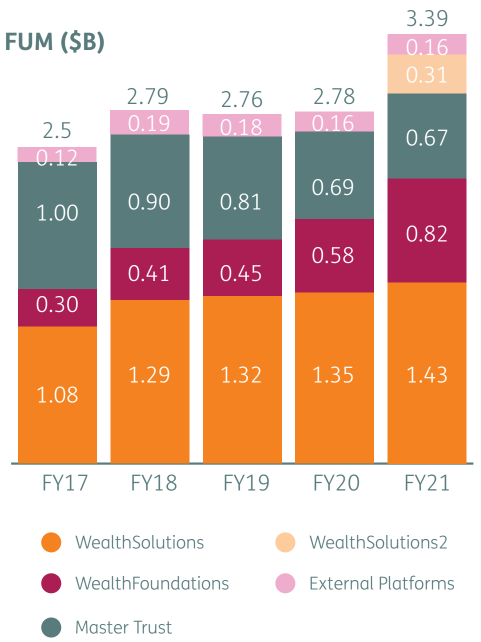
The IFA segment represents ClearView's largest opportunity. Gaining support from the adviser network by offering quality products and service is important for diversifying sales and growing FUM.

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

Chart 4: Wealth Management key performance indicators







1 Operating Earnings (after tax) represents the Underlying NPAT[2] of the business segments before underlying investment income and interest costs associated with corporate debt and Tier 2 Capital.

2 Underlying NPAT consists of consolidated profit after tax excluding amortisation, the effects of changing discount rates on policy liabilities and costs considered unusual to the Group's ordinary activities. Includes amortisation of capitalised software and leases.

Operating segment review

Financial advice

The FY21 financial performance is discussed below.

Financial Advice result:

12 Months to 30 June 2021 ($M)[1]	2020 1H	2020 2H	2020 FY20	2021 1H	2021 2H	2021 FY21	% Change[2]
Net financial planning fees	8.8	9.4	18.1	7.1	6.0	13.1	(28%)
Other Income	—	—	—	—	—	—	NM
Operating expenses	(8.5)	(7.2)	(15.7)	(5.9)	(6.0)	(11.9)	(24%)
BU Operating Earnings (before tax)	**0.3**	**2.2**	**2.5**	**1.2**	**0.1**	**1.2**	**(51%)**
Income tax (expense) / benefit	0.2	(0.7)	(0.4)	(0.3)	—	(0.4)	(18%)
BU Operating Earnings (after tax)	**0.5**	**1.6**	**2.1**	**0.8**	**—**	**0.9**	**(58%)**
Underlying investment income	0.1	0.1	0.2	0.1	0.1	0.1	(34%)
Underlying NPAT	**0.6**	**1.6**	**2.3**	**0.9**	**0.1**	**1.0**	**(56%)**
Amortisation of acquired intangibles and impairment	—	—	—	—	—	—	NM
Cost Out Program Implementation Costs	(0.3)	—	(0.3)	—	—	—	Large
Other costs	—	0.1	0.1	0.1	—	0.1	NM
Reported NPAT	**0.3**	**1.7**	**2.0**	**0.9**	**0.1**	**1.1**	**(47%)**

Business Unit Operating Earnings After Tax[3], decreased by 58% to $0.9 million (FY20: $2.1 million). Reported NPAT decreased 47% to $1.1 million (FY20: $2.0 million).

Net financial planning fees decreased by $5.0 million (-28%) to $13.1 million. Key drivers of the net fee decrease is as follows:

- Dealer group membership fee income increased 17% to $6.5 million (FY20: $5.6 million). The increase in dealer group membership fees has been driven by the implementation of the new pricing model including the transition of older franchised agreements. Changes to the remuneration and fee model in the dealer groups were introduced on 1 November 2019, representing a fairer, more sustainable revenue base and numbers are reflected on a like for like basis.
- LaVista membership fee income increased 105% to $0.9 million (FY20: $0.4 million). Recruitment of advisers has gained further traction in FY21 (noting some transition of advisers from the dealer group to a self licenced LaVista model). LaVista is 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 offering positions ClearView to capture opportunities arising from structural change.
- Employed planners fee revenue decreased by 14% to $2.1 million (FY20: $2.4 million). This revenue relates to the employed planning component of the business (six financial advisers).
- However, the overall increase in sustainable revenue (outlined above) was offset by a reduction in grandfathered revenue streams and a material decline in the financial support received from other ClearView entities.
- The reduction in grandfathered rebates (ceased from 1 January 2021) collectively contributed $0.3 million in FY21 (FY20: $1.1 million).
- The balance of the decline in revenue in the segment was driven by the reduced financial support from ClearView entities. As noted in the wealth management segment the internal advice fee will no longer paid to dealer group from 1 July 2021, resulting in no further financial support received from other ClearView entities in FY22.

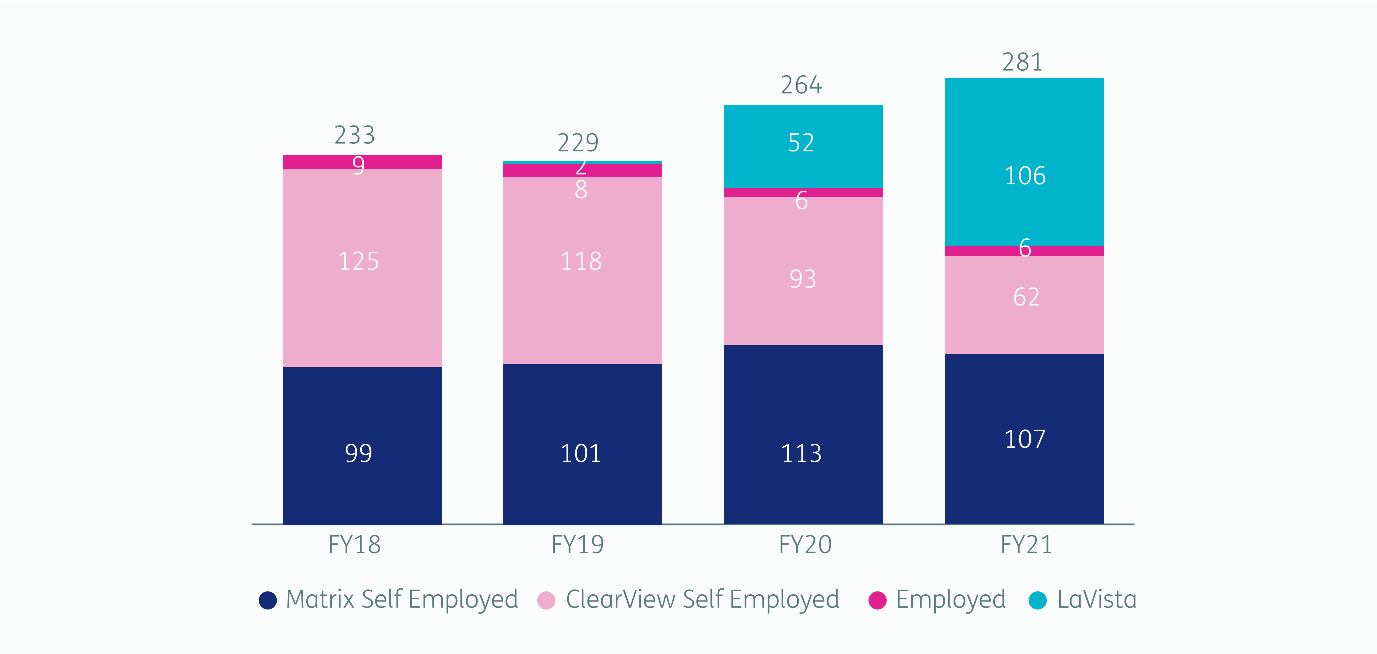
1. Shareholder view excludes the life investments contracts (i.e. unit linked business) and deconsolidates retail unit trusts and reflects fees earned by the shareholder less expenses incurred. Intersegment revenues/expenses are not eliminated in the shareholder view.
2. % change represents the movement from FY20 to FY21.
3. Operating Earnings (after tax) represents the Underlying NPAT[4] of the business segments before underlying investment income and interest costs associated with corporate debt and Tier 2 Capital.
4. Underlying NPAT consists of consolidated profit after tax excluding amortisation, the effects of changing discount rates on policy liabilities and costs considered unusual to the Group's ordinary activities. Includes amortisation of capitalised software and leases.

Operating expenses reduced by 24%, driven by decreased overhead costs and completion of the advice remediation program (costs were impacted in FY20 by the program including compensation costs). The outstanding remediation programs have now been completed. 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.

Scale in the segment is now at a stepped fixed cost phase, where the addition of new head count occurs only once when the next group of practices join and AFSL volumes have been reached. As part of the LaVista roll out and repositioning of its dealer groups, the segment is focused on its path to parity with the intention 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 and that better reflects the true cost of providing that support.

The ClearView and Matrix dealer groups, as at 30 June 2021 together have 175 financial advisers operating under their licences. LaVista has 34 adviser practices (106 financial advisers) using its services at 30 June 2021.

Chart 5: Advisers



The resetting of the financial advice market is also creating an opportunity for a non-bank independent dealer group with scale, strong compliance capability, modern technology and deep adviser relationships to pursue inorganic opportunities with the aim of consolidating the market. To achieve this requires a significant investment in technology, automation and compliance to ensure an industrial strength back office and that regulatory requirements are consistently satisfied.

CFA and Matrix are currently mid-sized dealer groups with leading edge technology, a strong management team and compliance processes but suffers from a lack of scale that results in sub-optimal profitability (with no financial support from ClearView entities). There is a significant opportunity for the business to scale its ‘infrastructure’ to provide support to a very large number of AFSLs and financial advisers and thereby achieve scale. Advisers will be attracted to a high-quality dealer group where the support services are robust, efficient and competitively priced.

Subsequent to year end, the Board initiated a strategic review in the financial advice segment to seek out and pursue inorganic opportunities and thereby accelerate the path to scale in the market. This would provide the capability to take a market leading position in the financial advice industry so as to build a strategically successful and profitable financial advice business.

The integration of the financial advice businesses with other industry participants creates immediate scale and can set a vision to use best of breed technology and processes to become the engine that can roll up and consolidate the industry.

This also allows ClearView to participate in industry consolidation and at the same time separate the product manufacturer and advice arms of ClearView.

The deal with Centrepoint Alliance provides the combined entity with immediate scale, a strong and effective management team, best of breed technology and processes and the capability to take a market leading position in the financial advice industry to build a strategically successful and profitable financial advice business.

Much of the value of the transaction is in the strategic value and extraction of significant synergies and creation of a platform and capability to further consolidate the market.

The proceeds of the transaction of $15.2 million include the cash component ($3.2 million) as well as the market value of the shareholding in the merged entity[1] (48 million Centrepoint Alliance shares at 25 cents per share).

The ClearView Financial Advice businesses are expected to declare a circa $7m pre completion dividend to the Company prior to their sale to Centrepoint Alliance.

ClearView's shareholding in Centrepoint Alliance is expected to be earnings accretive to ClearView.

Any costs incurred in relation to the transaction will be reported as a cost considered unusual to the ordinary activities and not form part of Underlying NPAT in FY22.

1 Subject to net asset adjustment as defined under the terms of the agreement.

Operating segment review

Listed/Group segment

The FY21 financial performance is discussed below.

Listed /Group segment result:

12 Months to June 2021 ($M)[1]	2020 1H	2020 2H	FY20	2021 1H	2021 2H	FY21	% Change[2]
Operating expenses	(0.6)	(0.7)	(1.4)	(0.7)	(0.4)	(1.2)	(15%)
BU Operating NPBT	**(0.6)**	**(0.7)**	**(1.4)**	**(0.7)**	**(0.4)**	**(1.2)**	**(15%)**
Income tax (expense) / benefit	0.1	0.1	(0.3)	—	—	—	(99%)
BU Operating NPAT	**(0.5)**	**(0.6)**	**(1.1)**	**(0.7)**	**(0.4)**	**(1.2)**	**4%**
Underlying investment income	0.1	0.1	0.2	—	—	0.1	Large
Interest expense on corporate debt	(0.3)	(0.4)	(0.6)	(0.7)	(1.3)	(2.0)	206%
Underlying NPAT	**(0.7)**	**(0.9)**	**(1.6)**	**(1.4)**	**(1.7)**	**(3.1)**	**97%**
Cost Out Program Implementation Costs	1.1	(0.2)	0.9	—	—	—	Large
Direct Closure, Remediation Program and Royal Commission Costs	—	0.3	0.3	0.0	—	—	Large
Other costs	0.0	(0.2)	(0.2)	0.0	—	—	Large
Reported NPAT	**0.4**	**(1.0)**	**(0.6)**	**(1.4)**	**(1.7)**	**(3.1)**	**Large**

The segment financial results for the year ended 30 June 2021 are shown in the table above. Business Unit Operating Earnings After Tax[3], decreased by 4% to -$1.2 million (FY20 :-$1.1 million) and Reported NPAT to -$3.1 million (FY20: -$0.6 million loss).

This segment includes the investment earnings on cash and investments held in the listed and central services entities and in the shareholders' fund of CLAL, 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.

Investment earnings reflect the reduction in interest rates between periods. The costs associated with maintaining a listed entity have remained broadly consistent period to period.

Interest expense on corporate debt relates to loan establishment and interest costs on the Debt Funding Facility. As at 30 June 2021, ClearView had drawn down $16 million under the Debt Funding Facility. Interest expense recognised for the year was $0.8 million (FY20: $0.9 million).

On 5 November 2020, the Company issued $75 million subordinated, unsecured notes to wholesale investors. These are unsecured, subordinated debt obligations of the Company. Interest accrues at a variable rate equal to the three-month Bank Bill Swap Rate ('BBSW') plus a margin of 6% per annum, until maturity, payable quarterly in arrears. Interest expense recognised for the year was $2.9 million (of which $1.1 million is reported in the Life Insurance segment). The Company utilised $30 million of the proceeds of the Notes for regulatory capital purposes for its regulated life insurance entity.

The remainder of the proceeds were used by ClearView to repay existing debt and to cover associated costs. The maturity date of the subordinated debt is 5 November 2030.

The Company capitalised directly attributable costs associated with the issuance of the subordinated debt, which for the year ended total $1.6 million. These costs are amortised on a straight-line basis of 5 years ($0.2 million in FY21).

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 FY20 to FY21.

3 Operating Earnings (after tax) represents the Underlying NPAT[4] of the business segments before underlying investment income and interest costs associated with corporate debt and Tier 2 Capital. Costs associated with the incurred claims treaty are reflected as part of reinsurance costs.

4 Underlying NPAT consists of consolidated profit after tax excluding amortisation, the effects of changing discount rates on policy liabilities and costs considered unusual to the Group's ordinary activities. Includes amortisation of capitalized software and leases.

As at 30 June 2021, the Group held a receivable amount from CRP of $9.0 million (30 June 2020 $15.5 million). It is expected that the receivable amount will be recoverable in the foreseeable future as CRP continues to generate future taxable income. The recoverability of the receivable from CRP will continue to be assessed at each reporting period.

Statement of financial position

The Group's statement of financial position, which is set out on page 78, reflects the key metrics below.

Net assets at 30 June 2021 increased to $459.4 million (June 2020: $452.7 million) and net asset value per share (including ESP loans) of 72.3 cents per share (June 2020: 71.5 cents per share).

The Balance Sheet at 30 June 2021 reflects:

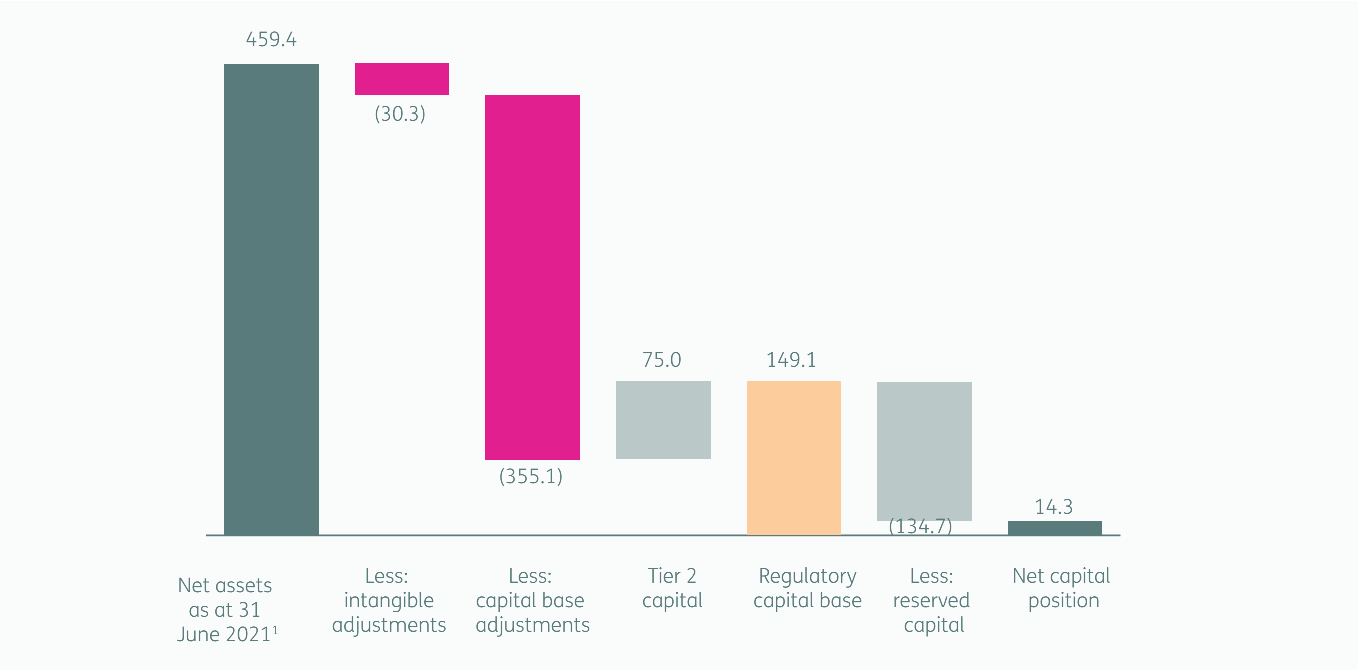
- Shareholder cash and investments of $463.2 million - shareholder cash is conservatively invested in the large institutional Australian banks ($158.7 million) and a specialist investment mandate has been entered into with PIMCO ($304.5 million).
- A net cash and investments position of $373.7 million, with $16 million drawn down under the Debt Funding Facility, $75 million Tier 2 capital raised reflected as subordinated debt (net of costs).
- Goodwill and intangibles relates to Goodwill of $12.5 million arising on acquisition of Matrix and intangibles includes $7.5 million of capitalised software costs.
- The life insurance policy liability decrease reflects the change in the life insurance business (DAC) and interest rate effects between periods and implementation of incurred claims treaties. Past policy acquisition costs of $352.5 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.
- Includes CRP receivable of $9.0 million, net of a $1.5 million provision.
- A right of use asset of $12.9 million has been raised in relation to the new Sydney and Brisbane premise leases that were entered into in FY21.

ClearView's Strong Balance Sheet and capital base supports its ability to continue meeting its obligations to policyholders and customers. ClearView is capitalised with Common Equity Tier 1 capital and Tier 2 capital.

Capital Position at 30 June 2021

The following charts reflect the net capital position of the Group as at 30 June 2021:

Chart 6: Capital position as at 30 June 2021 ($M)



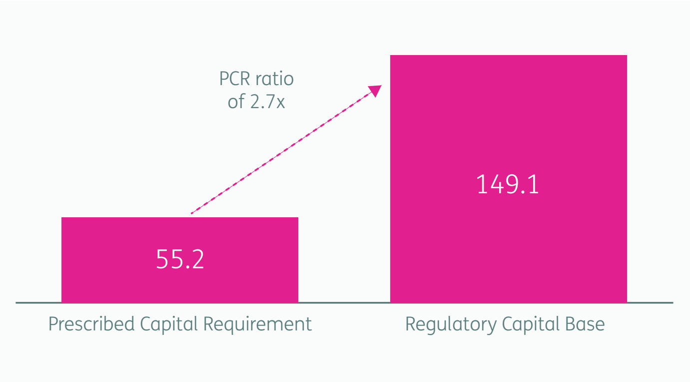
1 Net Assets as at 30 June 2021 excluding ESP Loans. Net assets include the deferred acquisition costs (DAC) component of insurance policy liabilities.

The net surplus capital position of the Group above internal benchmarks is $14.3 million at 30 June 2021 and reflects:

- The net assets of $459.4 million as outlined above.
- Under the APRA capital standards, adjustments are made to the capital base for various asset amounts that are deducted from the Group net asset position.
- Intangible Adjustments of $30.3 million are deducted from the net assets and relate to Goodwill ($12.5 million), Capitalised Software ($7.7 million), Receivable from the CRP ($8.5 million) and costs associated with Tier 2 raising ($1.6 million).
- Capital base adjustments remove the deferred acquisition costs ($352.5 million) and deferred tax assets ($2.6 million) that are included in the net asset position but are not permitted to be counted in the regulatory capital base under the APRA capital standards;
- The Tier 2 subordinated debt is incorporated into the capital base in accordance with the APRA capital standards ($75 million). The costs associated with the raising have been deducted as part of the Intangible Adjustments.
- This results in a Group regulatory capital base, calculated in accordance with the APRA capital standards of $149.0 million.
- Reserved capital of $134.7 million includes the minimum regulatory capital that is required under the APRA capital standards (called the prescribed capital amount), the APRA supervisory adjustment for life company as required by APRA as part of the IDII sustainability measures, and risk capital which is additional capital held to address the risk of breaching regulatory capital (where the regulatory capital cannot be readily accessed and to protect the various regulated entities' regulatory licence) in accordance with the ClearView's internal capital adequacy process.
- Risk capital also includes an amount held as a working capital reserve ($12.1 million as at 30 June 2021) that is held to support the future capital needs of the business beyond the risk reserving basis.
- This working capital reserve of $12.1 million is then released as the negative cash flows arise, after which time the underlying business becomes self funding (from FY23). The working capital reserve has been updated post the approval of the FY22 Business Plan by the Board in July 2021 (the FY22 Business Plan is prepared for a three year period).
- The forecast capital generation (and related net capital position) in the FY22 Business Plan allows for staggered price increases of the LifeSolutions in-force portfolio over a period of time, increased new business generation and market share over the forecast period, the interest costs associated with the Tier 2 capital raising and the material investment in the new PAS over the multi year transformation period.
- The net surplus capital position of the Group above internal benchmarks of $14.3 million at 30 June 2021 is stated prior to the declaration of the FY21 final dividend and the capital benefits from the proposed corporate activity in the financial advice segment.
- Given that the financial advice segment is carried at net assets, the net surplus capital position at 30 June 2021 is expected to increase, by the amount the proceeds of the transaction (plus the pre-completion dividend) exceeds the carrying value of the investment. The proceeds of the transaction include the cash component as well as the market value of the shareholding in the merged entity.
- The surplus capital position and future business capital generation is anticipated to fund the net capital expenditure impacts of the investment in the new PAS (relative to the quantum that could be permissible to be counted for capital purposes). ClearView also has access to the Debt Funding Facility, to the extent further funding is required. The Debt Funding Facility is repayable on 1 April 2024.
- ClearView has implemented an incurred claims treaty 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. There is no Asset Concentration Risk charge under LPS 117 relating to the Swiss Re exposure as at 30 June 2021.
- 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'.

The Group has a PCR capital coverage ratio of 2.7X at 30 June 2021, reflecting the strength of the overall capital position of the Group.

Chart 7: Group Regulatory Capital Coverage ($M)



The net capital position of the Group as at 30 June 2021 represents an increase of $10.2 million since 30 June 2020, noting that part of the proceeds of the Tier 2 capital raising was used to repay a portion of the Debt Funding Facility ($34 million) and the APRA Pillar 2 capital charge is also now included in the Prescribed Capital Requirement at 30 June 2021 (was nil at 30 June 2020). APRA continues to engage with institutions with regard to the implementation of their IDII action plans and potential implications on the Pillar 2 capital charge (including the potential release thereof).

