Updated response

**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS**

**REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS INSURANCE SECTOR**

**ClearView Life**

**CLV06QON:**

**Dr LEIGH:** Mr Swanson, I've just looked at your two most recent sets of half-year accounts. For the first half of calendar year 2020, ClearView is down $3 million. In the second half you're up $3 million. So overall profit for calendar year 2020 and calendar year 2019 is about the same—$23 million in both years. Your net asset value was up $13 million, though. I suppose it raises the question, given that many other firms have chosen to repay JobKeeper—Domino's, Toyota, Iluka—and that some 20,000 small businesses chose not to claim JobKeeper, because they judged that they didn't need it for their business: has ClearView considered repaying JobKeeper support, given the fact that your profits didn't tangibly fall in calendar 2020?
**Mr Swanson:** It's not our intention at this stage to repay JobKeeper, because we took the view that it was about ensuring that staff maintained their employment levels and that there would be no need for any redundancies as a consequence. So that's why we did it.
**CHAIR:** To follow on from the deputy chair's question, he asked whether it was considered. Was it considered at board level?
**Mr Swanson:** No, not directly.
**Dr LEIGH:** But there are many firms in Australia which didn't fire workers. Toyota didn't fire workers, and nor did Domino's or Iluka. They, nonetheless, chose to repay JobKeeper, because they didn't feel that their capital bottom line should benefit from a program that was designed for firms that were in real strife. You don't appear to have been in real strife last year. There were similar profits in 2020 and 2019. Is it really right for you to be getting $2.4 million of corporate welfare?
**Mr Swanson:** Well, clearly, we do pay a fair piece of tax.
**Dr LEIGH:** Everyone does. That doesn't mean you get corporate welfare. That's a completely different issue.
**Mr Swanson:** ClearView followed the law and we took a view that the fairest thing to do was to do that, to ensure that we would not be in a position where we were forced to retrench people. That's the view we took.
**Dr LEIGH**: I'm not asking you about following the law. I'm asking about whether you believe it is consistent with your corporate social responsibility to be receiving corporate welfare to the tune of $2.4 million at a time in which your profits didn't fall?
**Mr Swanson:** The point of that was we were able to maintain employment to ensure our profits didn't fall, which means we are around to pay the claims in future as an organisation. Financial stability is obviously very important. There have been issues across the industry, as you're aware of, and that's why we got to the position we got to.
**Dr LEIGH:** So you're telling me that if your profit last year had been $21 million, rather than $23 million, that you would have fired workers? Is that really what you're telling this committee under oath?
**Mr Swanson:** I don't actually know, because we didn't go through that detailed process about the trade-off between that. We took a view that it was important to make sure that we could say to staff, 'This is a safe place to be and to stay employed,' at the time of the crisis. That's why we did it. It was a very different time almost a year ago.

**Dr LEIGH:** But you're a life insurer, and we know that mortality fell in Australia, while it rose in other places. You're highly profitable. It isn't too late to do the right thing and repay the taxpayer. Would your board consider that?
**Mr Swanson:** We would consider it, yes.
**Dr LEIGH:** Will you commit to considering that at the next board meeting and to reporting back those deliberations to this committee?
**Mr Swanson:** Yes.

**Answer (updated on 30 July 2021):**

Further to statements made at the committee's hearing, ClearView advises that underlying net profit after tax (NPAT) is the measure that most appropriately reflects underlying performance of the business, and is the basis for any dividend payments. While ClearView reports on a 30 June financial year basis, comparing underlying NPAT on a calendar year basis from 2019 to 2020, as requested at the committee hearing, shows that this declined from $22.1 million to $17.5 million.

At its meeting on 23 July 2021 and at the committee's request, ClearView Wealth Limited's board of directors considered whether it would be appropriate for the company to repay $2.4 million of Jobkeeper payments received by the company. Specifically, the board considered:

- The nature of the company's operations compared to, for example, the high-volume retail businesses raised as examples in the committee hearing. COVID-19 has impacted various industries and businesses differently – some had particularly strong sales performance in 2020 and others did not. In a life insurance business, a pandemic is considered a critical financial risk and this uncertainty is continuing.

- The over-riding importance for a life insurer is to protect policyholder interests over the long-term, this requires a sustainable balance between policyholders and shareholders and their respective interests. Over the relevant period, ClearView took many actions to support policyholders including waivers of premiums and suspension of cover with no need to undertake further underwriting to reinstate cover; policyholders who sought and were granted premium waivers were not required to repay the premium after the waiver. During COVID-19 ClearView has waived premiums of $4.6m for over 1,700 customers.

- The Jobkeeper package was communicated as an economic support and stimulus package intended to save jobs and stimulate spending at the time it was in operation, and which had no expectation of repayment. In ClearView's case, Jobkeeper had a positive impact on employment and business continuity during 2020 and has played a role in assisting the company to deal with the ongoing ramifications and uncertainties of the pandemic.

- In the face of continued uncertainty ClearView has and continues to closely monitor the short-term and long-term impacts of the ongoing COVID-19 crisis on the company's finances and its capital requirements. In this respect, it is important to note that, being a life insurer, profitability is a secondary factor particularly during a pandemic. Capital adequacy is the cornerstone of a life insurance company as it underpins its ability to pay claims. The Committee should note the decision taken by the Board, in the circumstances of the pandemic, to raise an additional $75 million in Tier 2 capital during 2020. The priority attributed by the company to capital preservation is evidenced by the decision to not declare a FY20 dividend nor to provide for any salary increases or bonuses for that period. A strong capital structure and financial stability is fundamental to a life insurer fulfilling its mission to pay claims as and when these arise.

The board has taken these factors into account and the competing risks and benefits, and considers that accessing the Jobkeeper entitlement was the right thing to do by policyholders and employees. Given the circumstances outlined above it is not appropriate to repay these funds.