

# ClearView FY2021 Q1 Market Update

14 October 2020



# Q1 trading result driven by strong claims performance

- Underlying NPAT<sup>1</sup>, the Board's key measure of Group profitability, increased 35%<sup>4</sup> to \$6.9m<sup>5</sup> in Q1 FY21 and reflects:
  - Continued growth of in-force life insurance portfolios to \$276.0m<sup>6</sup> (↑8%);
  - Material improvement in profitability<sup>2</sup> driven by strong underlying claims performance in life insurance segment (↑\$1.7m claims experience profit<sup>5</sup>);
  - Lapses slightly higher than expected but retention strategies remain in place and taking effect (↓\$0.3m lapse experience loss<sup>5</sup>);
  - Performance measured relative to material changes to claims and lapse assumptions including an allowance for potential COVID-19 impacts;
  - COVID-19 impacts likely to drive a further increase in IP<sup>3</sup> claims across the industry from secondary economic impacts of pandemic (and social and health challenges).
- Strong claims performance in Q1 FY21 driven by<sup>2</sup>:
  - LifeSolutions IP<sup>3</sup> portfolio - \$1.1m claims experience profit<sup>5</sup> - lower claim numbers than expected coupled with an increased focus on claims management and resourcing to improve IP claims outcomes;
  - Non-advice closed portfolios (lump sum) - \$1.1m claims experience profit<sup>5</sup> – can reflect statistical volatility given size and nature of portfolio;
  - Partially offset by LifeSolutions lump sum claims experience loss (\$0.5m)<sup>5</sup> primarily from TPD and Trauma claims. Death claims are broadly in line with expected.

## Notes

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

2. Relative to material changes made to claims and lapses assumptions and compared to FY 20 claims experience losses previously reported based on previous assumptions.

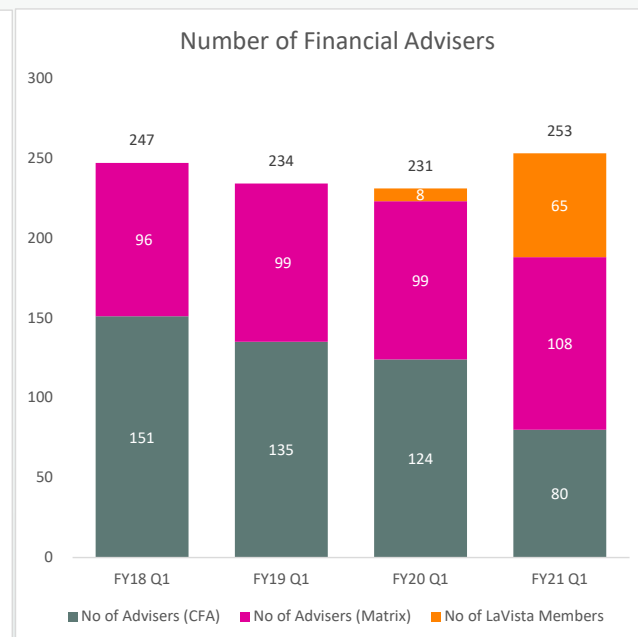
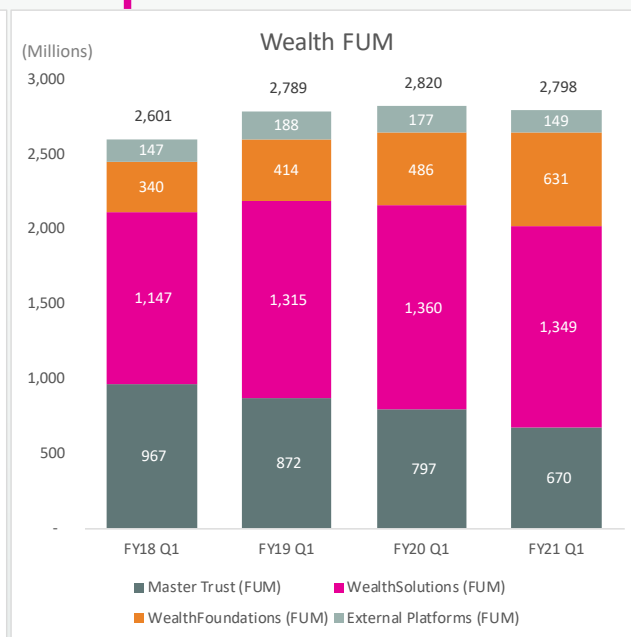
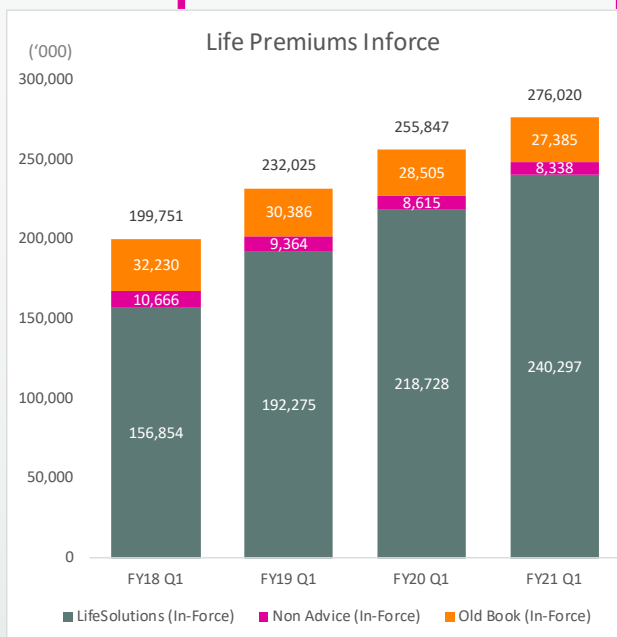
3. IP is individual income protection or Individual Disability Income Insurance.