Chart 8: Capital position as at 30 June 2021 by segment and regulated entity

	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 2021	441.2	10.2	4.1	455.5	8.7	11.4	20.1	475.5	(16.1)	459.4
Intangible adjustments[3]	(6.4)	(0.9)	—	(7.2)	(0.3)	—	(0.3)	(7.5)	(22.8)	(30.3)
Net assets after intangible adjustments	**434.9**	**9.3**	**4.1**	**448.2**	**8.4**	**11.4**	**19.8**	**468.0**	**(38.9)**	**429.1**
Capital Base Adjustment:										
Deferred Acquisition Costs (DAC)	(352.5)	—	—		—	—	—	(352.5)	—	(352.5)
Tier 2 capital[4]	30.0	—	—	30.0	—	—	—	30.0	45.0	75.0
DTA adjustments	(1.5)	—	—	(1.6)	(0.1)	(0.7)	(0.8)	(2.4)	(0.2)	(2.6)
Regulatory Capital Base	**110.9**	**9.3**	**4.1**	**124.1**	**8.3**	**10.7**	**19.0**	**143.1**	**5.9**	**149.1**
Prescribed Capital Requirement	(41.3)	(3.8)	(3.8)	(48.8)	(5.0)	(1.4)	(6.4)	(55.2)	—	(55.2)
Available Enterprise Capital	**69.6**	**5.5**	**0.3**	**75.3**	**3.3**	**9.3**	**12.6**	**87.9**	**5.9**	**93.8**
Enterprise Capital Benchmark (ECB)										
Working Capital	(12.1)	—	—	(12.1)	—	—	—	(12.1)	—	(12.1)
Risk Capital[1]	(52.0)	(3.1)	—	(55.1)	(1.7)	(1.6)	(3.4)	(58.5)	(8.9)	(67.4)
Net capital position	**5.5**	**2.4**	**0.3**	**8.1**	**1.6**	**7.7**	**9.2**	**17.3**	**(3.0)**	**14.3**

1 As at 30 June 2021, 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.

3 Intangible adjustments relate to goodwill, acquired intangibles and capitalised software. It also includes the removal of the CRP receivable of $8.5 million for capital purposes and $1.6 million of capitalised costs in relation to the Tier 2 capital raising.

4 ClearView raised $75m of Tier 2 subordinated notes in November 2020.

Dividends and On-market 10/12 limit share buyback

The Board seeks to pay dividends at sustainable levels with a target payout ratio of between 40% and 60% of Operating Earnings After Tax[1]. This dividend policy has been set (subject to available profits and financial position) to consider regulatory requirements and available capital within the Group. Operating Earnings represents the Underlying NPAT[2] of the business before underlying investment income and interest costs associated with corporate debt and Tier 2 Capital and takes into account the impact on earnings of the ultra low interest rate environment and change in capital structure of the business (through the successful issuance of $75 million subordinated notes in FY21).

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.

ClearView has previously operated a Dividend Reinvestment Plan (DRP):

- To provide shareholders with the opportunity to reinvest into the Company while retaining capital within the Group;
- Given ClearView's preference to retain capital and the illiquidity of the share trading, it was not considered appropriate to minimize the dilutive impact of the DRP through the on-market purchase of the number of shares to satisfy the DRP participation; and
- ClearView has at various times sought support for any shortfall in shareholder participation by underwriting the shortfall to maintain the capital base within the Group.

A goal of the Board is to ensure that a best practice regime is in place to both protect policyholder interests and manage shareholder aspirations about the visibility on the Group's Embedded Value, ClearView's share liquidity, capital position and capital management approach. The Board continues to seek to:

- Pay dividends at sustainable levels;
- Maximise the use of its franking account by paying fully franked dividends; and
- Seek transparent communication to the market around Embedded Value estimation and its relationship to the prevailing share price.

Considering the uncertainty of the impacts due to COVID-19 and the recent outbreaks from the Delta strain (and related lockdowns), material investment in the new PAS, no certainty in the timing of the release of the APRA Pillar 2 capital charge, and standard completion risks associated with the increase in the net capital position of the Group from the Centrepoint Alliance transaction, a FY21 dividend of 1 cent per share has been declared (FY20: $nil). This represents just under 30% of Operating Earnings After Tax[1] and reflects an element of conservatism compared to the stated dividend policy.

10/12 limit on market buy back

ClearView has in place a Board approved 10/12 limit on market buy-back program which has been extended for a further 12-month period until December 2021. 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 and there were no shares bought back and cancelled in the year ended 30 June 2021.

Selective buy-back

As approved by Shareholders at the ClearView 2020 Annual General Meeting (AGM) and disclosed on market, ClearView undertook a selective buy-back of unvested Executive Share Plan (ESP) Shares in November 2020. 2,435,940 shares were selectively bought back and cancelled on the terms outlined in the ClearView AGM Notice of Meeting, Appendix 3C, Appendix 3E and Appendix 3F. These announcements are under the Shareholders tab on the ClearView website.

Employee Share Scheme buy-back

3,000,000 ESP Shares of a former employee were bought back and cancelled under the Employee Share Scheme regime in June 2021, on the terms outlined in the Appendix 3C, Appendix 3E and Appendix 3F. These announcements are under the Shareholders tab on the ClearView website.

1 Operating Earnings (after tax) represents the Underlying NPAT[2] of the business segments before underlying investment income and interest costs associated with corporate debt and Tier 2 Capital. Costs associated with the incurred claims treaty are reflected as part of reinsurance costs.

2 Underlying NPAT consists of consolidated profit after tax excluding amortisation, the effects of changing discount rates on policy liabilities and costs considered unusual to the Group's ordinary activities. Includes amortisation of capitalised software and leases.

Embedded Value

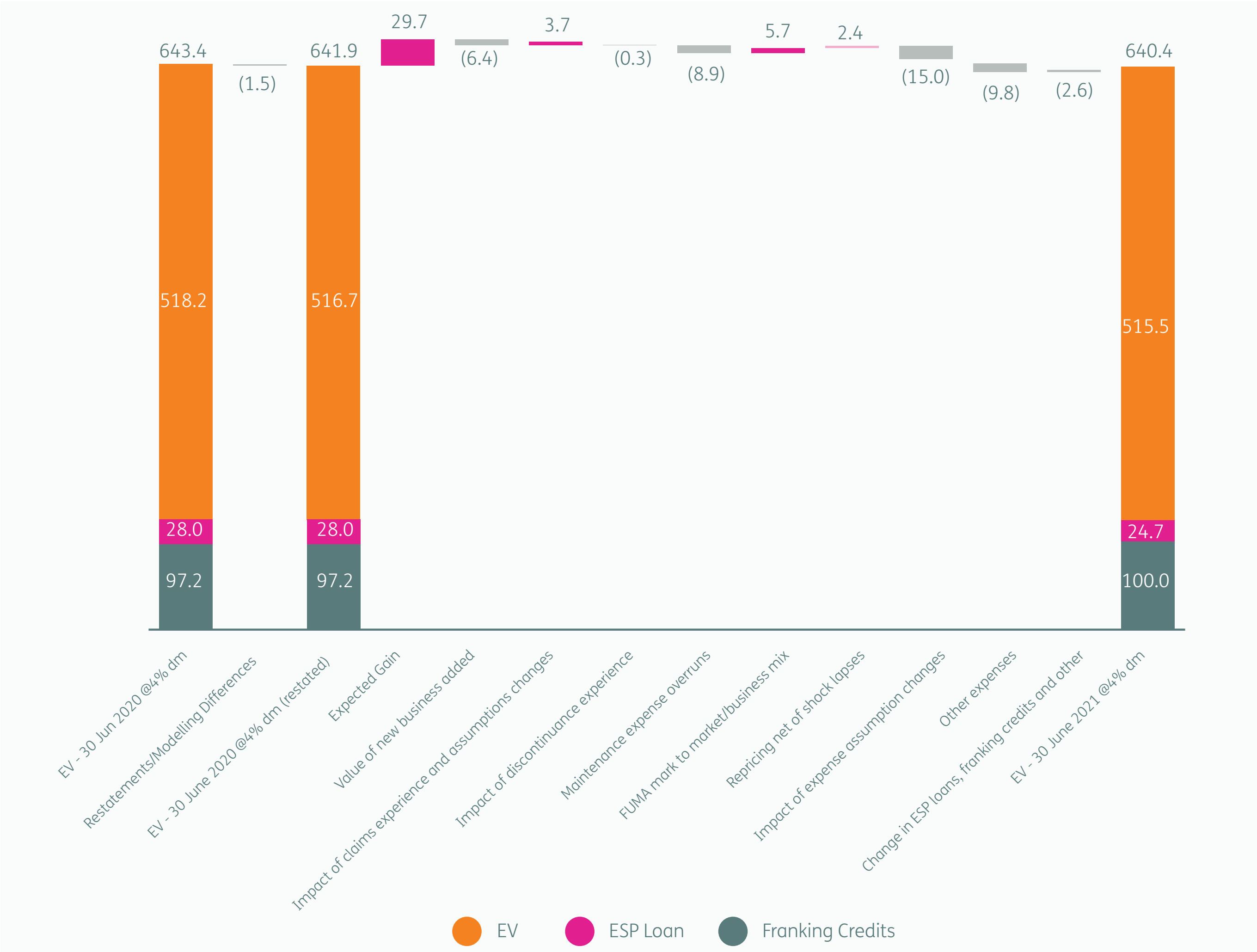
Life Insurance and Wealth Management are long-term businesses that involve long-term contracts with customers and complex accounting treatments. Embedded Value (EV) represents the discounted value of the future net cash flows anticipated to arise from the in-force life policies and investment client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

The EV of the Group of $640.4 million at 30 June 2021 is stated prior to the declaration of the FY21 final dividend and the capital benefits from the proposed corporate activity in the Financial Advice segment (as only the net assets of the Financial Advice segment is 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 otherwise stated)	3% dm	4% dm	5% dm
Life insurance	495.1	461.7	431.7
Wealth management	46.2	43.8	41.7
Advice	—	—	—
Value of In Force (VIF)	**541.2**	**505.4**	**473.3**
Net worth	10.2	10.2	10.2
Total EV	**551.4**	**515.6**	**483.5**
ESP Loans	24.7	24.7	24.7
Total EV including ESP Loans	**576.2**	**540.4**	**508.2**
Franking Credits @ 70%:			
Life Insurance	70.9	66.3	62.4
Wealth Management	10.7	10.1	9.5
Financial Advice	—	—	—
Net worth (accrued franking credits)	23.6	23.6	23.6
Total Franking Credits	**105.2**	**100.0**	**95.6**
Total EV including ESP loans and franking credits	**681.3**	**640.4**	**603.8**
EV per Share including ESP Loans (cents)	**86.1**	**80.7**	**75.9**
EV per Share including ESP Loans and Franking Credits (cents)	**101.8**	**95.7**	**90.2**

Chart 9: EV movement waterfall



The key movements in the EV between June 2021 and FY20 are described in detail below. The restatement of the 30 June 2021 relates to the impact of model changes (-$1.5 million).

Expected Gain (+$29.7 million)

Expected gain (+$29.7 million) represents the expected unwind of the discount rate within the value of in-force and investment earnings on net worth.

Value of New Business (-$6.4 million)

The value added by new business written (VNB) over the period (-$6.4 million).

- The value of new business in FY21 is suppressed by the acquisition costs incurred relative to lower new business volumes in the Life Insurance segment (-$3.4 million).
- It is anticipated that the structural changes to the market, return of rational pricing, implementation of the new PAS and the launch of ClearChoice will allow new business volumes to increase back over time (with an initial realignment of the front end cost base to new business generation). The launch of a digital distribution centre is also expected to assist in increasing new business and improving the cost to serve.
- The VNB is also expected to improve (over time) given improved income protection margins from the product redesign and pricing, coupled with cost efficiencies and ease of doing business with the financial advisers (from implementation of the new PAS).
- The profitability of income protection business for the industry as a whole is expected to improve given the launch of new products from October 2021 in line with the APRA IDII sustainability measures.

- The Wealth Management segment VNB was negative in FY21 (-$3.0 million), noting that the business has a simplification focus coupled with the digitisation of the front end (including customer engagement) that should lead to cost efficiencies and increased flows into its core product range over time.

Maintenance Expenses (-$8.9 million)

Life Insurance maintenance expense experience reflects non-deferred expense experience loss in FY21 (-$6.6 million).

- See further commentary on key areas of investment and commentary on the cost base on page 25.
- As previously outlined, in the FY21 financial year there has been a shift in the expense allocation profile (relative to prior periods) given the shorter-term headwinds from the disruption of the advice market, impacts on new business volumes and the business correspondingly adopting a retention focus in FY21 (part of the overall strategy on sustainability of product pricing and margins). This has resulted in a non-deferred expense experience loss in FY21 of -$6.6 million.
- From FY22 it is expected that the business activity will shift back to acquisition with the launch of the ClearChoice product and implementation of the new PAS, initially for new business processing only. New business administration efficiencies are expected to start flowing through from Q4 F22 with maintenance administration progressively as the existing portfolios are migrated onto the new platform (from FY23).
- As the business efficiencies from the new PAS are extracted over time, the stepped fixed cost structure and efficiencies obtained allows the additional expense contribution from each dollar of new business/ in-force, that with the growth in the in-force portfolios and increased new business volumes, allows the expense overruns to unwind over the medium term.
- The key focus is on the successful implementation of the new PAS and obtaining the efficiencies from the IT transformation.
- Maintenance expense assumptions (at 30 June 2021) have been increased by 1% (to 9%) in the Life Insurance Segment and have been included in the EV calculations at 30 June 2021. This had an adverse impact of -$15.0 million in the EV calculations at 30 June 2021.

Wealth Management reflects a non-deferred expense experience loss in FY21 (-$2.3 million).

- The current cost base in Wealth Management reflects the costs associated with the internal contemporary platform and WealthFoundations product that is yet to achieve scale relative to the stepped fixed cost nature of the business.
- Simplification of the wealth management business leads to cost base reductions, coupled with digitisation of wealth front end to generate increased flows. Costs are expected to reduce progressively as the simplification process is implemented.

Life Insurance Claims (+$3.7 million)

Life Insurance claims experience impact of +$3.7 million.

- Strong underlying claims performance (relative to planned margins) across products, as noted earlier in the report. Material changes were made to the claims assumptions at 30 June 2020, including an increase income protection 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).
- See further commentary on claims experience (+$4.2 million) on page 29.
- From 1 January 2021, APRA has under the IDII review required companies to base their income protection claims assumptions on the most recent industry table. This resulted in a change in the claims assumptions at 30 June 2021 and has been included in the EV calculations (-$2.9 million adverse impact).
- There is an additional impact from the adoption of the new tables on the future claims cost relating to active lives in the EV calculations (-$0.2 million adverse impact).
- The reduction in FY22 COVID-19 allowances (as noted earlier in the report) has a net positive impact on the EV calculations of +$2.6 million at 30 June 2021.

Lapses and Discontinuances (-$0.3 million)

Life Insurance lapse experience impact of +$2.7 million.

- Retention strategies are a key focus (in light of price increases and COVID-19 impacts). The lapse experience is measured relative to the allowance for pricing and potential COVID-19 impacts in the lapse assumptions at 30 June 2020.
- See further commentary on lapse experience on page 30.

Wealth Management discontinuance experience impact of -$3.0 million.

- For the Wealth Management business, discontinuance rates (outflows) were higher than expected (impact of -$3.0 million), driven by outflows in the WealthSolutions product (and related reduction in use of the model portfolios and platform funds as a proportion of FUM balances).

Investment Performance, FUM and Business Mix impacts (+$5.7 million)

Wealth Management FUM and business mix experience impact of +$7.2 million.

- The strong investment performance, partially offset by changes in the mix of businesses, resulted in higher FUM balances relative to expectations and a higher present value of future fees at the end of the period (+$7.2 million).

Life insurance investment performance impact of -$1.5 million.

- The EV calculations include a long term investment earnings assumption of 2% on the capital invested in the life insurance business. Given the low interest rate environment and investment earnings from the implementation of the PIMCO mandate, this had an adverse $1.5 million impact on the EV calculations at 30 June 2021.

Other Expense Impacts (-$9.8 million)

Overall adverse net expense impact for other expenses of -$9.8 million:

- Costs considered unusual to the business (-$4.5 million) predominantly related to the wealth management project and impairment of the CRP receivable.
- Interest costs on corporate debt were impacted by amounts drawn down under the corporate debt facility and interest costs associated with the Tier 2 subordinated note which are not allowed for in the EV (-$2.8 million).
- Expenses were impacted by the Group's listed overhead costs which are not allowed for in the EV (-$1.1 million).
- Furthermore, the costs associated with the subordinated debt capital raising that was completed in November 2020, also impacted on the EV (-$1.5 million).

Price Changes (+$2.4 million)

Net price and related change impact of +$2.4 million.

The EV calculations includes the staggered price increases expected across the life insurance portfolio as noted earlier in the report. Shock lapse assumptions have been included in the EV calculations, incorporating the effects of these price increases (over a period of time). The shock lapse assumption is aligned to the timing of the staggered price increases with an overall average of 4.5% shock lapse assumption being adopted for LifeSolutions business in FY22.

The net effect of these price related changes has had a +$6.6 million impact on the EV calculations.

The further increases in reinsurance premiums (for business sold prior to 1 March 2019) and costs associated with the incurred claims treaty have also been allowed for in the EV calculations. The reinsurance premium increases have been effective for policies renewing from 1 March 2021.

The EV calculations for the Wealth Management business include assumptions around the proposed product structure changes, in particular on pricing changes to the traditional products. The impact of the HUB24 project on margin earned on the administration fee has also been built into the EV calculations.

The net effect of these changes to the wealth product structures and related margin compression has had a -$4.2 million impact on the EV calculations.

Other, Franking credit and ESP loan changes (-$2.6 million)

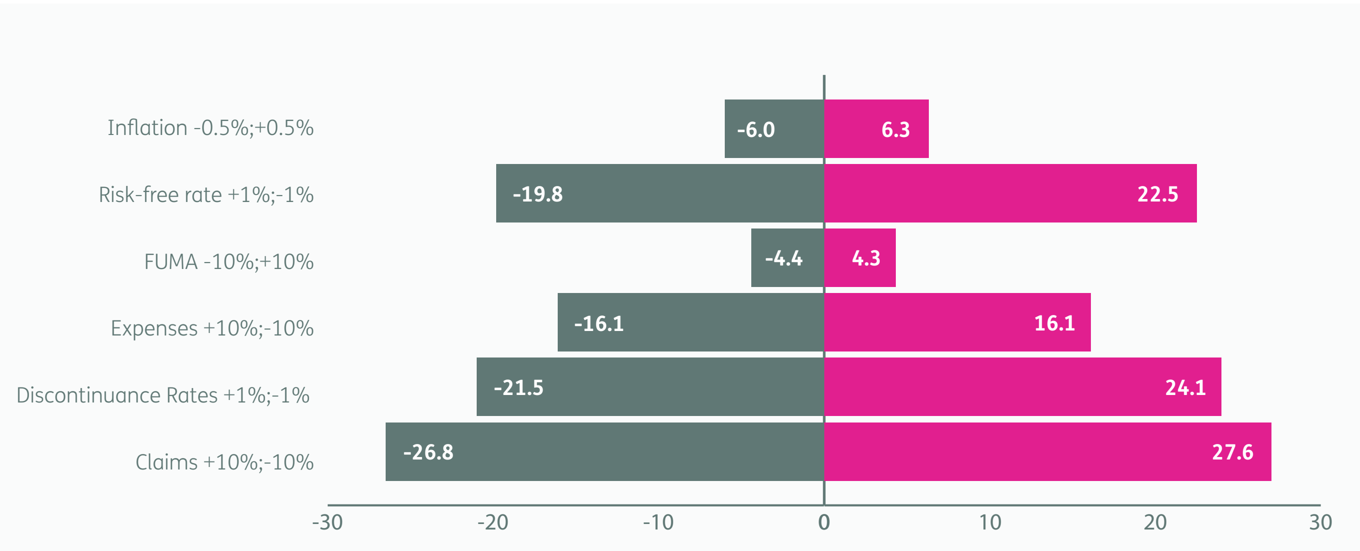
Net movement in ESP loans and franking credits between periods.

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

Given non-recourse nature of the ESP loans, $24.7 million is considered recoverable at 30 June 2021 (ESP loans have been valued at issue price per ESP share).

Other includes the net impact from other modelling changes, enhancements and related items in FY21.

Chart 10: Embedded Value sensitivity analysis @ 4%DM



Outlook

Industry and Operational Outlook

- The world continues to face significant economic, social and health challenges caused by the COVID-19 pandemic. In these uncertain 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.
- There has been significant market consolidation which has resulted in the large life insurers being increasingly internally distracted.
- An opportunity is emerging for ClearView to be that nimble, efficient, locally focused life insurer who will deliver a more consistent, efficient proposition experience, to gain increased financial adviser support and customer engagement and satisfaction.
- ClearView has initiated a simplification program in its wealth management and financial advice businesses at the same time as investing in a multi-year life insurance transformation program to support the ease of doing business with financial advisers, provide digital customer engagement tools, improve retention initiatives and drive administration (and related cost) efficiencies.
- It is further anticipated that the structural changes to the market, return of rational pricing (over time), implementation of the new technology platform coupled with the launch of our ClearChoice product will allow market share to improve and new business volumes to increase over time.
- Initiatives are underway to achieve more sustainable income protection 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.
- The new technology platform provides a solid foundation to build upon for speed and efficiencies and ease of doing business.
- From FY22 it is therefore expected that the business activity will shift back to acquisition with the launch of the ClearChoice product and implementation of the new PAS, initially for new business processing only. New business administration efficiencies are expected to start flowing through from Q4 F22 with maintenance administration progressively as the existing portfolios are migrated onto the new platform.
- As the business efficiencies from the new PAS are extracted over time, the stepped fixed cost structure and efficiencies obtained allows the additional expense contribution from each dollar of new business/ in-force, that with the growth in the in-force portfolios and increased new business volumes, allows the expense overruns to unwind over the medium term.
- The key focus is on the successful implementation of the new PAS and obtaining the efficiencies from the IT transformation coupled with the alignment of the front end to new business generation.
- In Wealth Management there is a focus on the simplification of the business that leads to cost base reductions, coupled with digitisation of wealth front end to generate increased flows.
- Costs are expected to reduce progressively as the simplification process is implemented. The current cost base reflects the costs associated with the internal contemporary platform and WealthFoundations product that is yet to achieve scale relative to the stepped fixed cost nature of the business.
- The simplification process also includes proposed product structure changes, in particular pricing changes for the traditional products and integration into the WealthFoundations product range. The impact of the HUB24 project on margin earned on the administration fee has also been built into the EV calculations.
- The implementation of key actions, including a shift to line of business structure, are showing early signs of traction with improved capability and capacity.
- Subsequent to year end, the Board initiated a strategic review in the Financial Advice segment to seek out and pursue inorganic opportunities and thereby accelerate the path to parity and obtain scale in the market. This provides the ability to take a market leading position in the financial advice industry so as to build a strategically successful and profitable financial advice business.
- The integration of the financial advice businesses with Centrepoint Alliance creates immediate scale and the ability to use best of breed technology and processes to become the engine that can roll up and consolidate the industry.
- This also allows ClearView to participate in industry consolidation and at the same time separate the product manufacturer and advice arms of ClearView.

Financial Outlook

- The net surplus capital position of the Group above internal benchmarks of $14.3 million at 30 June 2021 is stated prior to the declaration of the FY21 final dividend and the capital benefits from the proposed corporate activity in the financial advice segment.
- The surplus capital position and future business capital generation[1] is anticipated to fund the net capital expenditure impacts of the material investment in the new PAS over the multi year transformation period.
- The forecast capital generation allows for progressive increased new business generation (and market share) and staggered price increases of the LifeSolutions in-force portfolio (over a period of time).
- Considering the uncertainty of the impacts due to COVID-19 and the recent outbreaks from the Delta strain (and related lockdowns), material investment in the new PAS, no certainty in the timing of the release of the APRA Pillar 2 capital charge, and standard completion risks associated with the increase in the net capital position of the Group from the financial advice transaction, a final fully franked FY21 dividend of 1 cent per share has been declared.
- The final FY21 dividend represents just under 30% of Operating Earnings After Tax[2] and reflects an element of conservatism compared to the revised dividend policy.
- Assuming the achievement of best estimate assumptions in FY22 (in particular for claims and lapses) and completion of the Centrepoint Alliance transaction, we expect solid earnings growth in FY22 and further increases in FY23 supported by the implementation of the strategy as outlined above.
- While estimates and allowances have been made in the claims and lapse assumptions adopted, given the fluidity of the COVID-19 pandemic and operating environment, potential impacts from any deterioration in economic conditions or unanticipated delays in the roll out of the vaccine (and the related flow on effects to claims and affordability of premiums), actual experience relative to best estimate assumptions adopted will continue to be closely monitored.
- ClearView has an Embedded Value of 95.7 cents per share[4] that reflects the discounted cash flows of the in-force portfolios (including updating the assumptions for the potential impacts of COVID-19 as at 30 June 2021).
- ClearView has successfully completed its capital management initiatives in FY21 (including repaying a significant part of the Debt Funding Facility) and its strong balance sheet and capital base remain resilient to various stress scenarios.

Summary

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.

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

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 2021.

1 As outlined in the Board approved FY22 Business Plan in July 2021.

2 Operating Earnings (after tax) represents the Underlying NPAT[3] of the business segments before underlying investment income and interest costs associated with corporate debt and Tier 2 Capital. Costs associated with the incurred claims treaty are reflected as part of reinsurance costs.

3 Underlying NPAT consists of consolidated profit after tax excluding amortisation, the effects of changing discount rates on policy liabilities and costs considered unusual to the Group's ordinary activities. Includes amortisation of capitalised software and leases.

4 Embedded Value at 4% discount rate margin, including a value for future franking credits, accrued franking credits and Employee Share Plan (ESP) loans.

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 2021.

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 KMP0; 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 as Chairman on 1 July 2020)
- **Gary Burg**
  (Independent Non-executive Director)
- **Susan Young**
  (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)
- **Bruce Edwards (Resigned 1 July 2020)**
  (Former Chairman and 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**
  General Counsel and Company Secretary
- **Christopher Blaxland-Walker**
  General Manager, Distribution
- **Athol Chiert**
  Chief Financial Officer
- **Orla Cowan (Ceased 19 April 2021)**
  Chief Risk Officer
- **Todd Kardash**
  General Manager, Licensee Services
- **Deborah Lowe**
  General Manager,
  People and Operations (Ceased 1 February 2021)
  Wealth Management and Chief HR Officer
  (Commenced 1 February 2021)
- **Greg Martin (Ceased 30 September 2020)**
  General Manager, Strategy
- **Justin McLaughlin**
  Chief Investment Officer
- **Hicham Mourad**
  General Manager, Technology
- **Nadine Gooderick (Commenced 1 February 2021)**
  General Manager, Transformation
- **Gerard Kerr (Commenced 1 February 2021)**
  General Manager, Life Insurance
- **James Myerscough (Commenced 6 May 2021)**
  Interim Chief Risk Officer

Overview of Remuneration Strategy and Objectives

ClearView Values

ClearView's values are centered around persistence, collaboration, integrity and authenticity. These detail what is important to us. Our greatest asset is our people who bring these values to life.

ClearView's values are communicated consistently to our people as a reminder of the strong foundations upon which the business is built. The values are simple for our people to understand and apply to their day to day work.

The Values are simple and practical, and every employee can relate to them. They are important to ClearView because they lay the foundation for what the company cares the most about. They provide a common purpose that employees should live by and reinforce the behaviours that are expected of them that will lead to company success. These values underpin the execution of ClearView's strategy.

We're never satisfied when it comes to doing better and we never give up on our people, our customers, our partners and the moments that matter. Nothing really good has ever come about because someone gave up. So if there's a better way to do it, we'll find it.

"Ambition is the path to success, PERSISTENCE is the vehicle you arrive in."

We believe that working together benefits the customer and that two heads are better than one, and a lot more fun. Three are better still. We want more perspectives not less. We are a group of like-minded passionate people who turn up every day to share, help and be better than yesterday... together.

"As you navigate through the rest of your life, be open to COLLABORATION. Find a group of people who challenge and inspire you, spend a lot of time with them, and it will change your life."

Giving your word... committing... promising... and then actually delivering! If these things come in shades of grey to you we're not going to get along very well. Only 3 colours matter here – right, wrong and the vibrant pink on our logo.

"If you have INTEGRITY, nothing else matters. If you don't have INTEGRITY, nothing else matters."

We're also proud to never compromise when selecting our people and there's nothing we hate more than fake. Only positive, genuine people need apply. Honest people. Open. Able to say sorry and admit they were wrong. Tell it like it is. Argue their case but accept a decision. What you see is what you get.

"The AUTHENTIC self is the soul made visible."

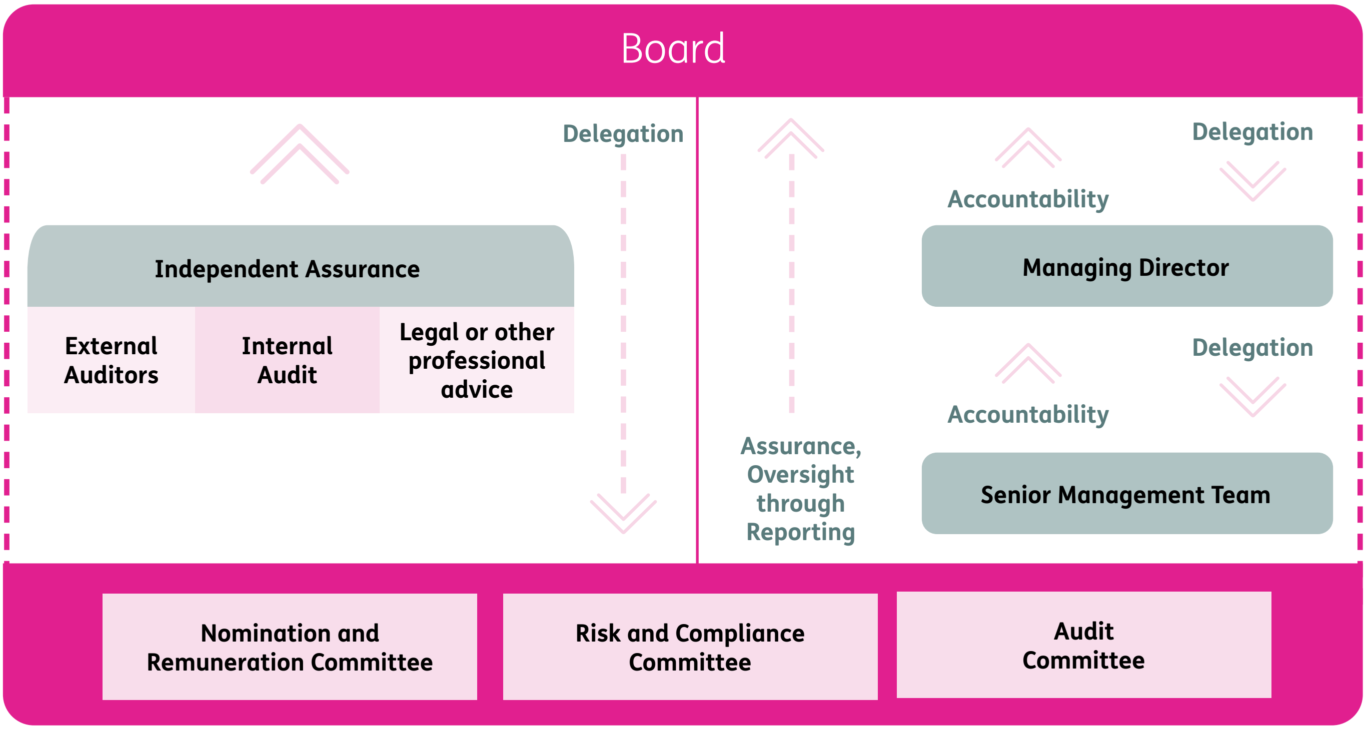
ClearView's remuneration approach has the following objectives:

- 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

The ClearView overall governance framework is outlined below:



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.

Remuneration Policy

ClearView's Remuneration Policy (Policy) was updated in 2020 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.

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 Variable Remuneration (STVR); and
- Long Term Variable Remuneration (LTVR).

ClearView is closely monitoring the regulatory guidance and expectations issued by APRA. These have been considered to-date in setting the remuneration of KMP.

Godfrey Remuneration Group, an independent remuneration consulting group, are engaged on an ongoing basis to provide formal advice when developing the remuneration policies and approach to both Fixed and Variable remuneration. Further details are provided in the sections that follow.

The remuneration policy and other internal policies are reviewed regularly 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 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.

- No formal consulting advice was sought from independent external research houses and Remuneration Consultants in setting the 2021 Fixed Remuneration. Market remuneration data is purchased from two independent sources and used on an ongoing basis to benchmark the Fixed Remuneration for KMP. 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 are used as a guide and are not a substitute for thorough consideration of all the issues by the Remuneration Committee.
- 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.
- 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 Variable Remuneration (STVR) plan

In 2020, it was considered appropriate for the Remuneration Committee to engage GRG to review the STVR and LTVR frameworks. Total fees paid to GRG in FY21 were $46,200. As a result of the GRG review, from FY21, a deferral mechanism was introduced for STVR purposes and the deferral period implemented for LTVR (as part of the overall remuneration structure for SMT members) was also reviewed and increased. GRG has also confirmed the design of the STVR and LTVR incentive plans remains sound and meets the anticipated requirements of the FAR and CPS511 regulatory changes. 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.

The STVR 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). STVR is heavily weighted towards the achievement of Company goals, with 20% based on financial performance and 60% based on business initiatives (the remaining 20% of STVR objectives are personal goals).

The STVR for FY21 was focused on transforming the organisation to build a more robust and sustainable business. The cornerstone of the program was to strengthen both the risk management framework and the underlying risk culture of the business. In conjunction with this a number significant operational projects were identified as being of material importance to the future success of the business. These key projects included:

- 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.
- ClearView selected HUB24 Limited (HUB24) as its strategic wrap platform provider following a comprehensive market review. The Wealth Management project represents a significant investment for ClearView with the development, transition and implementation of the wrap business onto the HUB24 platform and regulatory structure (over a period of time).
- The design, build and implementation of the new PAS is a key strategic focus. The first phase of the project relates to the new product development due to launch into the market in 1H FY22, with the migration of the in-force portfolios expected to occur subsequent to the successful implementation of Phase 1 of the project (expected to be Q3 FY22). The project reflects a multi-year IT transformation project.

The other performance criteria also included key day to day performance indicators, namely Underlying NPAT, lapses and claims management, being key areas of insurance risk for the life insurance business.

An overall outcome of 80% (of the weighted 100% company goals) was achieved, that is for the SMT, 64% of the allocated 80% company goal portion is included in the FY21 STVR. The same portion of the company-weighted bonus is to be paid to individuals, noting this varies across the business with senior staff being more heavily-weighted toward company outcomes.

How we performed: Company goals and financial performance

Underlying net profit after tax (UNPAT)

Maximum 150%
Target 100%
Outcome 92%
Weighting 25.0%

Achieved **23%**

Risk Programme

Maximum 100%
Target 100%
Outcome 50%
Weighting 25.0%

Achieved **12.5%**

Lapse Management

Maximum 150%
Target 100%
Outcome 100%
Weighting 12.5%

Achieved **12.5%**

Wealth Management Project

Maximum 150%
Target 100%
Outcome 100%
Weighting 12.5%

Achieved **12.5%**

Technology Transformation Project

Maximum 150%
Target 100%
Outcome 76%
Weighting 12.5%

Achieved **9.5%**

Claims Management

Maximum 150%
Target 100%
Outcome 84%
Weighting 12.5%

Achieved **10.5%**

Underlying NPAT, which includes the underlying investment income and interest cost on corporate debt, increased 54% to $22.7 million (FY20: $14.7 million) and fully diluted Underlying EPS increased 55% to 3.62 cps (FY20: 2.34 cps).

FY21 is a strong result in a challenging environment, with the increase in profitability predominantly driven by a strong underlying claims performance and significantly improved lapse performance in the life insurance segment. The claims experience profit is reflective of improved claims management outcomes and limited COVID-19 claims impacts (in particular income protection related claims). The lapse experience profit in FY21 was driven by lower than expected shock lapses on lump sum products, partially offset by losses on income protection products given the related price increases that were passed through the in-force portfolios. Customer retention strategies remain in place with further investment in capability in 2H FY21. There have also been limited COVID-19 lapse impacts to date, observed through experience of the non-advice portfolios. The positive FY21 life insurance result should also be viewed in the context of overall industry performance, amidst extremely difficult market conditions. For the year ending 31 March 2021, the life insurance industry risk products lost $0.2 billion (March 2020: -$1.6 billion), largely attributable to a $0.3 billion loss on individual income protection products (March 2020: -$1.4 billion).

Reported NPAT, decreased 49% to $6.7 million (FY20: $13.1 million) and reported diluted EPS decreased 49% to 1.06 cps (FY20: 2.08 cps). Reported NPAT was adversely impacted by the changes in the long-term discount rates used to determine insurance policy liabilities and the incurred IP disabled lives claims reserves, which is separately reported below the line and explained in the Operating and Financial Review section.

Financial performance – five-year summary

	30 Jun 2021	30 Jun 2020	30 Jun 2019	30 Jun 2018	30 Jun 2017
Revenue[1] ($'000)	376,856	410,339	385,755	372,207	333,503
Net profit after tax ($'000)	6,679	13,081	3,959	26,596	13,150
Underlying Net Profit after Tax	22,722	14,738	25,090	32,353	30,362

Return to shareholders – five-year summary

	30 Jun 2021	30 Jun 2020	30 Jun 2019	30 Jun 2018	30 Jun 2017
Dividend (Final) (cents)	1.00	-	-	3.00	2.75
Basic EPS (cents)	1.06	2.08	0.63	4.33	2.20
Diluted EPS (cents)	1.06	2.08	0.62	4.14	2.11
Fully diluted EPS (cents)	3.62	2.34	3.94	5.03	4.88
Embedded Value[2] ($m)	640	643	673	670	630
Embedded Value per share (cents)[2]	95.7	95.3	99.4	100.3	95.6
Share price at the beginning of the year (cents)	27.5	66.0	116.0	145.0	95.0
Share price at the end of the year (cents)	50.0	27.5	66.0	116.0	145.0

Group outcomes – five-year summary

	30 Jun 2021	30 Jun 2020	30 Jun 2019	30 Jun 2018	30 Jun 2017
STI as % of target	73.05%	-	-	-	92.00%
LTI vested (% of grant)	n/a	n/a	42.50%	n/a	n/a

Tracking of unvested LTI awards

LTI award	Performance measures	Vesting dates	Tracking
2020	UNPAT/compliance	30/6/2022	Unlikely to vest in full
2021	TSR/Compliance	30/6/2024	Tracking
2022	TSR/Compliance	30/6/2025	Tracking

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.

Taking into account the Company and the individual goals achieved, the resultant potential maximum STVR awards for KMP range from 0% to 70% of Fixed Remuneration as follows:

SMT Member	Target STVR %	Minimum - Maximum STVR %	Actual STVR Achieved %	Cash / Deferred STVR Portion %1
Simon Swanson	50%	0% - 70%	34.50%	60% / 40%
Athol Chiert	30%	0% - 42%	22.80%	60% / 40%
Christopher Blaxland-Walker	30%	0% - 42%	20.70%	60% / 40%
Deborah Lowe	30%	0% - 42%	24.00%	60% / 40%
Justin McLaughlin	30%	0% - 42%	19.20%	60% / 40%
Todd Kardash	30%	0% - 42%	20.70%	60% / 40%
Judilyn Beaumont	30%	0% - 42%	24.00%	60% / 40%
Hicham Mourad	30%	0% - 42%	24.00%	60% / 40%
Nadine Gooderick	30%	0% - 42%	24.00%	60% / 40%
Gerard Kerr	30%	0% - 42%	24.00%	60% / 40%
James Myerscough	0%	0%	0%	0%

1 Restricted rights will be issued in relation to the deferred portion of the STVR and will vest three years post the measurement period (ie 30 June 2024).

Sound risk management practices act as a gateway qualifying condition to STVR. KMP had personal targets and objectives in FY21 and each was assessed individually against the achievement of these set objectives including an assessment of the gate openers. Differences in performance outcomes resulted in variations in the amount of STVR being made payable to the SMT. During FY21 there were no significant regulatory actions, breaches or remediations involving any area and significant progress was made by each KMP to build a risk aware culture. All KMP were therefore rated competent for the gate openers. The STVR outcomes are recommended by the Remuneration Committee and approved by the Board.

A deferral mechanism for STVR was introduced for the FY21 performance period, to support and comply with upcoming regulatory requirements (specifically FAR and CPS511). The STVR plan uses restricted rights to manage the deferred portion of STVR. This allows for the deferral of a short-term award (40% payable three years post the measurement period), to ensure appropriate risk management and conduct over that time. Given that the STVR (including the deferred component) can be granted as indeterminate rights, the Board can exercise discretion as to how the STVR is paid (either in cash or in shares). STVR deferred portions are payable regardless of employment status unless the clawback policy has been invoked.

'Clawback' is where a variable award is recovered or cancelled due to certain conditions being met, as outlined below. This may occur either during the performance period, or a subsequent period of deferral.

Review will generally take place at the end of the deferral (STVR) or performance (LTVR) periods and clawback may be invoked in circumstances where:

a. Issues of non-compliance with ClearView's risk management framework are identified (in accordance with the compliance and risk management gates at the end of the vesting period);
b. There are issues of misconduct that lead to significant regulatory responses. Examples of this include, but are not limited to:
   - conduct that gives rise to the imposition of a fine
   - Enforceable Undertaking
   - Directions
   - review by independent experts (from one of the "big four" accounting firms); and/or
   - increased regulatory oversight or the implementation of a remediation program.
c. Employment is terminated on the grounds of other serious misconduct;
d. The participant engages in any serious breach of their employment duties to ClearView, including but not limited to:
   - not adhering to ClearView's lawful and reasonable directions, as set out in policies and procedures as applicable from time to time;
   - not complying with legal requirements, including work health and safety laws;
   - any other conduct amounting to serious misconduct at common law.

The Nomination and Remuneration Committee will consider and determine in its absolute discretion whether clawback is appropriate and have the absolute discretion to determine the quantum of such action. If ClearView decides to exercise its right to clawback, it is required to advise the participant in writing.

For FY22 the KMP STVR will continue to be determined by both company goals and personal targets, with objectives set for the KMP by the Managing Director. To reinforce the Company's approach to risk management, deferral arrangements will continue for FY22, for the STVR and LTVR components for KMP. Further details on the FY22 framework will be provided in the FY22 Annual Report.

Long Term Variable Remuneration (LTVR) Plan - After 30 June 2017

Since 2017 the Company has engaged various reviews from external consultants to benchmark overall remuneration for the KMP, including the appropriate long-term incentive plan:

- In 2017, AON Hewitt Associates Pty Ltd and PricewaterhouseCoopers (PwC) for the introduction and implementation of a revised LTIP Plan; and
- In 2020, GRG to provide options for the evolution of the remuneration framework for FY21 and the LTVR Plan.

Prior to these reviews (the advice of which was used as a guide and was not a substitute for a thorough consideration of all the issues by the Remuneration Committee), the Group had operated an Employee Share Plan (ESP) which was a non-recourse employee loan back scheme as a long-term incentive for key employees and contractor participants (as defined under the plan rules). While there are some employees and contractor participants that continue to hold ESP shares, this ESP plan is no longer active, and no new ESP shares has been granted since 14 June 2017. For further details of the ESP, refer to pages 65 to 69.

Following on from these reviews, a LTIP structure delivered via a grant of Performance Rights was considered the most appropriate structure to achieve the key objectives. The LTIP structure was approved by the Board, on recommendation of the Remuneration Committee, on 21 June 2017. The first awards under the new LTIP were made in FY18, with subsequent awards made in the relevant years thereafter, and in FY21 and subsequent awards under the LTVR.

The key terms set out below apply to the awards under the LTVR, although each year, the Remuneration Committee decides specific terms that are applicable to each year's award where relevant. These are further set out on pages 61 to 65 (including key terms for the 2020 LTIP issue).

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

Key Plan Details	Description
1. Instruments	The Plan uses indeterminate Rights which are an entitlement to the value of a Share (less any Exercise Price) which may be settled in cash or in Shares, at the Board's discretion. Generally, it is expected that vested Rights will be settled in Shares (including Restricted Shares). The Plan allows for three classes of Rights which may be appropriate forms of remuneration under various circumstances, being: a) Performance Rights which vest when performance conditions have been satisfied and will generally be used for the purpose of granting long term variable remunerations to executives; b) Service Rights which vest after completion of a period of service and which will generally be used as a retention incentive below the executive level if and when appropriate; and c) Restricted Rights which are vested at grant but which may have exercise restrictions and/or specified disposal restrictions that extend to the Shares that result from the exercise of Rights, and will generally be used to defer earned remuneration from time to time (e.g. to defer STVR). When an exercise price greater than nil is specified in an invitation the Rights are Share Appreciation Rights (SARs) that only produce value when the Share price exceeds the exercise price at the time of exercise (i.e. equivalent to an option). They may be Performance SARs, Service SARs or Restricted SARs under the foregoing classes of Rights.
2. Terms and Conditions	The Board has the discretion to set the terms and conditions on which it will offer Rights under the Plan, including the terms of Invitations. Performance Rights and Service Rights (including when they are SARs) are subject to vesting conditions. In the case of Performance Rights (including SARs) the vesting conditions are intended to be challenging and linked to indicators of sustainable value creation. The terms and conditions of the Plan include those aspects legally required as well as terms addressing exceptional circumstances, such as a de-listing, a major return of capital to shareholders, as well as the treatment of Rights and Restricted Shares on termination of employment. The Plan contains customary and usual terms having regard to Australian law for dealing with winding up, administration, variation, suspension and termination of the Plan.
3. Variation of Terms and Conditions	To the extent permitted by the ASX Listing Rules, the Board retains the discretion to vary or amend the terms and conditions of the Plan.
4. Eligibility	Eligible persons selected by the Board will be invited to participate in the Plan. Eligible persons includes: full time and part-time employees, directors and contractors.
5. Term	Each invitation to participate in the Plan (Invitation) will specify the term of Rights, as determined by the Board, and if not exercised within the term the Rights will lapse. The maximum term allowable is 15 years under the Plan rules, which is based on the maximum tax deferral period in Australia. However, because the Rights exercise automatically the life of the instrument will be the period between the grant date and the date of automatic exercise (see below).
6. Number of Rights	The number of Rights specified in an Invitation will be at the discretion of the Board. It is intended that the number of Rights to be granted will be determined annually with regard to the Participant's fixed remuneration, relevant market practices and the relevant policies of the Company regarding remuneration, such that total remuneration is appropriate in both quantum and structure. The maximum number of Rights that may be issued under the Plan, ignoring Rights that lapse, during the 3 years covered by the approval being sought is 5% of issued shares.
7. Measurement Period	The measurement period is the period over which vesting conditions are assessed and may be determined by the Board as part of each Invitation but will generally be four years for Performance Rights (including for Performance SARs).