4. Q1 FY21 vs Q1 FY20 - when comparing between periods there may be some timing differences on a quarterly basis particularly in respect of expenses and related items.

5. Based on unaudited 30 September 2020 management accounts.

6. As at 30 September 2020

# Q1 Update: ClearView has performed at or above expectations in the past quarter



<b>Business Unit Profit and Loss ('000)</b>	<b>FY18 Q1</b>	<b>FY19 Q1</b>	<b>FY20 Q1</b>	<b>FY21 Q1</b>
Life Insurance	4,317	6,263	4,904	6,690
Wealth Management	925	860	707	405
Financial Advice	396	(195)	(159)	232
<b>BU Operating Earnings (after tax)</b>	<b>5,638</b>	<b>6,928</b>	<b>5,452</b>	<b>7,327</b>
Listed Entity and Other	(293)	(169)	(214)	(275)
<b>BU Total Operating Earnings (after tax)</b>	<b>5,345</b>	<b>6,760</b>	<b>5,238</b>	<b>7,051</b>
Interest expense on corporate debt (after tax)	(76)	(88)	(142)	(199)
<b>BU Underlying NPAT</b>	<b>5,270</b>	<b>6,672</b>	<b>5,096</b>	<b>6,852</b>

Notes

1. Business Unit Profit and Loss: When comparing between periods there may be some timing differences on a quarterly basis particularly in respect of expenses and related items. Based on 30 September 2020 unaudited management accounts.

# Business is on track in Q1 to meet its medium-to-long term performance improvement objectives



- ClearView Q1 result:
  - Reiterates strong foundations for materially improved performance - Group Underlying NPAT<sup>1</sup> guidance of \$20m-\$24m<sup>2</sup> in FY21;
  - FY21 is a base transitional year as the industry starts to shift to rational pricing and sustainable product features which will underpin improvements in underlying profit margins and return on capital;
  - ClearView's current actions to build customer loyalty, simplify and improve products, and invest in technology are focused on ensuring ClearView is easy for advisers and customers to do business with;
  - This strategy is expected to underpin medium-to-long term performance improvement objectives.
- ClearView remains focused on maintaining its strong Balance Sheet and recurring revenue base:
  - Net shareholder cash position of \$281m<sup>3</sup> - shareholder capital conservatively invested;
  - ClearView continues to examine the opportunity to issue a Tier 2 regulatory capital instrument and an outcome is expected to be announced before the AGM;
  - Proceeds from proposed issue intended to be used to repay certain existing indebtedness and to fund or support the funding of Tier 2 Capital of ClearView Life.

## Notes

1. Underlying NPAT consists of consolidated profit after tax excluding amortisation, the effect of changing discount rates on insurance policy liabilities and costs considered unusual to the Group's ordinary activities. Includes amortisation of capitalised software.
2. Key potential impacts that are critical to achievement of guidance is repricing and secondary economic impacts of COVID-19, in particular flow on effects to IP claims and affordability of premiums. While estimates and allowances have been made in the updated claims and lapse assumptions used, given fluidity of COVID-19 pandemic and operating environment, potential impacts from any further deterioration in economic conditions or unanticipated delays in development of a vaccine, actual experience relative to the revised assumptions adopted will need to be closely monitored.
3. As at 30 September 2020 includes receipt of \$74m from Swiss Re under the terms of the incurred claims treaty