Key Plan Details	Description
8. Vesting Conditions	Vesting conditions are conditions that are used to determine the extent, if any, of vesting of Performance Rights and Service Rights (including when they are SARs). Vesting Conditions are to be determined by the Board as part of each Invitation. Performance Rights (including Performance SARs) will vest based on selected measures of Company performance and service with the Company. They are intended to create alignment with indicators of shareholder value creation over the measurement period. Service Rights will vest based on periods of service with the Company only and will generally relate to annual remuneration cycles when granted as part of fixed remuneration. Restricted Rights do not have vesting conditions.
9. Gates	No amount is payable by Participants for Rights unless otherwise determined by the Board. No exercise price is payable by a Participant to exercise Rights under the Plan rules. However, as part of the terms of an Invitation the Board may determine that a notional exercise price applies, which will be deducted from the value of a Share in determining the exercised Rights value (i.e. creating a cashless exercise option or SAR which functions identically to an option, but is less dilutive than traditional options from a shareholder perspective). The value of the Rights forms part of the annual total remuneration appropriate to each Participant.
10. Exercise of Vested Rights	Rights may be exercised after the latter to occur of the Vesting Date, and the elapsing of Exercise Restrictions but not later than the end of the Term of the Rights. Invitations may provide for Rights to be exercised automatically on the latter to occur of the vesting date, and the elapsing of exercise restrictions. Upon exercise of vested Rights the Exercised Rights Value (defined below) will be calculated as follows and will be either be paid in cash, converted into Shares based on the then Share price, or a combination of cash and Shares, as determined by the Board: Exercised Rights Value = Number of Rights Exercised x (Share Price at Exercise – Exercise Price) Generally, it is expected that the Exercised Rights Value will be settled in Shares. Such Shares will often be Restricted Shares as they will be subject to disposal restrictions if the exercise occurs during a period in which trading in Shares is prohibited under the Company's securities trading policy.
11. Exercise Restrictions	An Invitation may specify a period of exercise restrictions during which vested Rights may not be exercised. For restricted Rights which are fully vested at grant, exercise restrictions apply for at least 90 days following grant.
12. Disposal Restrictions	Rights may not be sold, transferred, mortgaged, charged or otherwise dealt with or encumbered, except by force of law. Shares acquired from the exercise of vested Rights will be subject to disposal restrictions due to: a) The Company's securities trading policy, and b) The insider trading provisions of the Corporations Act Shares resulting from the exercising of Rights that may not be traded due to the foregoing or because of specified disposal restrictions included in an Invitation will be Restricted Shares while they are so restricted. The Company will ensure that such restrictions are enforced due to the presence of CHESS holding locks or alternatively via holding of the Restricted Shares in an appropriate employee share trust.
13. Disposal and Exercise Restriction Release at Taxing Point	In the event that a taxing point arises during employment with the Company in relation to restricted Rights or Restricted Shares and the exercise restrictions or specified disposal restrictions have not elapsed then they will cease to apply to 50% of the taxable Rights and Shares. This ensures that unreasonable tax outcomes are avoided.

Key Plan Details	Description
14. Termination of Employment	If termination of employment occurs within the first year of the measurement period, Performance Rights (including Performance SARs) will be forfeited in the proportion that the remainder of the first year of the measurement period bears to a full year, commensurate with the annual nature of Performance Rights grants. Remaining Performance Rights will then continue to be held for testing for vesting at the end of the measurement period. Any Performance Rights that do not vest following the assessment of the vesting conditions will be forfeited. Service Rights (including Service SARs) will be dealt with as specified in the relevant Invitation as appropriate to the circumstances of the granting of Service Rights and applicable measurement periods. If Rights are exercised after the termination of employment and the Share price is lower at the date of exercise than on the date of termination, then the Exercised Rights Value will be settled in cash unless otherwise determined by the Board, in order to address potential tax problems. It should be noted that the Plan contains clauses that address fraud, misconduct, inappropriate benefits and clawback which will result in the forfeiture of unvested rights.
15. Change of Control or Delisting	In the event the Board determines that the Company will be subject to a de-listing, the vesting conditions specified in an Invitation for Performance Rights will cease to apply and: • unvested Performance Rights will vest in accordance with the following formula: $\text{Number of performance right in Tranch to Vest} = \text{Unvested Performance Rights in Tranch} \times \text{\% of First Year of Measurement Period Elapsed} \times \frac{\text{(Share Price at the Effective Date - Share Price at Measurement Period Commencement)}}{\text{Share Price at measurement Period Commencement}}$ • remaining Performance Rights may vest or lapse as determined by the Board; • Service Rights will vest to the extent determined to be appropriate by the Board under the circumstances applicable to each grant of Service Rights; and • exercise restrictions and specified disposal restrictions will cease to apply on the date determined by the Board.
16. Major Return of Capital or Demerger	In the event that the Board forms the view that a major part of the Company's assets or operations will imminently cease to be owned by the Company or a subsidiary of the Company due to an intention to sell or separately list those assets or operations, or in the event of a major return of capital to Shareholders, the Board has discretion to vest, lapse or adjust the terms of Rights such that Participants are neither advantaged nor disadvantaged by the corporate action. Restricted Rights will cease to be subject to exercise restrictions prior to the return of capital or demerger, on the date determined by the Board.
17. Board Discretion and Preventing Inappropriate Benefits	The Board has discretion to adjust the number of Rights that ultimately vest if it forms the view that the unadjusted outcome is not appropriate to the circumstances that prevailed over the measurement period and/or to the contribution of a Participant to outcomes over the measurement period. The Board has sole discretion to determine that some or all unexercised Rights held by a Participant lapse on a specified date, if allowing the Rights to be retained would, in the opinion of the Board, result in an inappropriate benefit to the Participant. Such circumstances include joining a competitor or actions that harm the Company's stakeholders. In the case of fraud or misconduct, Participant will forfeit all unvested Rights.
18. Bonus Issues, Rights Issues, Voting and Dividend Entitlements	The number of Rights held by Participants will be proportionately adjusted to reflect bonus issues. Right holders will not participate in Shareholder rights issues but may, subject to the ASX Listing Rules, be offered options on similar terms to the rights issue. Rights do not carry voting or dividend entitlements. Shares (including Restricted Shares) issued when Rights are exercised carry all entitlements of Shares, including voting and dividend entitlements.
19. Quotation	Rights will not be quoted on the ASX. The Company will apply for official quotation of any Shares issued under the Plan, in accordance with the ASX Listing Rules.
20. Issue or Acquisition of Shares	Shares allocated to a Participant when Rights are exercised under the Plan may be issued by the Company or acquired on or off market by a trustee whose purpose is to facilitate the operation of the plan.
21. Cost and Administration	The Company will pay all costs of issuing and acquiring Shares for the purposes of satisfying exercised Rights, as well as any brokerage on acquisitions of Shares for this purpose and all costs of administering the Plan.
22. Hedging	The Company prohibits the hedging of Rights or Shares subject to disposal restrictions by specified Participants.

Performance rights granted as compensation

The following table outlines the Performance Rights in issue at the date of the Report is as follows:

SMT Member	2020 issue[1]	2021 issue[2]	Total	Vested[3]	Forfeited[5]	Balance Unvested[4]
Simon Swanson	897,868	1,199,632	2,097,500	—	—	2,097,500
Athol Chiert	280,584	374,885	655,469	—	—	655,469
Christopher Blaxland- Walker	224,467	299,908	524,375	—	—	524,375
Deborah Lowe	196,408	262,420	458,828	—	—	458,828
Justin McLaughlin	196,408	262,420	458,828	—	—	458,828
Todd Kardash	224,467	299,908	524,375	—	—	524,375
Judilyn Beaumont	—	149,954	149,954	—	—	149,954
Hicham Mourad	—	149,954	149,954	—	—	149,954
Nadine Gooderick	—	62,481	62,481	—	—	62,481
Gerard Kerr	—	187,443	187,443	180,000	—	187,443
Total	**2,020,202**	**3,249,005**	**5,269,207**	**180,000**	**—**	**5,269,207**
Former SMT member						
Gregory Martin	336,700	449,862	786,562	—	(786,562)	—
Orla Cowan	—	149,954	149,954	—	(149,954)	—

1 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 2021.

2 Number of performance rights issued to participants in October 2020 which has a vesting date of 30 June 2024, they remain unvested as at 30 June 2021.

3 Number of performance rights issued to the participant in July 2021 as a sign-on bonus. These rights were immediately vested.

4 Number of performance rights remain unvested as at 30 June 2021.

5 For Gregory Martin and Orla Cowan, this represents the performance rights which were forfeited on ceasing to be SMT members.

During the FY21 financial year, 3,848, 821 performance rights were granted to the SMT. 936,516 performance rights were forfeited by certain participants on ceasing to be SMT members. A further 180,000 performance rights were issued to a participant in July 2021 as a sign-on bonus. These rights were immediately vested.

Further grants have been approved under the LTVR Plan subsequent to year end (and in relation to the FY22 year). The number of performance rights that were approved to be granted by the Remuneration Committee as compensation to each participant on 4 August 2021 is as follows:

SMT Member	2022 issue
Simon Swanson	1,111,111
Athol Chiert	347,222
Christopher Blaxland-Walker	277,777
Deborah Lowe	277,777
Justin McLaughlin	277,777
Todd Kardash	277,777
Judilyn Beaumont	277,777
Hicham Mourad	277,777
Nadine Gooderick	277,777
Gerard Kerr	416,666
Total	**3,819,438**

A summary of the key terms of each relevant issue is summarised in the table below:

Key Plan Details	2020 LTIP Issue	2021 LTVR Issue	2022 LTVR Issue[2]
1. Instruments Each right is an entitlement to the value of a share	Determinate rights (equity settled)	Indeterminate rights (either equity or cash settled).	
2. Performance Period	3 years ending 30 June 2022	4 years ending 30 June 2024	4 years ending 30 June 2025
3. Vesting Conditions a) Service period - remain employed by ClearView Group	To 30 June 2022	To 30 June 2024	To 30 June 2025
b) Performance conditions	Measured against an Underlying Net Profit After Tax (UNPAT)[1] 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.	100% of the award to be measured against Target Total Shareholder Return (TSR) compound annual growth rate of 25% over the Performance Period based on a $450 million market capitalisation as at 30 June 2024.	100% of the award to be measured against Target Total Shareholder Return (TSR) of market capitalisation of $483.75 million as at 30 June 2025.
c) Vesting scale (if any)	0% of the Awards will vest for performance up to and including 90% of the UNPAT[1] target, with straight line vesting for performance between 90% and 100% of the UNPAT[1] target.	No vesting scale is applicable to these issues	
4. Exercise Conditions Compliance gates during Deferral Period / Exercise Restrictions	Annual review during the Deferral Period of 3 years from the end of the Performance Period to assess if any breaches or instances of misconduct have been identified which may result in the forfeiture of some or all of the vested rights.	There is no exercise price or restrictions	
5. Termination of Employment	Participant will retain all of their vested and forfeit unvested rights upon termination of employment, unless under exceptional circumstances or the Board provides express written consent that the Participant may retain any or all of their unvested Awards.	Vested rights will be automatically exercised. Rights which are not vested will be forfeited in the same proportion as the remainder of the first year of the Measurement Period bears to the full year in respect of each Tranche. Rights that do not lapse at the termination of employee will continue to test for vesting at the end of the Measurement Period. All unvested rights will be forfeited.	
6. Change of Control	Vesting conditions continue to apply and any changes will be subject to the Board's absolute discretion.	The vesting conditions set out in the invitation will cease to apply and unvested rights will vest in accordance with the terms of the LTVR rules set out in item 15 in page 61.	
7. Term	6 years	15 years	

1 Per approved by Remuneration Committee on 4 August 2021.

2 Further details on the FY22 framework will be provided in the FY22 Annual Report

Employee Share Plan (ESP) - Prior to 30 June 2017

The Executive Share Plan (ESP) was originally established to assist in the recruitment of the SMT and employees (at the inception of ClearView in its current form). This allowed for the recruitment of individuals with deep life insurance and wealth management experience, that could execute on a core strategy. Participation in the ESP showed 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 initial grants under the ESP 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 value of ClearView as measured by its share price. The ESP aligned the interests of participants more closely with the interests of shareholders. Participation under the ESP was extended to Contractor Participants (financial advisers) in November 2011.

Based on the changes in the nature of the business over time, and as part of the review noted earlier in the report, in 2017, the Board determined that interest would only be payable on loan extensions for fully vested ESP shares for Employee Participants.

A summary of the key terms of the ESP (which has had no further issues of ESP shares since July 2017) is reflected below:

Overview of ESP

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 corporate.

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

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

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 was 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 was 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 had not set a limit on the number of Shares that may be issued under the Plan. The Board or Board Authorised Delegates previously approved the issue of new ESP shares and monitored 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 ESP since 14 June 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 is 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 approved 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.

ESP Shares Granted as Compensation and Equity Holdings

During and since the end of the financial year no ESP shares (2020: Nil) were granted to the KMP and 3 million shares from KMP were forfeited and cancelled by the Company under the terms ESP Rules.

The following table outlines the ESP shares issued to KMP or their related entities as at the date of this report and their vesting conditions. No performance conditions are applicable to the ESP shares issued:

Employee	Share series	Fair value at grant date (pre-modification[1])	Fair value at grant date (post-modification[1])	Exercise price per share ($)	Aggregate value at grant date ($)	Vesting conditions	Expiry date[9]
Simon Swanson	Series 10 [1,3,6,8]	0.11	0.11	0.50	224,074	Nil[11]	Change in Control
	Series 11 [1,4,6,8]	0.08	0.08	0.58	323,295	Nil[11]	Change in Control
	Series 12 [1,5,6,8]	0.06	0.06	0.65	241,927	Nil[5,11]	Change in Control
Athol Chiert	Series 7 [1,2,6,8]	0.07	0.10	0.49	98,057	Nil[10]	Change in Control
	Series 26 [7]	0.29	n/a	0.57	289,798		Change in control
Justin McLaughlin	Series 6 [1,2,6,8]	0.10	0.10	0.59	51,283	Nil[10]	Change in Control
	Series 7 [1,2,6,8]	0.07	0.10	0.49	65,371	Nil[10]	Change in Control
Chris Blaxland-Walker	Series 16 [1,5,6,8]	0.10	0.13	0.50	127,366	Nil[5]	Change in Control
	Series 43[8]	0.20	n/a	1.01	16,718	Nil[8]	Change in Control
	Series 44[8]	0.23	n/a	1.01	19,372	Nil[8]	Change in Control
	Series 45[8]	0.27	n/a	1.01	21,883	Nil[8]	26/11/2020
Todd Kardash	Series 16 [1,5,6,8]	0.10	0.13	0.50	127,366	Nil[5]	Change in Control
	Series 26 [7]	0.29	n/a	0.57	144,899		Change in control
Deborah Lowe	Series 51a	0.19	n/a	0.96	49,733		Change in control
	Series 51b	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.

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

11 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.

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.

Financial assistance under the ESP Plan

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 2021 and 30 June 2020:

2021	Balance at beginning	Loans Granted $	Interest charged[1] $	Repayments $	Loan Cancelled $	Balance at end $	Highest in period $
S Swanson	6,070,927	—	66,861	—	—	6,137,788	6,137,788
A Chiert	2,056,537	—	17,072	—	—	2,073,609	2,073,609
G Martin	2,573,235	—	18,985	—	(2,592,220)	—	2,592,220
J McLaughlin	1,303,785	—	14,359	—	—	1,318,144	1,318,144
T Kardash	1,286,616	—	11,381	—	—	1,297,997	1,297,997
C Blaxland-Walker	1,274,839	—	11,381	—	—	1,286,220	1,286,220
D Lowe	487,053	—	—	—	—	487,053	487,053
Total	**15,052,992**	**—**	**140,039**	**—**	**(2,592,220)**	**12,600,811**	

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**	**—**	**222,961**	**—**	**(144,673)**	**15,052,992**	

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

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 2021:

2021	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.
G Black	—	—	50,000	—	—	50,000	—	—	—	—
J Lyon	—	—	27,212	—	—	27,212	—	—	—	—
G Burg	—	—	10,918,090	—	—	10,918,090	—	—	—	—
S Young	—	—	83,092	—	—	83,092	—	—	—	—
S Swanson	—	10,000,000	15,550,000	—	—	15,550,000	—	10,000,000	—	10,000,000
A Chiert	1,000,000	1,500,000	3,222,266	—	—	3,222,266	1,000,000	1,500,000	—	1,500,000
J McLaughlin	—	1,500,000	1,820,145	—	—	1,820,145	—	1,500,000	—	1,500,000
T Kardash	500,000	1,000,000	1,864,870	—	—	1,864,870	500,000	1,000,000	—	1,000,000
C Blaxland-Walker	247,525	1,000,000	1,445,336	—	—	1,445,336	247,525	1,000,000	—	1,000,000
D Lowe	523,505	—	667,570	—	—	667,570	523,505	—	—	—
N Gooderick	—	—	—	—	63,212	63,212	—	—	—	—

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.

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. Subsequent to the advice received, non-executive Directors fees were increased in FY21 as follows:

Non-executive Directors Fee Schedule (Effective 1 January 2021)				
Non-executive Directors	**ClearView Wealth Limited**	**Committee Chair**	**Total**	**GST or Super**
G Black	200,000	—	200,000	incl. Super
G Burg	85,000	—	85,000	excl. GST
N Thomson	85,000	—	85,000	excl. GST
M Alscher	85,000	—	85,000	excl. GST
S Young	85,000	60,000	145,000	incl. Super
J Lyon	85,000	30,000	115,000	incl. Super
Total	**625,000**	**90,000**	**715,000**	

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 (2020: $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 2021 is set out below:

	Short term employee benefits				Post employment	Share based payments	Total
2021	Salary & Fees $	Bonus $	Non-monetary $	Termination Payment $	Superannuation $	Performance / Restricted Rights $	$
Non-executive Directors							
G Black	159,817	—	—	—	15,183	—	175,000
G Burg	85,000	—	—	—	—	—	85,000
N Thomson[2]	85,000	—	—	—	—	—	85,000
M Alscher[2]	85,000	—	—	—	—	—	85,000
S Young	117,000	—	—	—	18,000	—	135,000
J Lyon[3]	109,589	—	—	—	10,411	—	120,000
B Edwards[1]	—	—	—	—	—	—	—
	641,406	**—**	**—**	**—**	**43,594**	**—**	**685,000**

1 Mr Edwards resigned as Director on 1 July 2020, no remuneration in FY21.

2 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.

3 Ms Lyon appointed as Director on 1 July 2020.

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]	—	—	—	—	—	—	—
	553,410	**—**	**—**	**—**	**32,528**	**—**	**585,938**

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 as Director on 1 July 2020, no remuneration in FY20.

Managing Director and Senior Management Team remuneration

The compensation of each member of the KMP of the Group for the year ended 30 June 2021 is set out below:

	Short term employee benefits				Post employment		Share based payments			Total
	Salary & Fees	STVR Cash[7]	Non-monetary	Termination Payment	Super-annuation	Long Service Leave	Executive Share Plan[6]	Perfor-mance / Restricted Rights[8]	Perform-ance based	
2021	$	$	$	$	$	$	$	$	%	$
S Swanson	681,194	143,515	15,905	—	22,601	12,036	—	163,837	29.58%	1,039,088
A Chiert	419,218	55,856	12,793	—	22,601	6,830	—	58,538	19.87%	575,836
G Martin[1]	112,503	—	3,976	342,709	6,675	1,660	—	—	0.00%	467,523
J McLaughlin	368,183	40,547	—	—	22,601	5,912	—	41,942	17.21%	479,185
T Kardash	361,710	43,756	62,748	—	22,601	5,634	—	46,211	16.58%	542,660
C Blaxland-Walker	379,219	44,501	64,808	—	22,601	5,763	1,386	46,708	16.14%	564,986
D Lowe	393,072	53,036	7,833	—	22,601	8,583	14,788	50,268	18.78%	550,181
J Beaumont	374,775	51,596	14,022	—	22,601	1,424	—	36,585	17.60%	501,003
O Cowan[2]	242,115	—	6,975	160,000	18,357	—	—	—	0.00%	427,447
H Mourad	342,745	45,836	9,426	—	22,601	1,106	—	32,745	17.29%	454,459
N Gooderick[3]	162,545	21,498	7,333	—	10,085	—	—	15,243	16.95%	216,704
G Kerr[4]	209,921	25,680	2,451	—	10,085	215	—	109,854	12.71%	358,206
J Myerscough[5]	72,600	—	1,701	—	—	—	—	—	—	74,301
	4,119,800	**525,821**	**209,971**	**502,709**	**226,010**	**49,163**	**16,174**	**601,931**	**16.60%**	**6,251,579**

1 Ceased as General Manager, Strategy on 30 September 2020.

2 Ceased as Chief Risk Officer on 19 April 2021.

3 Appointed as General Manager, Transformation on 1 February 2021.

4 Appointed as General Manager, Life Insurance on 1 February 2021. $90,000 LTVR Awards were provided as a signon bonus. The awards are not subject to performance conditions.

5 Appointed as interim Chief Risk Officer on 6 May 2021.

6 Benefit calculated under the Binomial model in respect of the future value of the ESP shares issued. ESP shares are ordinary shares issued and held under a holding lock until vesting date.

7 Cash amount of the STVR payable in relation to FY21 financial year and accrued as at 30 June 2021. Amounts to be paid, will be based on actual earnings for the year, on approval of the FY21 result on 24 August 2021.

8 Restricted rights granted under the ClearView LTIP and ClearView Rights Plan covering the LTVR as well as the deferred component of the STVR. Rights can be settled in cash or equity based on the terms of each award.

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
	Salary & Fees	Bonus	Retention Bonus	Non-monetary	Super-annuation	Long Service Leave	Executive Share Plan[5]	Long Term Incentive Plan[6]	Perform-ance based	
2020	$	$	$	$	$	$	$	$	%	$
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	**3,604,306**	**—**	**(18,860)**	**201,028**	**195,408**	**13,000**	**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 signon 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 as 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.

Key terms of employment contracts

Apart from the above, 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
Simon Swanson, Christopher Blaxland-Walker, 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 National Employment Standards (NES)).
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.
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).
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).
Judilyn Beaumont, Hicham Mourad, Nadine Gooderick, Gerard Kerr	Ongoing	13 weeks	In the case of redundancy, a severance payment of 13 weeks' base salary (or any greater payment required under the NES).
James Myerscough	Ongoing	4 weeks	No other key terms.

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

24 August 2021

Auditor’s Independence Declaration

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney, NSW, 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

Tel: +61 2 9322 7000
Fax: +61 2 9322 7001
www.deloitte.com.au

24 August 2021

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

Dear Directors

Auditor’s Independence Declaration to ClearView Wealth Limited and its subsidiaries

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 report of ClearView Wealth Limited and its subsidiaries for the year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- The auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- Any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Max Rt Murray

Max Murray
Partner
Chartered Accountants

2021 Financial report contents

The Financial Report was authorised for issue by the Directors on 24 August 2021.

Consolidated statement of profit or loss and other comprehensive income

For the full year ended 30 June 2021

		Consolidated		Company	
	Note	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Continuing operations					
Revenue from continued operations					
Premium revenue from insurance contracts		278,190	259,993	—	—
Outward reinsurance expense		(100,988)	(85,803)	—	—
Net life insurance premium revenue		**177,202**	**174,190**	—	—
Fee and other revenue	2.4	126,695	130,206	476	3,947
Investment income	2.5	72,959	105,943	1,226	1,641
Operating revenue before net fair value gains on financial assets		**376,856**	**410,339**	**1,702**	**5,588**
Net fair value gains on financial assets		204,483	(123,848)	—	—
Net operating revenue		**581,339**	**286,491**	**1,702**	**5,588**
Claims expense		(153,043)	(194,538)	—	—
Reinsurance recoveries revenue		108,504	136,429	—	—
Commission and other variable expenses		(124,613)	(125,548)	—	—
Operating expenses	2.6	(119,949)	(102,519)	(9,986)	(5,771)
Depreciation and amortisation expense	2.6	(5,780)	(7,269)	—	—
Change in life insurance policy liabilities	5.4	1,790	5,361	—	—
Change in reinsurers' share of life insurance liabilities	5.4	(5,104)	(1,564)	—	—
Change in life investment policy liabilities	5.4	(159,931)	(7,411)	—	—
Movement in liability of non-controlling interest in controlled unit trusts		(118,575)	17,066	—	—
Profit/(Loss) before income tax expense		**4,638**	**6,498**	**(8,284)**	**(183)**
Income tax benefit	2.7	2,041	6,583	2,116	505
Total comprehensive income/(loss) for the year		**6,679**	**13,081**	**(6,168)**	**322**
Attributable to:					
Equity holders of the parent		6,679	13,081	(6,168)	322
Earnings per share	2.2				
Basic (cents per share)		1.06	2.08	—	—
Diluted (cents per share)		1.06	2.08	—	—

To be read in conjunction with the accompanying Notes.

Consolidated statement of financial position

For the full year ended 30 June 2021

		Consolidated		Company	
	Note	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Assets					
Cash and cash equivalents		120,496	186,443	8,904	14,160
Investments	3.3	2,456,967	2,013,797	439,081	409,083
Receivables	3.1	35,931	40,672	14,307	20,105
Current tax asset	2.7	2,972	—	2,972	—
Fixed interest deposits		70,366	118,534	—	—
Reinsurers' share of life insurance policy liabilities	5.4	70,621	128,543	—	—
Deferred tax asset	2.7	6,825	11,759	857	880
Property, plant and equipment		711	494	—	—
Right-of-use assets	9.3	14,516	1,363	—	—
Goodwill	4.1	12,511	12,511	—	—
Intangible assets	4.1	7,749	5,969	—	—
Total assets		**2,799,665**	**2,520,085**	**466,121**	**444,228**
Liabilities					
Payables	3.2	45,279	35,092	1,315	1,135
Current tax liabilities	2.7	—	2,175	—	2,175
Provisions	4.3	7,559	7,030	1,437	847
Lease liabilities	9.3	14,008	1,804	—	—
Life insurance policy liabilities	5.4	(2,135)	(59,341)	—	—
Life investment policy liabilities	5.4	1,392,291	1,185,326	—	—
Liability to non-controlling interest in controlled unit trusts		791,249	834,092	—	—
Deferred tax liabilities	2.7	2,467	1,186	184	265
Borrowings	6.5	16,000	60,000	16,000	60,000
Subordinated Debt	6.4	73,514	—	73,514	—
Total liabilities		**2,340,232**	**2,067,364**	**92,450**	**64,422**
Net assets		**459,433**	**452,721**	**373,671**	**379,806**
Equity					
Issued capital	6.1	447,448	447,448	449,855	449,855
Retained losses	6.2	(6,611)	(13,290)	(111,647)	(105,479)
Executive Share Plan Reserve	6.2	14,617	14,584	12,210	12,177
Profit reserve	6.2	—	—	19,274	19,274
General reserve	6.2	3,979	3,979	3,979	3,979
Total equity		**459,433**	**452,721**	**373,671**	**379,806**

To be read in conjunction with the accompanying Notes.

Consolidated statement of changes in equity

For the full year ended 30 June 2021

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 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**
Profit for the year	—	—	—	—	6,679	6,679
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**6,679**	**6,679**
Recognition of share based payments	—	232	—	—	—	232
ESP shares vested/(forfeited)	—	(199)	—	—	—	(199)
Balance at 30 June 2021	**447,448**	**14,617**	**3,979**	**—**	**(6,611)**	**459,433**

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 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**
Loss for the year	—	—	—	—	(6,168)	(6,168)
Total comprehensive loss for the year	**—**	**—**	**—**	**—**	**(6,168)**	**(6,168)**
Recognition of share based payments	—	232	—	—	—	232
ESP shares vested/(forfeited)	—	(199)	—	—	—	(199)
Balance at 30 June 2021	**449,855**	**12,210**	**3,979**	**19,274**	**(111,647)**	**373,671**

To be read in conjunction with the accompanying Notes.

Consolidated statement of cash flows

For the full year ended 30 June 2021

		Consolidated		Company	
	Note	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Cash flows from operating activities					
Receipts from client and debtors		673,006	677,711	—	—
Payments to suppliers and other creditors		(317,170)	(320,000)	(6,488)	(5,391)
Receipts from/(payments to) Group entities		—	—	1,425	3,919
Withdrawals paid to life investment clients		(241,670)	(297,568)	—	—
Dividends and trust distributions received		66,505	99,662	—	—
Incurred claims treaty settlements		96,750	35,611	—	—
Interest received		2,378	3,704	19	79
Interest on borrowings and other costs of finance		(5,064)	(2,219)	(3,064)	(920)
Income taxes paid		(5,600)	(5,359)	(5,600)	(5,359)
Net cash (utilised)/generated by operating activities		**269,135**	**191,542**	**(13,708)**	**(7,672)**
Cash flows from investing activities					
Net cash movement due to investment in subsidiary		—	—	—	(18,506)
Payment for investment securities in subsidiary		—	—	(30,000)	—
Payments for investment securities		(1,237,520)	(1,379,094)	—	—
Proceeds from sales of investment securities		989,664	1,228,745	—	—
Acquisition of property, plant and equipment		(634)	(280)	—	—
Acquisition of capitalised software		(5,070)	(2,048)	—	—
Fixed interest deposits redeemed/(invested)		48,637	(14,000)	—	—
Loans (granted) / repayments received		1,208	1,614	7,452	(16,000)
Net cash (utilised) by investing activities		**(203,715)**	**(165,063)**	**(22,548)**	**(34,506)**
Cash flows from financing activities					
Net movement in liability of non-controlling interest in unit trusts		(161,418)	(85,533)	—	—
Subordinated debt issue		75,000	—	75,000	—
Repayment of lease liability		(949)	—	—	—
Sale of ESP shares		—	674	—	674
Share buyback (net of costs)		—	(374)	—	(374)
Debt drawn down / (repayments)		(44,000)	45,000	(44,000)	45,000
Net cash generated/(utilised) in financing activities		**(131,367)**	**(40,233)**	**31,000**	**45,300**
Net increase/(decrease) in cash and cash equivalents		(65,947)	(13,754)	(5,256)	3,122
Cash and cash equivalents at the beginning of the financial year		186,443	200,197	14,160	11,038
Cash and cash equivalents at the end of the financial year		**120,496**	**186,443**	**8,904**	**14,160**

To be read in conjunction with the accompanying Notes.

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 24 August 2021.

(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;
- potential voting rights held by the Company, other vote holders or other parties;

1. About this report continued

- 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.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the

1. About this report continued

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. A separate product and pricing team reports into the General Manager, Life Insurance.;
- 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.

1. About this report continued

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:

- A lump sum 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 also entered an incurred claims treaty with the main reinsurer for its income protection(IP) portfolio in FY21 to address the concentration risk. Under the treaty, ClearView LifeSolutions income protection claims are substantially settled on an earned premium and incurred claims basis. Each quarter, the main reinsurer settles 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 the reinsurer's best estimate assumptions and based on the applicable Australian Accounting Standards (excluding risk margins, profit margins and capital margins).
- The main reinsurer retains the duration and matching risk on the IP incurred claims treaty. For both incurred claims treaties, ClearView pays an interest charge on the liabilities related to the settlement of the incurred liabilities. This cost (reported as part of the reinsurance cost) has been included in the FY21 result.
- As a result of entering into the new treaty, ClearView has wound down the limits on the irrevocable letter of credit issued by a major Australian bank on behalf of the main reinsurer. 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.
- 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 covenants are 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.

1. About this report continued

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 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 claims reserves, capital reserves and excess assets 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 at various times as part of the Group's COVID-19 response (with further details outlined elsewhere in this report).

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

1. About this report continued

by a range of controls and processes including various HR policies and surveys conducted.

(j) Coronavirus (COVID-19) impact

Background

The world continues to navigate the unprecedented circumstances including significant economic, social and health challenges caused by the COVID-19 pandemic. Australia has more recently experienced outbreaks in various parts of the country driven by the Delta variant. The Delta variant is a mutant strain of the SARS-CoV-2 virus with early estimates and experience suggesting the new Delta strain is significantly more transmissible than previous variants of the virus.

The further waves of infections and ease of transmission of the Delta variant since mid June 2021, has led to quick and extended lockdowns and the reinstatement of certain government support measures to protect the economy and jobs. The recent outbreaks have impacted significant aspects of everyday lives and the flow on effects to the economy. Furthermore, the states and territories responses include the closing of their borders which itself has economic consequences including dampening domestic travel.

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 91 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, with a successful vaccine roll out being the key determinant in the likely timing of exits from protracted lockdowns and Australia's primary response to the Delta variant, significant uncertainty remains until at least such time as the majority of the adult population has been vaccinated.

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 and other than adjusting events that provide evidence of conditions that existed at the end of the reporting period, the impact of events that arise from COVID-19 after the reporting period will be accounted for in future reporting periods.

Impact of COVID 19 and processes applied

To date, COVID-19 related mortality has (for the most part) tended to be in the older and relatively uninsured segment of the population (and it seems unlikely that there will be a high number of direct COVID-19-related insured death claims in Australia). However, the mutation and ease of transmission of the Delta strain of the virus, the flow on economic impacts of further outbreaks, unpredictable lock downs (and a protracted lock down in New South Wales), border closures and continuation of the government support measures creates uncertainty and risk that could potentially drive a spike in morbidity (income protection) claims and lapses (premium affordability) in the months ahead.

Given the success at which Australia has managed to suppress the pandemic (until the more recent Delta strain outbreaks), these potential risks have been avoided in financial results reported to date, but as noted above the uncertainty remains.

Some allowances continue to be made in the assumptions (as short term overlays) to reflect the potential increase in COVID-19 related income protection claims, including both higher incidence and duration of claims. Further details are provided in the section that follows.

ClearView has also acted swiftly to address the challenges faced by COVID-19, with its response focused on certain key priorities, including:

- Protecting its people and customers;
- Modelling its capital exposure, stress testing and liquidity;
- Conserving capital and cash flow;
- Stabilising the operations to the 'new normal';and
- Playing offence, not just defence.

The above mentioned scenarios considered business impacts (capital, cash flow and profitability) from COVID-19, including direct COVID-19 claim impacts (based on assumed infection and mortality and morbidity rates), indirect claims impacts (economic downturn induced), asset value impacts, reduced sales and elevated lapses and premium suspension impacts.

CLAL's regulatory capital position remains resilient to each of these scenarios. Furthermore, an additional amount of Tier 2 capital was raised to further allow for some of these sensitivities to the capital base in a downside scenario. It was also noted that profitability can be sensitive within each scenario, to claims and lapse assumptions and relative to the allowances made in policy liabilities versus the actual experience that emerges.

The business has to date proven resilient to the health and economic impacts of COVID-19 but is closely monitoring the impacts from the recent outbreaks.

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:

1. About this report continued

- 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;
- 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. 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 unfold, the scenarios adopted represent reasonable and supportable forward-looking views as at the Balance Sheet date; and
- Considered the impact of COVID-19 on the Groups' financial statement disclosures.

Consideration of the statements of financial position and further disclosures

Key statements of financial position items and related disclosures that have been considered as a result of the impacts from 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.

Whilst there have been lockdowns at different times in Australia (and some continue at the date of this report), until the more recent Delta strain outbreaks and related effects, the overall direct and indirect impacts of COVID-19 have been lower than originally envisaged and Australia has been less impacted than globally (albeit certain sectors have been impacted more than others).

The discussion below looks at how each claims benefit type may be impacted going forward (noting there is still some risk depending on the timing and how successful the vaccination program is to deal with the Delta strain) in proposing a specific claims overlay for COVID-19 as part of 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.

Notwithstanding the further waves of infections and ease of transmission of the Delta variant, it continues to be expected that COVID-19 related deaths in the insured population will remain subdued, given the experience to date and that vaccination rates are increasing (with targets in place to allow for an ultimate return to opening up the economy and interactions). Hospitalisations, patients in intensive care and deaths have increased as the wave of infections has grown from the recent outbreaks (using New South Wales experience) but the predominant mortality impacts (deaths) continues to be in the older demographic (which is broadly part of the uninsured population) and has not impacted those that have been fully vaccinated. Therefore no increase in death claims (outside of the change in claims assumption basis in FY20) has been included for the direct mortality impacts of the pandemic.

At 30 June 2020, a COVID-19 allowance was made for increased suicides in FY21 and FY22 (in effect the doubling of suicides which accounts for circa 2% of deaths). There had been an expectation that there would be an increase in suicides in the general population due to an increase in stress, anxiety and mental health related conditions.

Based on a paper on "Impact of COVID-19 on Mortality and Morbidity in 2020" by Richard Lyon, Karren Cutter and Jennifer Lang, the suicides in 2020 were 5%, 3% and 2% lower than 2019 in NSW, Victoria and Queensland respectively. In addition, there has been no evidence of increased suicides on ClearView's own portfolio to date.

Based on research by Taylor Fry as presented at the 2021 Actuaries Summit (titled Mental Health and COVID), contacts with support organisations such as LifeLine, Kids Helpline and Beyond Blue increased by 15% to 20% from August 2019 to September 2020, which is potentially a positive in terms of keeping the suicide rates lower.

On balance, taking account of all of the above, no COVID-19 allowance for suicide deaths has been applied to the best

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estimate assumptions at 30 June 2021 (and therefore the overlay that was previously adopted for the FY22 year has been removed).

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 rates (to date) in Australia. The impacts of the Delta strain and lock downs remains uncertain, but the vaccination program is expected to be rolled out and there is therefore likely to be limited indirect impacts from preventive treatment being delayed (as the adult population becomes vaccinated). 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. 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, given there has been no data to suggest that this has occurred and that unemployment and underemployment rates have improved since the onset of the pandemic (as noted earlier in the report), the previously adopted COVID-19 allowance applied to the best estimate assumptions has been removed. This will continue to be closely monitored as further data and experience come to light.

Income Protection Claims

With respect to income protection claims incidence rates (number of claims received) and impacts from COVID-19, the increase is likely to 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 potentially a higher unemployment rate).

In FY20, based on various papers, it was assumed that the claims costs would increase based on forecast unemployment rates at the time (defined as the unemployment rate change plus 25% of the change in the underemployment rate). Furthermore, the exposure to higher risk type occupations could also be estimated.

On balance based on the assumptions adopted for increased unemployment rates, this implied that there could be an additional number of claims, with an increase of 21% in FY21 and 15% in FY22 in claims incidence being adopted (at 30 June 2020) as a COVID-19 overlay and applied to the best estimate assumptions.

Until the recent lockdowns caused by the Delta strain, the change in effective unemployment was forecast to be close to zero in FY22 compared to pre COVID-19 levels and there would therefore be a minimal impact on incidence rates. This will need to be closely monitored in due course.

There is evidence that certain sectors of the economy have fared worse than others (albeit the recovery has been relatively widespread), based on ABS Labour Force data. Sectors such as arts and recreation services, accommodation and food services and travel (amongst others), have been the most impacted. The sectors are all affected to a different extent (including varying on a state by state basis).

There could therefore be an increase in income protection claims requiring a subjective assessment for the sectors affected, for which there is likely a delayed effect. These claims account for circa 30% of all claims, which could potentially double for the sectors affected. This could result in an increase of circa 7.5% in FY22.

There could also be delays in income protection claims reporting due to not visiting the medical practitioners for treatment and diagnosis. As for trauma claims, there is likely to be limited indirect impacts from preventive treatment being delayed (as the adult population becomes vaccinated).

Overall, on balance 7.5% has been adopted as a COVID-19 overlay for FY22 (reduced from 15%) and applied to the best estimate income protection claims assumptions adopted at 30 June 2021.

COVID-19 may also indirectly increase the duration of income protection claims, that is reduce claims termination rates (linked to higher unemployment/ underemployment and lower financial incentive to return to work for those sectors that are affected).

The impacts arise 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 downs on managing claims.

In FY20, based on the results in the 2018 Group Long Term Disability Experience Study Report by the Group Long-Term Disability Committee of the Society of Actuaries, it could have been expected that a 5% increase in effective unemployment (which was expected at the time by June 2021) could lead to a 30% reduction in termination rates. An assumption of 15% reduction in termination rates was adopted by ClearView (for

1. About this report continued

FY22) given the analysis that was completed on the ClearView portfolios and the exposure of the portfolio to affected industries.

At 30 June 2021, based on an updated assessment of the exposures, a 5% termination reduction has been adopted. This would increase the cost of claims by circa 2% in FY22 (compared to 7% assumed at 30 June 2020 for FY22).

The above mentioned assumptions have been adopted as a COVID-19 overlay at 30 June 2021 to approximate the increase in income protection claims across the industry from secondary economic impacts of pandemic over FY22. The actuarial best-estimate assumptions adopt a long-term view and are based on expectations that claims experience will average out over time.

Lapses

Given the observed lapse rates over the last year, lapse experience has been impacted primarily by short term pricing effects. For lump sum products, there appears to have been limited COVID-19 impacts to date, observed through experience of the direct portfolios.

No change in the long term best estimate lapse assumptions have been made at 30 June 2021. With respect to the pricing increases, and staggered approach, considering the uncertainty with the pricing increases passing through the in -force portfolios, further shock lapse assumptions have been allowed for, noting that it is expected that the shock lapse adopted will be more skewed to the first year of the price increase.

These rate increases on the in-force portfolios and related shock lapse assumptions have been included in policy liability and EV calculations. No shock lapse allowance is held for COVID-19 based on observed experience to date.

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.

Right-of-use assets

Included in the right-of-use assets at 30 June 2021 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 2021 has been calculated based on the following key assumptions and estimates:

- Mortality and morbidity (claims)
- Investment returns;
- Persistency (lapse);
- Board approved premium rate and pricing changes;
- Outflows;
- Maintenance costs; and
- Discount rates.

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 has a $60 million facility agreement with the National Australia Bank, of which $16 million has been drawn down (FY20: $60 million). The facility is repayable on 1 April 2024. The facility was renewed 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 (FY20: 0.80%), and is payable monthly. Furthermore, a line fee of 0.80% per annum (FY20: 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 ignoring any effects from the adoption of AASB16) must not

1. About this report continued

be less than 3x interest expense. Interest expense excludes any costs associated with the incurred claims treaties that are treated as a reinsurance cost.

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 now (with effect from FY21) also calculated on an annual basis under the terms of the facility agreement (were previously calculated on a six monthly basis).

Based on the results to 30 June 2021, ClearView has been operating within its covenants under the terms of the Facility Agreement (as calculated on an annual basis). The Group has therefore not identified any breaches at 30 June 2021 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. 'Life risk insurance' provides pure life risk cover products and plays a crucial community role in helping customers manage unexpected events and protect themselves and their families against financial difficulties. Products are designed to allow policyholders to receive (in the case of an eligible claim) either a one off payment (lump sum products) or recurring benefits (ongoing monthly payments) over a specified period, typically a certain number of years, or up to a specific age (income protection products).

ClearView only participates in the financial advised segment of the individual risk market and therefore does not participate in the Group risk market. The products provided by ClearView Life include:

- A comprehensive range of life protection products. The product suite, LifeSolutions, was launched in December 2011 and 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 HUB24 Super Fund (from 1 November 2020) and ClearView Retirement Plan (to 31 October 2020) as superannuation. The LifeSolutions product has, to date, been ClearView's single, contemporary product series for retail customers that is available through financial advisers. ClearChoice, the new income protection product, is being launched into the market from 1 October 2021, with the expectation that the new product design and pricing of these products will improve profitability and ultimately the sustainability of the industry;
- 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:

- Traditional products (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. ClearView selected HUB24 as its strategic wrap platform provider following a comprehensive market review. Under the arrangement, the funds under management (FUM) in the WealthSolutions platform product has been successfully migrated to HUB24, with the transition completed in 2H FY21 from a technology perspective. The further integration of the WealthSolutions product with HUB24 (for both the superannuation and pension business and the Investor Directed Portfolio Service (IDPS)), represents the last step in the multi period transformation project of the wrap business with HUB24. WealthSolutions wrap product offering 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;
- WealthSolutions 2 - The WealthSolutions 2 product on the HUB 24 platform is effectively a white labelled product with limited administration fee margins. The use of the ClearView model portfolios and platform funds on the HUB24 platform is therefore the key driver for the product and segment.
- WealthFoundations - Life investment contracts issued by ClearView Life. Products include superannuation and allocated pension products, issued via the ClearView

2. Results for the year continued

2.1 Segment performance continued

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).

Subsequent to year end, the Board initiated a strategic review in the financial advice segment to seek out and pursue inorganic opportunities to obtain scale in the market.

As separately outlined, consistent with the review, ClearView has entered into a Share Purchase Agreement for the sale of its financial advice businesses to Centrepoint Alliance Limited (Centrepoint Alliance) in exchange for $3.2 million in cash and the acquisition of a strategic 25% stake in Centrepoint Alliance (subject to net asset adjustment as defined under the terms of the agreement).

It further allows ClearView to indirectly participate in the industry consolidation (given structural market changes) and at the same time separate its product manufacturer and financial advice arms.

(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 and subordinated 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.

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

	Total Revenue		Inter-Segment Revenue		Consolidated Revenue	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Segment revenue						
Life Insurance	178,552	176,420	—	—	178,552	176,420
Wealth Management	112,437	143,443	—	—	112,437	143,443
Financial Advice	103,925	116,441	(18,114)	(26,164)	85,811	90,277
Listed entity/Other	57	199	—	—	57	199
Consolidated segment revenue	**394,970**	**436,503**	**(18,114)**	**(26,164)**	**376,856**	**410,339**

2. Results for the year continued

2.1 Segment performance continued

Operating Earnings (after tax) and Underlying net profit after tax are the Groups key measure of business performance and is disclosed below by segment:

2021	Life Insurance	Wealth Management	Financial Advice	Listed Entity/ Other	Total
Total operating earnings after tax	**23,534**	**648**	**853**	**(1,151)**	**23,884**
Underlying investment income	1,350	88	133	57	1,627
Interest on corporate debt	(821)	—	—	(1,968)	(2,789)
Underlying net profit/(loss) after tax	**24,065**	**735**	**986**	**(3,063)**	**22,722**
AIFRS policy liability discount rate effect[1]	(11,372)	—	—	—	(11,372)
Impairments[2]	(1,509)	—	—	—	(1,509)
Wealth project costs[3]	—	(3,087)	—	—	(3,087)
Other costs[3]	—	(160)	87	—	(73)
Reported profit/(loss)	**11,183**	**(2,512)**	**1,073**	**(3,063)**	**6,679**
2020					
Total operating earnings after tax	**8,833**	**3,275**	**2,054**	**(1,105)**	**13,057**
Underlying investment income	**1,610**	**346**	**226**	**139**	**2,322**
Interest on corporate debt	**—**	**—**	**—**	**(641)**	**(641)**
Underlying net profit/(loss) after tax	**10,443**	**3,621**	**2,280**	**(1,607)**	**14,737**
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**	**(570)**	**13,079**

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 income protection disabled lives claims reserves. The life insurance policy liability (based on AIFRS) and income protection 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 Impairment to receivables from ClearView Retirement Plan in the amount of $1.5m (CRP) (FY20: $2.6 million).

3 These costs are considered unusual to the ordinary activities of the Group and are therefore not reflected as part of Underlying NPAT. Costs in the amount of $3.1 million after tax were recognised in FY21 in relation to the Wealth Management project and transition to HUB24 (FY20: $1.4 million after tax). Other costs considered unusual to the ordinary activities in FY20 related a reallocation of costs between segments. Amounts stated are after tax.

2. Results for the year continued

2.2 Earnings per share

	Consolidated	
	2021	2020
Earnings per share (cents)		
Basic earnings (cents)	1.06	2.08
Diluted earnings (cents)	1.06	2.08
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:		
Profit for the year attributable to owners of the Company ($'000)	6,679	13,081
Earnings used in the calculation of basic earnings per share ($'000)	**6,679**	**13,081**
Weighted average number of ordinary shares for the purpose of basic earnings per share ('000's)	**628,419**	**628,653**
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 rights plan. The earnings used in the calculation of diluted earnings per share are as follows:		
Profit for the year attributable to owners of the Company ($'000)	6,679	13,081
Earnings used in the calculation of total diluted earnings per share	**6,679**	**13,081**
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:		
Weighted average number of ordinary shares used in the calculation of basic earnings per share (000's)	628,419	628,653
Shares deemed to be dilutive in respect of the employee rights plan (000's)	—	—
Weighted average number of ordinary shares used in the calculation of diluted earnings per share (all measures) (000's)	**628,419**	**628,653**

2.3 Dividends

	Consolidated and Company			
	2021		2020	
	Per share	$'000	Per share	$'000
Dividend payments on Ordinary shares				
2020 final dividend (2020: 2019 final dividend) (cps)	—	—	—	—
Total dividends on ordinary shares paid to owners of the Company	**—**	**—**	**—**	**—**
Dividends not recognised in the consolidated statement of financial position				
Dividends declared since balance date				
2021 final dividend (2020: 2020 final dividend) (cps)	1.0	6,694	—	—
Dividend franking account				
Amount of franking credit available for use in subsequent financial years		33,782		34,014

The Directors have declared a fully franked $6.7 million cash dividend for the year ended 30 June 2021 (2020: Nil). Considering the uncertainty of the impacts due to COVID-19 and the recent outbreaks from the Delta strain (and related lockdowns), material investment in the new PAS, no certainty in the timing of the release of the APRA Pillar 2 capital charge, and standard completion risks associated with the increase in the net capital position of the Group from the Centrepoint Alliance transaction, a FY21 dividend of 1 cent per share has been declared (FY20: $nil). This represents just under 30% of Operating Earnings After Tax and reflects an element of conservatism compared to the revised dividend policy.

2. Results for the year continued

2.4 Fee and other revenue

	Consolidated		Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Financial advice fees	87,108	89,034	—	—
Funds management fees	38,256	39,905	—	—
Other income	1,331	1,267	476	3,947
Total fee and other revenue	**126,695**	**130,206**	**476**	**3,947**

Fee revenue from contracts from customers

Fee 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 membership fees 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 commission and other variable expenses in the Consolidated income statement.

2.5 Investment income

	Consolidated		Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Interest income	16,631	20,376	1,226	141
Dividend income	10,503	13,233	—	1,500
Distribution income	45,825	72,334	—	—
Total investment income	**72,959**	**105,943**	**1,226**	**1,641**

Dividend income - accounting policy

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

2. Results for the year continued

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 expenses

	Consolidated		Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Administration expenses				
Administration and other operational costs	51,800	50,007	6,398	4,648
Custody and investment management expenses	8,648	9,298	—	—
Total administration expenses	**60,448**	**59,305**	**6,398**	**4,648**
Employee costs and directors' fees				
Government grant - JobKeeper payments	(2,416)	(2,551)	—	—
Employee expenses	54,299	43,075	4	10
Share based payments	33	287	—	—
Employee termination payments (excluding cost out program)	1,069	483	—	—
Directors' fees	758	862	311	622
Total employee costs and directors' fees	**53,743**	**42,156**	**315**	**632**
Other expenses				
Interest and other costs of finance	5,758	1,058	3,273	491
Total other expenses	**5,758**	**1,058**	**3,273**	**491**
Total operating expenses	**119,949**	**102,519**	**9,986**	**5,771**

	Consolidated		Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Depreciation and amortisation expenses				
Depreciation expenses	415	722	—	—
Software amortisation	3,207	4,965	—	—
Amortisation of acquired intangibles	—	6	—	—
Depreciation of right-of-use assets	2,158	1,576	—	—
Total amortisation and depreciation expenses	**5,780**	**7,269**	**—**	**—**

2. Results for the year continued

	Consolidated		Company	
	2021 $	2020 $	2021 $	2020 $
Remuneration of auditors				
Auditor of the parent entity				
Audit and review of financial reports	286,110	280,500	95,880	94,000
Audit of APRA and ASIC regulatory returns	192,390	144,500	—	—
Audit of Managed Investment Schemes	76,500	75,000	—	—
Total remuneration for audit services	**555,000**	**500,000**	**95,880**	**94,000**
Preparation and lodgement of tax returns	104,500	104,500	96,500	96,500
Other non-audit services - taxation advice	101,000	80,500	15,000	9,000
Other non-audit services - compliance	56,915	65,000	12,000	—
Other non-audit services - consulting	—	—	—	10,000
Total remuneration for non-audit services	**262,415**	**250,000**	**123,500**	**115,500**
Total remuneration	**817,415**	**750,000**	**219,380**	**209,500**

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

It is the Group's policy to net off JobKeeper government grant income against salaries expense.

2. Results for the year continued

2.7 Taxes

Income tax

	Consolidated		Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
a) Income tax recognised in profit or loss				
Income Tax expense/(benefit) comprises:				
Current tax expense/(benefit)	(6,984)	(621)	(1,809)	732
Deferred tax expense/(benefit)	5,646	(3,545)	(326)	(1,237)
Over provided in prior years – current tax expense/(benefit)	(1,273)	(2,215)	(249)	(56)
Under provided in prior years – deferred tax expense/(benefit)	570	(202)	268	56
Income tax expense/(benefit)	**(2,041)**	**(6,583)**	**(2,116)**	**(505)**
b) Tax losses				
Unused tax losses for which no deferred tax asset has been recognised	1,167	15,654	1,167	—
Potential tax benefit	350	2,087	350	—

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	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
c) Reconciliation of income tax expense to prima facie tax payable				
Profit before income tax expense	4,638	6,498	(8,284)	(183)
Policyholder tax (expense) credit recognised as part of the change in policyholder liabilities in determining profit before tax	3,824	12,459	—	—
Profit before income tax excluding tax charged to policyholders	**8,462**	**18,957**	**(8,284)**	**(183)**
Prima facie tax calculated at 30%	2,539	5,687	(2,485)	(55)
Tax effect of amounts which are non deductible/assessable in calculating taxable income:				
Dividends received from subsidiaries	—	—	—	(450)
Non assessable income	(819)	(818)	—	—
Non deductible expenses	385	935	350	—
Over (under) provision in prior years	(322)	(4)	19	—
Other	—	76	—	—
Income tax expense/(benefit) attributable to shareholders	**1,783**	**5,876**	**(2,116)**	**(505)**
Income tax expense/(benefit) attributable to policyholders	**(3,824)**	**(12,459)**	**—**	**—**
Income tax expense/(benefit)	**(2,041)**	**(6,583)**	**(2,116)**	**(505)**
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	—	—	—	—

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.

2. Results for the year continued

2.7 Taxes continued

	Consolidated		Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'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.	33,782	34,014	33,782	34,014
Deferred tax balances				
Deferred tax assets[1]				
The balance comprises temporary differences attributable to:				
Accruals not currently deductible	1,020	391	55	55
Depreciable and amortisable assets	1,109	3,064	—	—
Provisions not currently deductible	4,562	3,180	802	825
Unrealised losses carried forward	2	4,800	—	—
Capital business expense	132	176	—	—
Share trust funding costs	—	148	—	—
Deferred tax asset	**6,825**	**11,759**	**857**	**880**
Deferred tax liabilities				
The balance comprises temporary differences attributable to:				
Unrealised gains on investments	1,602	—	—	—
Prepaid expenses	542	461	—	—
Lease assets	139	—	—	—
Fees not derived	—	460	—	—
Research and development capitalised assets	184	265	184	265
Deferred tax liability	**2,467**	**1,186**	**184**	**265**

1 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. Tax losses (including capital losses) that is no longer available to be carried forward and utilised in the future is not disclosed. Tax losses that are available to be carried forward and utilised but remained unused at balance date for which no deferred tax assets have been recognised are attributable to tax losses of a capital nature of $1.2 million (tax effected $0.4 million) Consolidated and for the Company.

2. Results for the year continued

2.7 Taxes continued

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.

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

2. Results for the year continued

2.7 Taxes continued

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.

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

As at the reporting date, 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.

CRP receivable

In 1HFY21, ClearView's primary superannuation life insurance portfolio in ClearView Retirement Plan (CRP) has been successfully transferred to the HUB24 Super Fund (and continues to be administered by ClearView). This resolved the build up of the CRP receivable supported by ClearView Life Assurance Limited (CLAL) and ClearView Wealth Limited Group (CWL).

As at 30 June 2021, CLAL and CWL carried a receivable of $10.5 million (2020: $15.5 million). This is after a write down of $1.7 million in the current year in respect of the FY20 income tax year (2020: $2.6 million for the prior years) driven by the reduction of the carried forward losses in CRP against its net current pension exempt income in the respective year. In addition, a provision of $1.5 million for the receivable was held for future expected loss.

Due to the tax loss position in CRP, settlement of this amount is subject to the utilisation of tax losses. Based on the current year's utilisation of the carried forward tax losses and the taxable income from CRP, apart from the amount provided for, it is expected that the remaining 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.

3. Receivables, payables and investments

3.1 Receivables

	Consolidated		Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Trade receivables	184	265	—	—
Outstanding life insurance premium receivable	5,525	8,755	—	—
Provision for outstanding life insurance premiums	(662)	(1,032)	—	—
Other premium receivable[1]	8,783	—	—	—
Accrued dividends	754	497	—	—
Investment income receivable	359	254	278	—
Outstanding settlements	1,283	2,367	—	—
Prepayments	3,460	2,816	66	47
Receivables from controlled entities	—	—	4,168	2,574
Related party receivables net of provision	9,780	16,312	8,547	15,425
Loans receivable	6,157	8,380	2,504	3,632
Provision for loans receivable	(2,697)	(3,680)	(1,252)	(1,938)
Other debtors	3,005	5,738	(4)	365
Total receivables	**35,931**	**40,672**	**14,307**	**20,105**

1 Other premium receivable includes rights to the realised tax benefit received by HUB24 Super Fund for the insurance premium deduction

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 $4.2 million (Company $1.3 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	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Trade payables	8,665	6,428	518	958
Reinsurance premium payable	26,551	23,268	—	—
Employee entitlements	6,337	—	—	6
Life insurance premiums in advance	330	126	—	—
Life investment premium deposits	268	571	—	—
Payables to controlled entities	—	—	—	53
Outstanding investment settlements	81	3,594	—	—
Other creditors	3,047	1,105	797	118
Total payables	**45,279**	**35,092**	**1,315**	**1,135**

3. Receivables, payables and investments continued

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.

3.3 Investments

	Consolidated		Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Equity securities				
Investment in Group Companies	—	—	409,081	409,083
Held directly	225,892	205,189	—	—
Held indirectly via unit trust	844,179	701,607	—	—
	1,070,071	**906,796**	**409,081**	**409,083**
Debt securities/fixed interest securities[1,2]				
Held directly	594,762	306,132	30,000	—
Held indirectly via unit trust	556,409	590,755	—	—
	1,151,171	**896,887**	**30,000**	**—**
Property/Infrastructure				
Held indirectly via unit trust	235,725	210,114	—	—
	235,725	**210,114**	**—**	**—**
Total investments	**2,456,967**	**2,013,797**	**439,081**	**409,083**

1 During the year, ClearView invested in the 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. In December 2020, ClearView updated its investment strategy and appointed PIMCO, a global investment manager with a specialist investment mandate focused on active fixed income management, to manage (in consultation with ClearView) and match the shareholder funds with the insurance liabilities and reserves. The investment mandate retains a focus on a strong and conservative capital position, but with appropriate asset/liability matching. The asset liability management solution has been appropriately calibrated and aligned with the business risk appetite. The mandate allows for the consolidation of shareholder funds into a single mandate and replaces the previous strategy of investing short duration shareholder funds in bank term deposits and longer duration assets in index bond funds. Given the current interest rate environment, it is envisaged that over time the amounts invested will be expanded to include assets backing regulatory capital, target capital and surplus capital.

At 30 June 2021 an investment of $304.5 million was held in the PIMCO funds.

2 On 5 November 2020, the Company issued $75 million subordinated, unsecured notes to wholesale investors. These are unsecured, subordinated debt obligations of the Company. Interest accrues on at a variable rate equal to the three-month Bank Bill Swap Rate ('BBSW') plus a margin of 6% per annum, until maturity, payable quarterly in arrears. The Company utilised $30 million of the proceeds of the Notes for regulatory capital purposes for its regulated life insurance entity (ClearView Life). ClearView Life pays the Company interest on the $30 million subordinated on the same terms as outlined above.

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.

3. Receivables, payables and investments continued

3.3 Investments continued

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
- 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.

3. Receivables, payables and investments continued

3.3 Investments continued

Fair value 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).

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
2021				
Equity Securities	225,892	—	—	225,892
Fixed Interest Securities	—	594,762	—	594,762
Unit Trusts	1,636,313	—	—	1,636,313
Total	**1,862,205**	**594,762**	**—**	**2,456,967**
2020				
Equity Securities	205,189	—	—	205,189
Fixed Interest Securities	—	306,132	—	306,132
Unit Trusts	1,502,476	—	—	1,502,476
Total	**1,707,665**	**306,132**	**—**	**2,013,797**
Financial Liabilities				
2021				
Life investment policy liability	—	1,392,291	—	1,392,291
Total	**—**	**1,392,291**	**—**	**1,392,291**
2020				
Life investment policy liability	—	1,185,326	—	1,185,326
Total	**—**	**1,185,326**	**—**	**1,185,326**

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 2021, 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 investment management fees that are driven by the total funds under management, 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 and 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.

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.

3. Receivables, payables and investments continued

3.4 Financial Risk Management continued

	Consolidated		Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Cash and cash equivalents and debt securities/fixed interest securities				
Rating				
AAA	225,123	—	—	—
AA	165,452	271,966	8,904	14,160
A	36,742	—	—	—
BBB	35,808	—	—	—
	463,125	**271,966**	**8,904**	**14,160**

In addition to the credit risk exposures above, the Group's balance sheet as at 30 June 2021 reflects a $70.6m million (2020: $128.5 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 8.2.

(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.

3. Receivables, payables and investments continued

3.4 Financial Risk Management continued

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.

						Consolidated
2021	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	3,849	89	175	263	—	4,376
Outstanding life insurance premiums net of provision	4,863	—	—	—	—	4,863
Other premium receivable	—	8,783	—	—	—	8,783
Accrued dividends	754	—	—	—	—	754
Investment income and distribution income	359	—	—	—	—	359
Loan receivables	81	88	183	3,204	—	3,556
Prepayments	2,046	179	610	625	—	3,460
Related party receivable net of provision	1,232	—	—	8,548	—	9,780
Total	**13,184**	**9,139**	**968**	**12,640**	**—**	**35,931**
2020						
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**

						Company
2021	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	40	19	3	—	—	62
Current tax receivable	—	2,972	—		—	2,972
Receivables from controlled entities	4,446	—	—	—	—	4,446
Loan receivables	—	—	—	1,252	—	1,252
Related party receivables	—	—	—	8,547	—	8,547
Total	**4,486**	**2,991**	**3**	**9,799**	**—**	**17,279**
2020						
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**

3. Receivables, payables and investments continued

3.4 Financial Risk Management continued

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.

						Consolidated
2021	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	17,720	1,008	—	—	—	18,728
Current tax liabilities	—	—	—	—	—	—
Provisions	1,081	2,416	2,689	1,373	—	7,559
Reinsurance payable[1]	26,551	—	—	—	—	26,551
Total	**45,352**	**3,424**	**2,689**	**1,373**	**—**	**52,838**
2020						
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**

						Company
2021	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	1,315	—	—	—	—	1,315
Current tax liabilities	—	—	—	—	—	—
Provisions	—	19	1,418	—	—	1,437
Total	**1,315**	**19**	**1,418**	**—**	**—**	**2,752**
2020						
Payables	1,135	—	—	—	—	1,135
Current tax liabilities	—	2,175	—	—	—	2,175
Provisions	—	35	812	—	—	847
Total	**1,135**	**2,210**	**812**	**—**	**—**	**4,157**

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.

In December 2020, ClearView updated its investment strategy and appointed PIMCO with a specialist investment mandate to manage, in close consultation with ClearView, the shareholder funds that match the insurance liabilities and reserves in the life company.

At 30 June 2021, $304.5 million is invested in the PIMCO funds An overall investment loss of -$0.7 million after tax was made in the year ended 30 June 2021 (FY20: -0.2 million).

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	
	Weighted average interest rate	Less than 6 months	Weighted average interest rate	Less than 6 months
2021	%	$'000	%	$'000
Financial assets				
Variable interest rate instruments:				
Cash and cash equivalents	0.05	81,917	0.05	8,904
Fixed interest securities	—	67,469	—	—
Total		**149,386**		**8,904**
2020				
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**

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% (2020: 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.

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		Effect on securities		Effect on operating profit		Effect on securities	
	Consolidated		Consolidated		Company		Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000
±0.5% (2020: ±0.5%)	±1,239	±884	±1,239	±884	±31	±49	±31	±49

3. Receivables, payables and investments continued

3.4 Financial Risk Management continued

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
2021	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	48,986	65,017	200	114,203
Acquired directly during the year[1]	—	5,070	—	—	5,070
Balance at the end of the financial year	**20,452**	**54,056**	**65,017**	**200**	**119,273**
Accumulated amortisation and impairment losses					
Balance at the beginning of the year	7,941	43,330	64,985	—	108,315
Amortisation expense in the current year	—	3,207	2	—	3,209
Balance at the end of the financial year	**7,941**	**46,537**	**64,987**	**—**	**111,524**
Net book value					
Balance at the beginning of the financial year	12,511	5,656	32	200	5,888
Balance at the end of the financial year	**12,511**	**7,519**	**30**	**200**	**7,749**

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**

1 Includes $3.5 million of capitalised costs in relation to the new PAS

As required under accounting standards the Group completes an impairment assessment at each reporting date. As at 30 June 2021, no impairment charge was recognised (2020: nil). This is discussed further in section 4.2.

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 software

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.

4. Non-financial assets and liabilities continued

4.1 Goodwill and intangibles continued

Capitalisation of configuration and customisation costs in SaaS arrangements

In implementing SaaS arrangements, the Group has developed software code that enhances, modifies and creates additional capability to the software to which it owns the intellectual property. This software increases the functionality of the SaaS arrangement cloud-based application and includes a new underwriting rules engine, front end portal and integration with existing ERP systems. Judgement has been applied in determining whether the changes to the owned software meets the definition of and recognition criteria for an intangible asset in accordance with AASB 138 Intangible Assets. During the financial year, the Group recognised $3.5 million (2020: $0.3 million) as intangible assets in respect of customisation and configuration costs incurred in implementing SaaS arrangements.

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:

	2021	2020
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 2021. 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:

4. Non-financial assets and liabilities continued

4.2 Recoverability of intangible assets and goodwill continued

- Mortality and morbidity (claims)
- Investment returns;
- Persistency (lapse);
- Board approved premium rate changes;
- Outflows;
- Maintenance costs; and
- Discount rates.

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 2021, 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 2021, no impairment was required to the carrying value of capitalised software.

4. Non-financial assets and liabilities continued

4.3 Provisions

	Consolidated		Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Current and non current				
Make good provision	169	565	—	—
Employee leave provisions	5,477	4,762	—	—
Provision for restructuring	—	82	—	—
Provision for remediation	—	46	—	—
Other provisions	1,913	1,575	1,437	847
Total	**7,559**	**7,030**	**1,437**	**847**
Make good provision[1]				
Balance at the beginning of the financial year	565	508	—	—
Additional provisions raised	277	138	—	—
Utilised during the period	(512)	(81)	—	—
Unutilised provisions transferred	(161)	—	—	—
Balance at the end of the financial year	**169**	**565**	**—**	**—**
Employee leave provision[2]				
Balance at the beginning of the financial year	4,762	4,115	—	—
Additional provisions raised	1,349	1,983	—	—
Utilised during the period	(634)	(1,336)	—	—
Balance at the end of the financial year	**5,477**	**4,762**	**—**	**—**
Provision for Restructuring[3]				
Balance at the beginning of the financial year	82	1,800	—	—
Additional provisions raised	—	—	—	—
Utilised during the period	(82)	(1,718)	—	—
Balance at the end of the financial year	**—**	**82**	**—**	**—**
Provision for remediation[4]				
Balance at the beginning of the financial year	46	625	—	—
Additional provisions raised	—	8	—	—
Utilised during the period	(46)	(587)	—	—
Balance at the end of the financial year	**—**	**46**	**—**	**—**
Other provisions[5]				
Balance at the beginning of the financial year	1,575	272	847	24
Additional provisions raised	1,195	1,803	873	833
Utilised during the period	(857)	(500)	(283)	(10)
Balance at the end of the financial year	**1,913**	**1,575**	**1,437**	**847**

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.

5 Other provisions at 30 June 2021 relates to the 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 it's 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 and fixed income securities. 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.

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

5. Life insurance and investment contracts continued

5.1 Accounting for life insurance and investment contracts continued

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				
2021	$'000	$'000	$'000	$'000	$'000
Life insurance premium revenue	—	278,190	—	—	278,190
Outwards reinsurance expense	—	(100,988)	—	—	(100,988)
Fee revenue	—	170	10	18,153	18,333
Investment revenue	1	911	5	52,968	53,885
Net fair gain / (losses) on financial assets at fair value	—	252	(3)	103,308	103,557
Net revenue and income	**1**	**178,535**	**12**	**174,429**	**352,977**
Claims expense	—	(153,043)	—	—	(153,043)
Reinsurance recoveries	—	108,504	—	—	108,504
Change in life insurance policy liabilities	—	1,790	—	—	1,790
Change in life investment policy liabilities	—	—	(12,372)	(147,559)	(159,931)
Change in reinsurers' share of life insurance liabilities	—	(5,104)	—	—	(5,104)
Other expenses	—	(115,824)	(21)	(19,270)	(135,115)
Profit for the financial year before income tax	**1**	**14,858**	**(12,381)**	**7,600**	**10,078**
Income tax (expense) / benefit	—	(3,677)	12,538	(8,136)	725
Net profit attributable to members of ClearView Life Assurance Limited	**1**	**11,181**	**157**	**(536)**	**10,803**

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				
2021	$'000	$'000	$'000	$'000	$'000
Investments in controlled unit trusts	—	—	1,129	1,395,092	1,396,221
Investments in financial assets	—	304,451	—	—	304,451
Policy liabilities ceded under reinsurance	—	70,621	—	—	70,621
Other assets	569	130,691	1,657	8,667	141,584
Total assets	**569**	**505,763**	**2,786**	**1,403,759**	**1,912,877**
Gross policy liabilities – Life insurance contracts	—	(2,135)	—	—	(2,135)
Gross policy liabilities – Investment insurance contracts	—	—	991	1,391,300	1,392,291
Other liabilities	180	66,693	1,069	3,018	70,960
Total liabilities	**180**	**64,558**	**2,060**	**1,394,318**	**1,461,116**
Net assets	**389**	**441,205**	**726**	**9,441**	**451,761**
Shareholder's retained profits					
Opening retained profits	(73,093)	254,668	368	6,778	188,721
Operating profit	1	11,181	158	(537)	10,803
Capital transfer between funds	—	(1,600)	—	1,600	—
Shareholder's retained profits	**(73,092)**	**264,249**	**526**	**7,841**	**199,524**
Shareholder's capital	**73,482**	**176,956**	**200**	**1,600**	**252,237**
Total equity	**390**	**441,205**	**726**	**9,441**	**451,761**

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				
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)	(67,867)	(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 financial year before income tax	**197**	**14,361**	**(10,604)**	**(492)**	**3,462**
Income tax (expense)/ benefit	(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	1,389	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	1,457	8,691	177,880
Operating profit	196	8,947	611	1,087	10,841
Capital transfer between funds	—	4,700	(1,700)	(3,000)	—
Shareholders' retained profits	**(73,093)**	**254,668**	**368**	**6,778**	**188,721**
Shareholders' 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

5.3 Sources of profit

	Consolidated		Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Components of profit related to movements in life insurance liabilities				
Planned profit margins released	21,179	22,675	—	—
Profit arising from difference between actual investment income and expected interest on policy liabilities	1,106	3,292	—	—
Profit arising from difference between actual and expected experience[1]	(4,034)	(22,757)	—	—
Impact of change in economic assumptions	(7,070)	5,737	—	—
Life insurance	**11,181**	**8,947**	**—**	**—**
Components of profit related to movements in life investment liabilities				
Profit arising from life investment contracts[1]	(379)	1,698	—	—
Life investment	**(379)**	**1,698**	**—**	**—**
Profit for the statutory funds	10,802	10,645	—	—
Profit for the shareholders fund	1	196	—	—
Profit for ClearView Life Assurance Limited	**10,803**	**10,841**	**—**	**—**

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	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Life investment policy liabilities				
Opening gross life investment policy liabilities	1,185,326	1,152,535	—	—
Net increase in life investment policy liabilities reflected in the income statement	159,931	7,572	—	—
Decrease in life investment policy liabilities due to management fee reflected in the income statement	(18,224)	(18,903)	—	—
Life investment policy contributions recognised in policy liabilities	313,569	277,442	—	—
Life investment policy withdrawals recognised in policy liabilities	(248,311)	(233,320)	—	—
Closing gross life investment policy liabilities	**1,392,291**	**1,185,326**	**—**	**—**
Life insurance policy liabilities				
Opening gross life insurance policy liabilities	(59,341)	(151,652)	—	—
Movement in outstanding claims reserves	58,996	97,672	—	—
Decrease in life insurance policy liabilities reflected in the income statement	(1,790)	(5,361)	—	—
Closing gross life insurance policy liabilities	**(2,135)**	**(59,341)**	**—**	**—**
Total gross policy liabilities	**1,390,156**	**1,125,985**	**—**	**—**
Reinsurers' share of life insurance policy liabilities				
Opening balance	(128,543)	(95,669)	—	—
Movement in outstanding reinsurance	(43,931)	(70,049)	—	—
Decrease in reinsurance assets reflected in the income statement	5,104	1,564		
Movement in reinsurer's share of incurred claims liability	96,749	35,611	—	—
Closing reinsurers' share of life insurance policy liabilities	**(70,621)**	**(128,543)**	**—**	**—**
Net policy liabilities at balance date	**1,319,535**	**997,442**	**—**	**—**

Components of net life insurance policy liabilities

	Consolidated		Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Future policy benefits	510,868	517,505	—	—
Future expenses and commissions	649,106	602,316	—	—
Less future revenues	(1,586,225)	(1,670,028)	—	—
Best estimate liability	**(426,251)**	**(550,207)**	**—**	**—**
Planned margins over future expenses	353,495	362,778	—	—
Net life insurance policy liabilities	**(72,756)**	**(187,429)**	**—**	**—**

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 the capital 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 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
	2021 $'000	2021 $'000	2021 $'000	2021 $'000	2021 $'000
Net Assets (Common Equity Tier 1 Capital)	389	441,204	726	9,441	451,760
Intangibles adjustments[1]	—	(6,350)	—	(897)	(7,247)
Net tangible assets after intangible adjustments	**389**	**434,854**	**726**	**8,544**	**444,513**
Capital base adjustments					
Deferred tax assets	—	(1,533)	—	(48)	(1,582)
Deferred acquisition costs	—	(352,515)	—	—	(352,515)
Tier 2 capital	—	30,000	—	—	30,000
Regulatory capital base	**389**	**110,806**	**726**	**8,496**	**120,417**
Prescribed Capital Amount (PCA)	(3)	(26,285)	(16)	(3,776)	(30,081)
Available Enterprise Capital (AEC)	**385**	**84,521**	**709**	**4,720**	**90,336**
Capital Adequacy Multiple	**114.0**	**4.2**	**44.4**	**2.2**	**4.0**
Prescribed capital amount comprises of:					
Insurance Risk	—	(15,388)	—	—	(15,388)
Asset Risk	(3)	(6,557)	(14)	(299)	(6,873)
Asset Concentration Risk	—	—	—	—	—
Operational Risk	—	(8,393)	(2)	(3,478)	(11,873)
Aggregation benefit	—	4,052	—	—	4,052
Prescribed Capital Amount	**(3)**	**(26,285)**	**(16)**	**(3,776)**	**(30,081)**

1 Intangible adjustments relate to capitalised software.

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
	2020	2020	2020	2020	2020
	$'000	$'000	$'000	$'000	$'000
Net Assets (Common Equity Tier 1 Capital)	388	431,623	569	8,378	440,958
Intangibles adjustments[2]	—	(4,020)	—	(1,600)	(5,620)
Net tangible assets after intangible adjustments	**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**	**77,896**	**569**	**6,715**	**85,568**
Prescribed Capital Amount (PCA)	(3)	(21,496)	(18)	(3,395)	(24,912)
Available Enterprise Capital (AEC)	**385**	**56,400**	**551**	**3,320**	**60,656**
Capital Adequacy Multiple	**129.3**	**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)
Operational Risk	—	(7,804)	(3)	(2,960)	(10,767)
Aggregation benefit	—	3,157	—	—	3,157
Prescribed Capital Amount	**(3)**	**(21,496)**	**(18)**	**(3,395)**	**(24,912)**

1 Regulatory capital includes a $12.5 million inadmissible asset reserve for the ClearView Retirement Plan (CVRP) receivable. An offset was held against the ECB risk reserve for $12.5 million. In 1H FY21, the ClearView LifeSolutions Risk only division was transferred from ClearView Life Nominees Pty Limited (CLN) as trustee of CRP to HTFS Nominees Pty Limited as trustee of the HUB24 Super Fund. All the members under the Risk Only Division are now members of the ClearView Insurance Plan within the ClearView Super Plan, a division under HUB24 Super Fund. CLAL continues to issue life insurance policies and provide insurance services to the transferred members as well as new members in the ClearView Super Plan.

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 valuation report on life insurance policy liabilities and life investment policy liabilities is 30 June 2021. The actuarial valuation 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 1.5% (2020: 1.1%).

Acquisition expenses: Per policy acquisition expense assumptions were based on the actual acquisition expenses incurred for the 12 months to 30 June 2021.

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 2022 business plan. The long term maintenance expense assumptions were increased by circa 12% at 30 June 2021. This translates to long term maintenance expense assumptions being circa 9% of PV of premiums at 30 June 2021. Expense inflation of 2.0% p.a. (2020: 1.0% 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 2021, there is an expectation of higher lapses driven by affordability related concerns from ClearView's recent repricing activity and planned staggered increases. No explicit allowance is held for COVID-19 impacts at 30 June 2021. 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. From 1 January 2021, APRA has, under the IDII review, required companies to base their income protection claims assumptions on the most recent industry table, with a release date of not older than 18 months. Currently, this table is the FSC-KPMG ADI 2014-2018 table released last year, based on the 2014 to 2018 experience. These new tables were adopted at 30 June 2021, which were adjusted for industry experience subsequent to the and ClearView's own experience. The morbidity claims assumptions have been updated at 30 June 2021 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 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 2021)

	Effect on profit margins Increase/ (decrease) $'000	Effect on policy liabilities Increase/ (decrease) $'000
Assumption category		
Discount rates and inflation	(5,093)	10,101
Maintenance expenses	(30,098)	—
Lapses	(7,091)	
Mortality and morbidity	3,174	4,155
Total	**(39,107)**	**14,255**

(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 2021 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	20,068	18,601	(14,047)	(13,021)
	- 100 bp	(18,216)	(16,885)	12,751	11,819
Mortality and morbidity	110.0%	—	—	(9,470)	(2,621)
	90.0%	—	—	9,470	2,621
Lapses	110.0%	—	—	(2,990)	(2,809)
	90.0%	—	—	2,990	2,809
Maintenance expenses	110.0%	—	—	(2,852)	(2,852)
	90.0%	—	—	2,852	2,852

* 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;
- Board approved premium rate changes; 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 income protection claims costs. ClearView has made an estimation on the likely implications of COVID-19 at 30 June 2021. 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			
	2021 No. of Shares	2021 $'000	2020 No. of Shares	2020 $'000
Issued and fully paid ordinary shares				
Balance at the beginning of the financial year	631,202,448	449,855	631,817,448	450,229
Dividend Reinvestment Plan (inclusive of costs)	—	—	—	—
Shares bought back	—	—	(615,000)	(374)
Shares issued during the year (ESP vested/forfeited)	—	—	—	—
Balance at the end of the financial year	**631,202,448**	**449,855**	**631,202,448**	**449,855**
Executive share plan				
Balance at the beginning of the financial year	43,590,602	—	45,256,670	—
Shares forfeited during the year	(5,435,940)	—	(1,666,068)	—
Shares exercised during the year	—	—	—	—
Balance at the end of the financial year	**38,154,662**	**—**	**43,590,602**	**—**

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.

Treasury shares held in trust

To satisfy obligations under the Group's share-based remuneration plans, shares have been bought on market and are held in a Trust controlled by ClearView. The shares are measured at cost and are presented as a deduction from Group equity. No gain or loss is recognised in profit or loss on the sale, cancellation or reissue of the shares. The shares are derecognised as treasury shares held in trust when the shares vest or are released to the participant. The total number of treasury shares held is 2,783,324 with a value of $2,406,598.

6. Capital structure and capital risk management continued

6.2 Movements in reserves

	Consolidated		Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Retained losses				
Balance at the beginning of the financial year	(13,290)	(26,371)	(105,479)	(105,479)
Net profit/(loss) attributable to members of the parent entity	6,679	13,081	(6,168)	—
Dividend paid during the year	—	—	—	—
Balance at the end of the financial year	**(6,611)**	**(13,290)**	**(111,647)**	**(105,479)**
Executive Share Plan Reserve[1]				
Balance at the beginning of the financial year	14,584	16,087	12,177	11,901
Recognition of share based payments	232	437	232	437
ESP loans settled through dividend	—	—	—	—
ESP shares vested/(forfeited)	(199)	(161)	(199)	(161)
Allocation of treasury shares	—	(1,779)	—	—
Balance at end of the financial year	**14,617**	**14,584**	**12,210**	**12,177**

	Consolidated		Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Profit Reserve				
Balance at the beginning of the financial year	—	—	19,274	18,952
Net profit attributable to the parent entity	—	—	—	322
Dividend paid during the year	—	—	—	—
Balance at end of the financial year	**—**	**—**	**19,274**	**19,274**
General Reserve[2]				
Balance at the beginning of the financial year	3,979	3,294	3,979	3,294
ESP shares vested/(forfeited)	—	685	—	685
Balance at end of the financial year	**3,979**	**3,979**	**3,979**	**3,979**

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 2021, key management, members of the senior management team, the managing director and contractor participants have acquired 38,154,662 (2020: 43,590,602) ordinary shares. Shares granted under the ESP carry rights to dividends and voting rights. Financial assistance amounting to $24,729,856 (2020: $27,742,029) 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 during 2020 and 2,783,324 shares continued to be held in the ESS trust for future issues.

6. Capital structure and capital risk management continued

6.4 Subordinated debt

On 5 November 2020, the Company issued $75 million subordinated, unsecured notes ('the Notes') to wholesale investors. The Notes are unsecured, subordinated debt obligations of the Company. Interest on the Notes accrues at a variable rate equal to the three-month Bank Bill Swap Rate ('BBSW') plus a margin of 6% per annum, until maturity, payable quarterly in arrears. Interest expense recognised for the year ended was $2.9 million. The maturity date of the subordinated debt is 5 November 2030.

Subject to APRA's prior written approval and certain other conditions, the Notes are callable from November 2025 or if certain tax or regulatory events occur.

The Company capitalised directly attributable costs associated with the issuance of the subordinated debt, which for the year ended total $1.7 million. These costs are amortised on a straight line basis of 5 years, being the lesser of the maturity date and the call date. For the year ended 30 June 2021, total subordinated debt is as follows:

	Consolidated		Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Issuance of Subordinated debt as at 5 November 2020	75,000	—	75,000	—
Capitalised Costs	(1,709)	—	(1,709)	—
Amortisation of capitalised costs	223	—	223	—
Balance as at 30 June 2021	**73,514**	**—**	**73,514**	**—**

The Company has used $30 million of the proceeds of the Notes for regulatory capital purposes for ClearView Life Assurance Limited. The remainder of the proceeds was used by ClearView to repay existing debt and to cover associated costs.

The Subordinated Notes may convert into Ordinary Shares of ClearView on the occurrence of a Non-Viability Trigger Event. The number of Ordinary Shares issued on Conversion is variable but is limited to the Maximum Conversion Number. The Maximum Conversion Number is 147,058 Ordinary Shares per Subordinated Note, based on the Issue Date VWAP of $0.34.

6.5 Borrowings

Financing Facilities

	Consolidated		Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
The Group has access to the following facilities:				
Bank Guarantees				
– amount used	4,028	1,598	—	—
Overdraft and credit				
– amount used	—	—	—	—
– amount unused	2,000	2,000	—	—
Bank Facility				
– amount used	16,000	60,000	16,000	60,000
– amount unused	44,000	—	44,000	—

As at the reporting date, the Company had a $60 million facility agreement with the National Australia Bank. $16 million has been drawn down with the balance available for immediate use (2020: $60 million). The facility is repayable on 1 April 2024 (3 years from renewal date in April 2020). Interest on the loan accrues at BBSY plus a margin of 0.95% per annum (FY20: 0.95%), and is payable quarterly. Furthermore, a line fee of 0.80% per annum (FY20: 0.80%) 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 ignoring any effects from the adoption of AASB16) must not be less than 3x interest expense. Interest expense excludes any costs associated with the incurred claims treaties that are treated as a reinsurance cost.

6. Capital structure and capital risk management continued

6.5 Borrowings continued

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 now (with effect from FY21) also calculated on an annual basis under the terms of the facility agreement (were previously calculated on a six monthly basis).

The facility has been secured by a number of cross guarantees, refer to section 9.5 for details.

ClearView Life Assurance Limited has a $2 million overdraft facility with National Australia Bank at a benchmark interest rate of 6.47% 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 2021. There is an additional $0.25 million credit card facility with National Australia Bank in the name of ClearView Administration Services Pty Limited.

6.6 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).

As noted above, on 5 November 2020, the Company issued $75 million subordinated, unsecured notes to wholesale investors, part of which was used to repay the Debt Funding Facility ($44 million), with the balance used to fund or support the regulated funding requirements of ClearView Life ($30 million).

To date, $16 million of the Debt Funding Facility has been drawn down, with the balance remaining unused at the Balance Sheet date.

Previously (and prior to the repayment as outlined above), the $60 million was 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 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 receivable 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.

ClearView holds risk capital that also includes an amount held as a working capital reserve ($12.1 million as at 30 June 2021) to support the future capital needs of the business beyond the risk reserving basis. This working capital reserve is then released as the negative cash flows arise, after which time the underlying business becomes self funding (from FY23). The working capital reserve has been updated post the approval of the FY22 Business Plan by the Board in July 2021 (the FY22 Business Plan is prepared for a three year period).

The forecast capital generation (and related net capital position) in the FY22 Business Plan allows for staggered price increases of the LifeSolutions in-force portfolio over a period of time, increased new business generation and market share over the forecast period, the interest costs associated with the Tier 2 capital raising and the material investment in the new PAS over the multi year transformation period.

The net surplus capital position of the Group above internal benchmarks of $14.3 million at 30 June 2021 is stated prior to the declaration of the FY21 final dividend and any capital benefits from the proposed corporate activity in the financial advice segment.

The surplus capital position and future business capital generation is anticipated to fund the net capital expenditure impacts of the investment in the new PAS (relative to the quantum that could be permissible to be counted for capital purposes). ClearView also has access to the Debt Funding Facility, to the extent further funding is required.

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. There is no Asset Concentration Risk charge under LPS 117 relating to the Swiss Re exposure as at 30 June 2021.

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'.

6. Capital structure and capital risk management continued

6.6 Capital risk management continued

Dividends and On-market 10/12 limit share buyback

The Board seeks to pay dividends at sustainable levels with a target payout ratio of between 40% and 60% of Operating Earnings After Tax[1]. This dividend policy has been set (subject to available profits and financial position) to consider regulatory requirements and available capital within the Group. Operating Earnings is represents the Underlying NPAT[2] of the business before underlying investment income and interest costs associated with corporate debt and Tier 2 Capital and takes into account the impact on earnings of the ultra low interest rate environment and change in capital structure of the business (through the successful issuance of $75 million subordinated notes in FY21).

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.

ClearView has previously operated a Dividend Reinvestment Plan (DRP):

- To provide shareholders with the opportunity to reinvest into the Company while retaining capital within the Group;
- Given ClearView's preference to retain capital and the illiquidity of the share trading, it was not considered appropriate to minimize the dilutive impact of the DRP through the on-market purchase of the number of shares to satisfy the DRP participation; and
- ClearView has at various times sought support for any shortfall in shareholder participation by underwriting the shortfall to maintain the capital base within the Group.

A goal of the Board is to ensure that a best practice regime is in place to both protect policyholder interests and manage shareholder aspirations about the visibility on the Group's Embedded Value, ClearView's share liquidity, capital position and capital management approach. The Board continues to seek to:

- Pay dividends at sustainable levels;
- Maximise the use of its franking account by paying fully franked dividends; and
- Seek transparent communication to the market around Embedded Value estimation and its relationship to the prevailing share price.

Considering the uncertainty of the impacts due to COVID-19 and the recent outbreaks from the Delta strain (and related lockdowns), material investment in the new PAS, no certainty in the timing of the release of the APRA Pillar 2 capital charge, and standard completion risks associated with the increase in the net capital position of the Group from the Centrepoint Alliance transaction, a FY21 dividend of 1 cent per share has been declared (FY20: $nil). This represents just under 30% of Operating Earnings After Tax[1] and reflects an element of conservatism compared to the stated dividend dividend policy.

10/12 limit on market buy back

ClearView has in place a Board approved 10/12 limit on market buy-back program which has been extended for a further 12-month period until December 2021. 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 and there were no shares bought back and cancelled in the year ended 30 June 2021.

Selective buy-back

As approved by Shareholders at the ClearView 2020 Annual General Meeting (AGM) and disclosed on market, ClearView undertook a selective buy-back of unvested Executive Share Plan (ESP) Shares in November 2020. 2,435,940 shares were selectively bought back and cancelled on the terms outlined in the ClearView AGM Notice of Meeting, Appendix 3C, Appendix 3E and Appendix 3F. These announcements are under the Shareholders tab on the ClearView website.

Employee Share Scheme buy-back

3,000,000 shares were selectively bought back and cancelled under the Employee Share Scheme regime on the terms outlined in the Appendix 3C, Appendix 3E and Appendix 3F. These announcements are under the Shareholders tab on the ClearView website.

1 Operating Earnings (after tax) represents the Underlying NPAT[2] of the business segments before underlying investment income and interest costs associated with corporate debt and Tier 2 Capital. Costs associated with the incurred claims treaty are reflected as part of reinsurance costs.

2 Underlying NPAT consists of consolidated profit after tax excluding amortisation, the effects of changing discount rates on policy liabilities and costs considered unusual to the Group's ordinary activities. Includes amortisation of capitalised software and leases.

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 52 to 73 of the Annual Report. The aggregate compensation made to Key Management Personnel (KMP) of the Company and the Group is set out below:

	Consolidated	
	2021 $	2020 $
Short-term employee benefits	5,496,998	4,339,884
Post-employment benefits	318,767	240,936
Share based payments	618,105	157,682
Termination benefits	502,709	—
Total	**6,936,579**	**4,738,502**

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 $1.3 million (2020: $1.9 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 Company issues shares from time to time under the ClearView Rights Plan (the Plan) and previously under the ClearView Long Term Incentive Plan (LTIP) and the Executive Shares Plan (ESP).

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.

7. Employee disclosures continued

7.2 Share based payments continued

Share schemes

A summary of deferred equity award plans for employees is set out below:

Plan	Available to	Nature of the award	Vesting conditions
Short Term Variable Remuneration Plan (STVR) (From 1 July 2020)	Managing Director and SMT	60% delivered by cash. 40% deferred as restricted rights to fully paid ordinary shares.	The restricted rights are deferred to vest on the fourth anniversary of the award. STVR outcomes are subject to the achievement of ClearView goals and financial performance as well as risk management targets.
Long Term Variable Remuneration Plan (LTVR) (From 1 July 2020)	Managing Director and SMT	Performance rights to fully paid ordinary shares	On achievement of the performance measures at the end of a four-year performance period, 100% of the performance rights vest. Vesting is subject to the achievement of ClearView Group's total shareholder return and compliance targets.
Long Term Incentive Plan (LTIP) (2017 - 2020)	Managing Director and SMT	Performance rights to fully paid ordinary shares	The performance rights are subject to a deferral period of 3 years. LTIP outcomes are subject to the achievement of ClearView Group performance targets.
Executive Share Plan (ESP) (Prior to 30 June 2017)	Managing Director, SMT and key senior employees	Fully paid ordinary shares subject to holding lock with limited recourse loans provided as financial assistance	No ESP shares have been granted since 14 June 2017. The plan includes a clause governing the consequences of a change of control event and the shares under the ESP share plan will vest. The ESP awards are not conditional on meeting performance targets.

1 The Plan rules provide suitable discretion for the Remuneration Committee to adjust any formulaic outcome to ensure that awards under the STVR and LTVR appropriately reflect performance.

2 Recipients must remain in the Group's service throughout the service period (or the specified service period under the ESP) in order for the award to vest, except in cases approved by the Remuneration Committee. Vesting is also subject to malus provisions.

3 Once vested, performance rights can be exercised for no consideration.

7. Employee disclosures continued

7.2 Share based payments continued

A summary of deferred equity award plan for non-employees is set out below:

Plan	Available to	Nature of the award	Vesting conditions
Executive Share Plan (ESP) (prior to 30 June 2017)	Financial advisers (Contractor Participants)	Fully paid ordinary shares subject to holding lock with limited recourse loans provided as financial assistance	No ESP shares are granted from 14 June 2017. Vesting is subject to performance conditions over a performance period.

Performance and restricted rights

Details of the number of employee entitlements to performance rights under the Plan (LTVR and LTIP) and restricted rights (deferred component of the STVR) to ordinary shares granted, vested and transferred to employees and forfeited during the year are as follows:

	No. of rights	
	2021	2020
Balance at the beginning of the financial year	2,356,902	4,840,566
Granted[1]	4,028,821	2,531,442
Vested and transferred to employees	—	(2,057,242)
Forfeited	(936,516)	(2,957,864)
Balance at the end of the financial year[2]	5,449,207	2,356,902
Weighted average share price at date of vesting of performance rights during the year	—	0.58
Weighted average fair value of performance rights granted during the year	0.07	0.54
Weighted average fair value of restricted rights granted during the year	0.50	n/a

1 Include 180,000 restricted rights granted as a signon bonus.

2 3,819,438 performance rights in relation to the FY22 year under the LTVR Plan approved to be granted by the Remuneration Committee on 4 August 2021 are yet to be issued as at 30 June 2021.

Fair value of performance and restricted rights

The fair value of performance and restricted rights granted during the year was determined using the following key inputs and assumptions:

	2021[2]	2020[1]
Share price at grant date	0.335	0.61
Exercise price	Nil	Nil
Volatility	35%	n/a
Dividend yield	6.13%	—
Anticipated performance right life (years)	4	3
Present value of future expected dividends	n/a	0.04
Fair value at grant date	0.07	0.54

1 The 2020 target is based on an underlying NPAT target in the year 2022. As a the target is a non-market condition the fair value at grant date is based on a valuation range of +/- 5% of the grant date share price less the present value of future dividends.

2 The 2021 target is based on an Absolute Total Shareholder Return from 1 July 2020 to 30 June 2024. A the target is market condition a Monte Carlo simulation taking into account the grant date share price, a volatility factor and present value of expected future dividends.

The fair value is determined using appropriate methods including Monte Carlo simulations, share price less present value of dividend, depending on the vesting conditions. Some of the input or assumptions used may be based on historical data which is not necessarily indicative of future trends.

7. Employee disclosures continued

7.2 Share based payments continued

The fair value of restricted rights granted during the year was determined based on the fair value of the Company's shares at the grant date.

Executive Share Plan

Details of the number of ESP shares granted, vested and transferred, and forfeited during the year are as follows:

	2021		2020	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Balance at the beginning of the financial year	43,590,601	0.55	45,256,670	0.55
Issued during the financial year	—	—	—	—
Forfeited during the year	(5,435,940)	0.80	(1,666,069)	0.76
Exercised during the year	—	—	—	—
Balance at the end of the financial year	**38,154,661**	**0.65**	**43,590,601**	**0.55**

The shares were priced using a binomial option pricing model with volatility based on the historical volatility of the share price.

Share based payment expense

Total expenses arising from share based payment awards under the Plan amounted to $0.03 million (2020: $0.3 million).

8. Related parties and other Group entities

This section provides information on the Group's structure and performance of the Groups as a whole. In particular, there is a 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	2021 %	2020 %
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
Matrix Planning Investments Pty Limited (MPIPL)	Non operating	MPS	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	47	42
CVW Fixed Interest Fund	Wholesale Fund	CLAL	Australia	58	58
CVW Index International Shares Fund	Wholesale Fund	CLAL	Australia	98	96
CVW Listed Property Fund	Wholesale Fund	CLAL	Australia	66	56
CVW Money Market Fund	Wholesale Fund	CLAL	Australia	87	84
CVW First Sentier Investors Infrastructure Fund	Wholesale Fund	CLAL	Australia	56	54
CVW ClearBridge RARE Emerging Markets Fund (previously CVW RARE Emerging Markets Fund)	Wholesale Fund	CLAL	Australia	48	45
CVW Antipodes Global Fund	Wholesale Fund	CLAL	Australia	32	25
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	92	88
CVW Stewart Investors Worldwide Sustainability Fund	Wholesale Fund	CLAL	Australia	46	43

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.

Details of balances between the Group and its related parties during the financial year ended 30 June 2021 are outlined below:

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 Admin Services Pty Limited	ClearView Life Nominees Pty Limited	LaVista Licensee Solutions Pty Limited	ClearView Retirement Plan	CFML Managed Investment Schemes	Total
2021	$	$	$	$	$	$	$	$	$	$	$
ClearView Wealth Limited	—	843,151	370,787	76,353	118,762	2,646,399	29,873	83,012	8,547,781	—	12,716,118
ClearView Life Assurance Limited	(843,151)	—	(305,320)	(280,716)	—	(5,623,889)	—	—	1,911,063	—	(5,142,013)
ClearView Financial Management Limited	(370,787)	305,320	—	(38,529)	—	(565,273)	—	—	—	792,427	123,158
ClearView Financial Advice Pty Limited	(76,353)	280,716	38,529	—	—	(822,188)	—	—	—	—	(579,296)
Matrix Planning Solutions Limited	(118,762)	—	—	—	—	(514,601)	—	—	—	—	(633,363)
ClearView Admin Services Pty Limited	(2,646,399)	5,623,889	565,273	822,188	514,601	—	—	144,609	—	—	5,024,161
ClearView Life Nominees Pty Limited	(29,873)	—	—	—	—	—	—	—	—	—	(29,873)
LaVista Licensee Solutions Pty Limited	(83,012)	—	—	—	—	(144,609)	—	—	—	—	(227,621)
ClearView Retirement Plan	(8,547,781)	(1,911,063)	—	—	—	—	—	—	—	—	(10,458,844)
CFML Managed Investment Schemes	—	—	(792,427)	—	—	—	—	—	—	—	(792,427)
	(12,716,118)	5,142,013	(123,158)	579,296	633,363	(5,024,161)	29,873	227,621	10,458,844	792,427	—

8. Related parties and other Group entities continued

8.2 Transactions between the Group and its related parties continued

2020	ClearView Wealth Limited $	ClearView Life Assurance Limited $	ClearView Financial Management Limited $	ClearView Financial Advice Pty Limited $	Matrix Planning Solutions Limited $	ClearView Admin Services Pty Limited $	ClearView Life Nominees Pty Limited $	LaVista Licensee Solutions Pty Limited $	ClearView Retirement Plan $	CFML Managed Investment Schemes $	Total $
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 Administration 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	—

1 The non-current receivable from ClearView Retirement Plan relates to the right to the realised tax benefits received by ClearView Retirement Plan (CRP) for the life insurance premium deduction. Due to the tax loss position in CRP, settlement of this amount is subject to the utilisation of tax losses. During the financial year, under an arrangement with HUB24 Limited, CRP's superannuation life insurance division was transferred to the HUB24 Super Fund.

Related party tax assets

As at 30 June 2021 the ClearView Group carried a non-current receivable of $10.5 million from its related superannuation ClearView Retirement Plan (CRP). This is after a write down of $1.7 million in the current year in respect of the FY20 income tax year reduction of the carried forward losses in CRP against its net current pension exempt income in the respective year. In addition, a provision of $1.5 million for the receivable was held for future expected loss. Due to the tax loss position in CRP, settlement of this amount is subject to the utilisation of tax losses. Based on the utilisation of the carried forward tax losses and the taxable income from CRP, apart from the amount provided for, it is expected that the remaining receivable amounts will be recoverable.

Related party investments

During the year, ClearView invested in the 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.

In December 2020, ClearView updated its investment strategy and appointed PIMCO, a global investment manager with a specialist investment mandate focused on active fixed income management, to manage (in consultation with ClearView) and match the shareholder funds with the insurance liabilities and reserves. The investment mandate retains a focus on a strong and conservative capital position, but with appropriate asset/liability matching.

The asset liability management solution has been appropriately calibrated and aligned with the business risk appetite. ClearView has since exited from the ClearView WealthSolutions Investments.

8. Related parties and other Group entities continued

8.2 Transactions between the Group and its related parties continued

Subordinated debt

On 5 November 2020, the Company issued $75 million subordinated, unsecured notes to wholesale investors (external notes). These are unsecured, subordinated debt obligations of the Company. Interest accrues at a variable rate equal to the three-month Bank Bill Swap Rate ('BBSW') plus a margin of 6% per annum, until maturity, payable quarterly in arrears. Interest expense recognised for the year was $2.9 million. Concurrently, the Company utilised $30 million of the proceeds to issue subordinated notes to its wholly owned subsidiary ClearView Life Assurance Limited for regulatory capital purposes (internal notes). Interest accrues at a variable rate equal to the three-month Bank Bill Swap Rate ('BBSW') plus a margin of 6% per annum, until maturity, payable quarterly in arrears. Interest expense recognised for the year was $1.1 million. The internal notes and associated interest is eliminated in the Group's consolidated financial statements.

Other related party transactions

Directors fees were paid to Crescent Capital Partners Pty Limited the manager of the parent entity's majority shareholder CCP Bidco Pty Limited.

As part of the Subordinated debt issue in the November 2020, a Director subscribed to 10,000 subordinated notes.

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 2021		Consolidated 2020	
Name	Type	$'000	%	$'000	%
Controlled unit trusts					
CVW Index Fixed Interest Fund	Debt	114,772	100	79,645	100
CVW Schroder Equity Opportunities Fund	Equities	109,284	47	92,118	42
CVW Fixed Interest Fund	Debt	350,781	58	378,597	58
CVW Index International Shares Fund	Equities	177,440	98	111,775	96
CVW Listed Property Fund	Property	17,403	66	13,415	56
CVW Money Market Fund	Debt	127,644	87	118,402	84
CVW First Sentier Investors Infrastructure Fund	Property	99,032	56	91,243	54
CVW ClearBridge RARE Emerging Markets Fund (previously CVW RARE Emerging Markets Fund)	Equities	56,535	48	47,735	45
CVW Antipodes Global Fund	Equities	58,489	32	45,569	25
CVW Hyperion Australian Shares Fund	Equities	18,325	100	15,071	100
CVW Index Infrastructure and Property Fund	Property	43,887	100	25,160	100
CVW Index Emerging Markets Fund	Equities	27,221	100	17,303	100
CVW Index Australian Shares Fund	Equities	100,955	92	60,371	88
CVW Stewart Investors Worldwide Sustainability Fund	Equities	94,453	46	85,675	43
Total		**1,396,221**		**1,182,079**	

9. Other disclosures

9. Other disclosures

9.1 Notes to the Consolidated Statement of cash flows

	Consolidated		Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Net profit/(loss) for the year	**6,679**	**13,081**	**(6,168)**	**322**
Fair value (gains) / loss on financial assets at fair value through profit and loss	(197,839)	117,222	—	—
Amortisation and depreciation	5,780	5,693	—	—
Employee share plan expense	33	287	—	—
Other non cash items	—	—	33	287
Interest and dividend received from controlled entity	—	—	—	(1,500)
Movement in provision	530	(935)	—	—
Movements in liabilities to non-controlling interest in controlled unit trust	118,575	(13,532)	—	—
(Increase)/decrease in receivables and capitalised costs	2,080	(3,566)	(1,664)	(1,272)
Decrease/(increase) in deferred tax asset	4,934	(2,911)	24	(643)
Increase/(decrease) in payables	10,135	(15,087)	(704)	(4,326)
Increase/(decrease) in policy liabilities	322,093	92,228	—	—
Increase/(decrease) in deferred tax liability	1,282	(936)	(82)	(538)
Increase/(decrease) in current tax liability	(5,147)	(2)	(5,147)	(2)
Net cash (utilised)/generated by operating activities	**269,135**	**191,542**	**(13,708)**	**(7,672)**

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). In the prior year, ClearView's last remaining BOLR arrangement was settled and terminated. There are 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 have been settled in relation to the remediation programs.

Letter of credit

In the prior year, ClearView was 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. As a result of entering into the new income protection incurred claims treaty, ClearView has wound down the limits on the irrevocable letter of credit. 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. This is no longer in existence at the Balance Sheet date.

Off balance sheet items – ESP loans

In accordance with the provisions of the ESP, as at 30 June 2021, key management, members of the senior management team, the managing director and contractor participants have acquired 38,154,662 ordinary shares.

Shares granted under the ESP carry rights to dividends and voting rights. Financial assistance amounting to $24,729,856 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 2021.

Other

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 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. Other disclosures continued

9.3 Leases

The main type of right of use asset recognised by the Group relates to property leases.

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.

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.

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.

Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	Consolidated		Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Right-of-use assets				
Buildings	14,315	1,079	—	—
Equipment	201	284		
Total	**14,516**	**1,363**	**—**	**—**
Lease liabilities				
Buildings	13,803	1,517	—	—
Equipment	205	287	—	—
Total	**14,008**	**1,804**	**—**	**—**

9. Other disclosures continued

9.3 Leases continued

Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	Consolidated		Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Depreciation of right-of-use assets	2,158	1,576	—	—
Interest expense	59	17	—	—

Additions during the financial year

During the financial year, the Company signed a new property lease for the Brisbane office for a term of four years. The impact of initial recognition of this lease is as follows:

	Consolidated		Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Balance Sheet				
Assets				
Right of use asset*	664	—	—	—
Total	**664**	**—**	**—**	**—**
Liabilities				
Lease Liability	603	—	—	—
Provisions	61	—	—	—
Total	**664**	**—**	**—**	**—**

*Inclusive of estimated make good costs of $61k

Additionally during the financial year, the Company signed a new property lease for the Sydney Head office for a term of five years. The impact of initial recognition of this lease is as follows:

	Consolidated		Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Balance Sheet				
Assets				
Right of use asset	13,561	—	—	—
Total	**13,561**	**—**	**—**	**—**
Liabilities				
Lease Liability	13,561	—	—	—
Total	**13,561**	**—**	**—**	**—**

9. Other disclosures continued

9.4 Capital commitments

ClearView has committed to technology projects and service agreements to a value of $28.3 million. This predominantly relates to the implementation and ongoing costs of a new integrated policy administration system and underwriting rules engine ($18.9 million). Other commitments of $9.4 million include the technology agreement for the financial advice technology platform and the infrastructure as a service agreement (service fees) that was implemented in FY20. The following table outlines the expected cashflows in relation to those commitments.

	Consolidated						
	Year 1 $'000	Year 2 $'000	Year 3 $'000	Year 4 $'000	Year 5 $'000	Year 6 $'000	Total $'000
PAS/URE	7,705	3,815	2,282	2,403	1,891	815	18,911
Other commitments	6,048	2,717	606	—	—	—	9,371
Total	**13,753**	**6,532**	**2,888**	**2,403**	**1,891**	**815**	**28,282**

9.5 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.

9.6 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 the April 2021 IFRIC interpretation in relation software as a service arrangements. There have been no other new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Software as a service arrangements

The IFRS Interpretations Committee (IFRIC) has issued two agenda decisions related to accounting for Software-as-a-Service (SaaS) arrangements:

- In March 2019, the IFRIC considered the accounting for SaaS arrangements (the first agenda decision) and concluded that for many such arrangements the substance is that the entity has contracted to receive services rather than for the acquisition (or lease) of software assets. This is because, in a cloud based environment, the SaaS contract generally only gives the customer the right to receive access to the cloud provider's application software, rather than a license over the intellectual property, that is control over the software code itself.

1 For entities that hold an Australian Financial Services License (AFSL) the recovery granted from the guarantee is limited to the extent that it does not result in the Company breaching its AFSL conditions.

9. Other disclosures continued

9.6 New accounting standards continued

- In April 2021, the IFRIC specifically considered how an entity should account for configuration and customisation costs incurred in implementing these (SaaS) service arrangements. The IFRIC concluded (the second agenda decision) that these costs should be expensed, unless the criteria for recognising a separate asset are met.

Prior to FY21, the Group had not capitalised any costs in relation to Software as a service arrangements that would be impacted by the above IFRIC interpretations.

During FY21 the group commenced implementing a new cloud based Life Insurance Policy Administration System (PAS). In implementing the SaaS arrangement, the Group has developed software code that enhances, modifies and creates additional capability to the software to which it owns the intellectual property rights under the terms of the contracts entered into. This software increases the functionality of the SaaS arrangement cloud-based application and includes integration with a a new underwriting rules engine, front end portal and with existing ERP systems. Judgement has been applied in determining whether the changes to the owned software meets the definition of and recognition criteria for an intangible asset in accordance with AASB 138 Intangible Assets. During the financial year, the Group recognised $3.5 million (2020: $0.3 million) as an intangible asset in respect of customisation and configuration costs incurred in implementing SaaS arrangements. The design, build and implementation of the new PAS is a key strategic focus and represents a circa $25 million investment over a three year period (with circa $19-20 million of these costs being capitalised in accordance with the ClearView's IT capitalisation policy). The first phase of the project relates to the new product development due to launch into the market in 1H FY22, with the migration of the in-force portfolios expected to occur subsequent to the successful implementation of Phase 1 of the project (expected to be Q3 FY22). The project reflects a multi year IT transformation project.

Impact of changes to Australian Accounting Standards and interpretations adopted in the current year

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

Updates

AASB 17 Insurance Contracts replaces AASB 4 Insurance Contracts and AASB 1038 Life Insurance Contracts, and is effective for ClearView from 1 July 2023. AASB 17 aims to establish globally consistent principles for the recognition, measurement, presentation and disclosure of life insurance contracts issued. The new standard is not expected to change the underlying economics or cashflows of ClearView's business, but it is expected to have an impact on the emergence of profits. Life investment contracts are currently measured under the AASB 9 Financial Instruments standard and will continue to be recognised under this standard.

On 25 November 2020, APRA released its discussion paper Integrating AASB 17 into the capital and reporting frameworks for insurers and updates to the LAGIC framework which outlines their proposals to align, where appropriate, its capital and reporting frameworks with AASB 17. APRA's release of the updated Life Prudential Standard which includes AASB 17 changes is expected in June 2022.

Amongst other things, the key proposals and implications in APRA's discussion paper include:

- an effective date of 1 July 2023 for the APRA proposals to apply, which for ClearView is aligned to the effective date of AASB 17;
- more granular reporting to APRA (for example, the stepped premium business will be split from non-stepped premium business) of which a set of allocation principles is provided in the paper to assist with translating the AASB 17 level of aggregation to the proposed APRA reporting groups; and
- less alignment between APRA capital and AASB 17 financial reporting methodologies (for example, APRA is likely to maintain its long-term natural expiry contract

9. Other disclosures continued

9.6 New accounting standards continued

boundary requirement for all businesses, including the yearly renewal term stepped business), leading to a need to have dual reporting for AASB 17 and for APRA.

To assess the proposals in its discussion paper, APRA proposes for all life insurers, general insurers and private health insurers to partake in a quantitative impact study (QIS). The QIS instructions and requirements will be issued by APRA to all relevant insurers in Q4 2021 where all insurers will have 3 months to complete the exercise.

Key areas of consideration and progress

The standard will apply to all insurance business in ClearView Group and ClearView Life Assurance Limited (ClearView Life) and introduces a 'general model' for recognition and measurement of insurance contracts. In addition, it also allows the application of a simplified model if the coverage period of the contract is 12 months or less or if the liability for remaining coverage under the simplified model would not materially differ from the general model. It is likely that ClearView Group and ClearView Life may adopt the General Model for most of its products.

ClearView Group and ClearView Life continues to assess the impact of the new requirements and emerging industry guidance on the financial statements and APRA requirements. As noted above, while it is expected that the standard to have an impact on the emergence of profits of ClearView Group and ClearView Life, it is not yet practicable to determine the quantum.

The relevant key areas of consideration for ClearView Group and Clearview Life are set out below:

- Changes to the level of aggregation, as AASB 17 requires that insurance contracts be pooled into portfolios of insurance contracts that have similar risks and are managed together. Furthermore, these portfolios are to be separated into groups of insurance contracts split by profitability (or onerous) categories and contain contracts issued no more than 12 months apart (cohorts). AASB 17 also requires the unbundling of underlying (gross) insurance contracts from their related reinsurance contracts held. All things considered these groups of insurance contracts are expected to be more granular than the current related product groups under AASB 1038.
- The introduction of a risk adjustment for non-financial risk which reflects the compensation that ClearView requires for bearing the uncertainty in relation to the amount and timing of cash flows. The confidence level used to determine the risk adjustment will need to be disclosed.
- Although conceptually similar, the Contractual Service Margin (CSM) requirement under AASB 17 recognises profit on a different basis to the Margin on Services (MoS) approach under AASB 1038, and therefore the emergence of profit is likely to change for portfolios with positive profit margins.
- Changes to the contract boundary, of which projected cashflows are to be included, is likely to impact parts of ClearView's business. In particular, the yearly renewable term (YRT) stepped premium business contract boundary is expected to be materially shortened from a long-term, natural expiry contract boundary under AASB 1038 to a 12-month contract boundary under AASB 17 reflecting its policyholder renewal and repricing cycle. This will result in different patterns of profit recognition compared to the current standards, the impact of which is not yet practicable to determine.
- Reinsurance contracts held and the associated liability is to be determined separately to the gross contract liability and may have different contract boundaries.
- Some change to the acquisition cost definition including what may be deferred.

The implementation of AASB 17 will result in a considerable increase in data volume and data storage requirements. Efficient and controlled processes are important to ensure that ClearView Group and ClearView Life Assurance meets the reporting deadlines for both internal and external stakeholders as well as providing quality business insights and data for business decision-making.

To this end, ClearView has undertaken an assessment on the current state and a target state of operations including historical and projected data, key economic and insurance assumptions, and calculation and reporting models and are in the process of selecting and implementing new systems and reporting processes to cater for the requirements of AASB 17 and APRA.

ClearView continues to explore the implementation of an AASB 17 sub-ledger with a proof of concept now underway and target the commencement of the implementation of the sub-ledger solution soon after. External vendor solutions covering the sourcing of input data, cashflow modelling, analysis of results, and production of general ledger entries and required disclosures are being assessed for compatibility to the design of the desired target operating model.

Quantification of AASB 17 financial impacts is expected to be performed in late 2021 once the requisite data, systems and models are in place.

9. Other disclosures continued

9.7 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.

9.8 Subsequent events

COVID-19

In a COVID-19 context, ClearView notes the recent further waves of infections and ease of transmission of the Delta variant since mid June 2021, which has led to quick and extended lockdowns and the reinstatement of certain government support measures to protect the economy and jobs. The recent outbreaks have impacted significant aspects of everyday lives and the flow on effects to the economy and related business effects remain highly uncertain.

FY21 Final Dividend

Considering the uncertainty of the impacts due to COVID-19 and the recent outbreaks from the Delta strain (and related lockdowns), material investment in the new PAS, no certainty in the timing of the release of the APRA Pillar 2 capital charge, and standard completion risks associated with the increase in the net capital position of the Group from the financial advice transaction, a final fully franked FY21 cash dividend of 1 cent per share has been declared subsequent to year end ($6.7 million).

The final FY21 dividend represents just under 30% of Operating Earnings After Tax and reflects an element of conservatism compared to the revised dividend policy.

Financial Advice

Subsequent to year end, the Board initiated a strategic review in the financial advice segment to seek out and pursue inorganic opportunities.

Consistent with this review, ClearView has entered into a Share Purchase Agreement for the sale of its financial advice businesses to Centrepoint Alliance in exchange for $15.2 million, made up of $3.2 million in cash and the acquisition of a strategic 25% stake in Centrepoint Alliance (subject to net asset adjustment as defined under the terms of the agreement).

It allows ClearView to indirectly participate in the industry consolidation (given structural market changes) and at the same time separate its product manufacturer and financial advice arms.

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
24 August 2021

Independent Auditor's Report

Deloitte.

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

DX 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

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 2021, 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 other explanatory information, 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:

- Giving a true and fair view of the Group and the Company's financial position as at 30 June 2021 and of their financial performance for the year then ended; and
- 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, 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.

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.

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Insurance policy liabilities As at 30 June 2021 the Group's life insurance policy liabilities balance totalled $(2.1) million, calculated based on 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 the 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 estimates 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 the results of experience studies for reasonableness; • Reviewing the reasonableness of the year's changes in reserves and the 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 2021 the Group's goodwill balance totalled $12.5 million and the capitalised software balance totalled $7.5million, as disclosed in Note 4.1. 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 its 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	In conjunction with our actuarial specialists our procedures included, but were not limited to: • 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 assessing 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 ensuring

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
impairment exist then the recoverable amount for the asset needs to be estimated. The evaluation of the 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.	the methodologies applied are consistent with the relevant accounting standards; • Performing sensitivity analysis on the key drivers of the 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 2021 the Group's receivable balance includes a receivable of \$10.5 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 utilization 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 strategies. As of 31 October 2020 the Group has completed the successor fund transfer of its risk-only superannuation products to HUB24 as disclosed in Note 2.7.	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; • Assessing the assumptions and methodologies used by ClearView in determining the recoverability of the receivable; • Assessing the impact of the successor fund transfer on the financial performance of CVRP; • Assessing the probability with regards to the ability of CVRP to generate sufficient future taxable income, including performing sensitivity analysis on key assumptions and agreeing management forecasts against the most recent and approved business plan; and • Assessing the appropriateness of the disclosures in Note 2.7 to the financial statements.

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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 2021, 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 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.

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- 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 52 to 73 of the Directors' Report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of ClearView Wealth Limited, for the year ended 30 June 2021, 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, 24 August 2021

Shareholders’ Information

As at 6 August 2021

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	59.69%
2	Perpetual Corporate Trust Limited	74,450,844	11.12%
3	Sony Life Insurance Co., Ltd[2]	101,254,639	15.13%

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 shareholding % is therefore included in the 59.69% holding of CCP Bidco in the table above.

2 Sony Life Insurance Co., Ltd’s (Sony Life) 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 59.69% holding of CCP Bidco in the table above.

Twenty largest shareholders (as at 6 August 2021)

Rank	Name	No. of shares as per notice	% of issued capital
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	121,742,183	18.19
2	PERPETUAL CORPORATE TRUST LIMITED	66,950,844	10.00
3	CITICORP NOMINEES PTY LIMITED	62,383,440	9.32
4	CCP BIDCO PTY LTD	57,302,851	8.56
5	CCP TRUSCO 4 PTY LIMITED	43,582,632	6.51
6	CCP BIDCO PTY LIMITED	33,786,569	5.05
7	CCP TRUSCO 5 PTY LIMITED	30,893,528	4.62
8	CCP TRUSCO 1 PTY LIMITED	28,458,809	4.25
9	PORTFOLIO SERVICES PTY LTD	18,242,415	2.73
10	CCP TRUSCO 3 PTY LIMITED	16,262,175	2.43
11	BNP PARIBAS NOMS PTY LTD	14,310,002	2.14
12	CCP TRUSCO 2 PTY LIMITED	13,551,813	2.02
13	WINTOL PTY LTD	10,849,382	1.62
14	PORTFOLIO SERVICES PTY LTD	10,304,057	1.54
15	MR SIMON SWANSON	10,000,000	1.49
16	ACCURO TRUST (SWITZERLAND) SA	8,235,295	1.23
17	PERPETUAL CORPORATE TRUST LTD	7,500,000	1.12
18	MANYATA HOLDINGS PTY LIMITED	5,550,000	0.83
19	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	4,332,921	0.65
20	MR RONALD JAMES LAMBERT	3,941,494	0.59

Ordinary share capital

There are 669,357,110 fully paid ordinary shares held by 1,586 shareholders. All the shares carry one vote per share.

Distribution of shareholders

The distribution of Shareholders as at 31 July 2021 is as follows:

Range	Total holders	Units	% of issued capital
1 - 1,000	294	87,847	0.01
1,001 - 5,000	387	1,106,127	0.17
5,001 - 10,000	239	1,801,684	0.27
10,001 - 100,000	450	14,857,476	2.22
100,001 - 9,999,999,999	216	651,503,976	97.33
Total	**1,586**	**669,357,110**	**100.00**

Unmarketable parcels	Minimum parcel size	Holders	Units
Minimum $ 500.00 parcel at $ 0.46 per unit	1,087	305	99,289

Shares under voluntary escrow

There are no shares subject to voluntary escrow as at 30 June 2021.

Directory

Current Directors

Geoff Black (Chairman)

Michael Alscher

Gary Burg

Jennifer Lyon

Nathanial Thomspon

Susan Young

Managing Director

Simon Swanson

Company Secretary

Judilyn Beaumont

Appointed Actuary

Ashutosh Bhalerao

Interim Chief Risk Officer

James Myerscough

Registered Office and Contact Details

Level 15, 20 Bond Street
Sydney NSW 2000

GPO Box 4232
Sydney NSW 2001

Telephone: +61 2 8095 1300

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

ABN 83 106 248 248

GPO Box 4232
Sydney NSW 2001
T 132 979

clearview.com.au
ASX code CVW

ClearView

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