



ENFORCEABLE UNDERTAKING

Australian Securities and Investments Commission Act 2001 (Cth)

Section 93AA

The commitments in this undertaking are offered on a voluntary basis to the Australian Securities and Investments Commission (“ASIC”) by:

MBF LIFE LIMITED

ACN 000 021 581

and

CLEARVIEW LIFE NOMINEES PTY LIMITED

ACN 003 682 175

1. BACKGROUND

Parties and Products

- 1.1 MBF Life Limited (“**MBF Life**”) is a public company incorporated in the State of New South Wales and carries on business as a life insurance company.
- 1.2 MBF Life offers and has offered, a range of retail life insurance investment policies to the public including:

Retail Products

- (a) *ClearView Savings Bond;*
- (b) *ClearView Rollover Bond;*
- (c) *ClearView Group Superannuation Bond; and*
- (d) *ClearView Small Business Bond.*

- 1.3 ClearView Life Nominees Pty Limited (“**ClearView Life Nominees**”), offers and has offered, a range of retail superannuation products to the public including:

Retail Superannuation Products

- (a) *ClearView Superannuation and Roll-overs; and*
- (b) *ClearView Working Super.*

Retail Allocated Pension/Annuity Products

(c) ClearView Allocated Pension.

- 1.4 The products referred to in clauses 1.2 and 1.3 are hereinafter referred collectively as the **“Relevant Products”**.
- 1.5 The total funds invested in the Relevant Products as at 30 July 2004 were approximately \$1.1 billion.
- 1.6 ClearView Life Nominees is the approved trustee for the ClearView Retirement Plan (**“Plan”**), which is a public offer superannuation fund that provides accumulation style benefits to its members.
- 1.7 ClearView Life Nominees and MBF Life are related bodies corporate. In this undertaking, a reference to **“ClearView”** is a reference to ClearView Life Nominees and to MBF Life.
- 1.8 ClearView Life Nominees, as Trustee of the Plan, is the policy owner of a number of group life insurance investment policies issued by MBF Life.
- 1.9 MBF Life provides the administration services in respect of the Plan.
- 1.10 A person or company who applies for one of the Relevant Products in clause 1.2, and whom MBF Life accepts, will become a policyholder in respect of that Relevant Product (**“External Policy Holders”**).
- 1.11 A person:
- (a) Who applies for one of the Relevant Products identified in clause 1.3 (a) or (c); and/or
 - (b) On whose behalf an application is made for the Relevant Product in clause 1.3 (b); and whom ClearView Life Nominees accepts, will become a member of the Plan (**“Product Members”**).
- 1.12 The Investment Options (**“Portfolios”**) underlying the Relevant Products in some cases invest with a number of external investment managers (**“External Investment Manager Options”**). Product Members and External Policy Holders can invest in one or more of the Portfolios, including Portfolios which provide for indirect investment in the External Investment Manager Options.
- 1.13 Included in the External Investment Manager Options, are investments in the IAG Asset Management World Equity Trust (**“WET”**) and the IAG Asset Management Property Securities Trust (**“LPT”**) (together **“Relevant Investment Vehicles”**).

Unit Pricing Issue

- 1.14 MBF Life and ClearView Life Nominees, as the case may be, charge a Management Fee in respect of the Relevant Products (**“Management Fee”**). The Management Fee takes into

account any fees charged by external investment managers in relation to the External Investment Manager Options, including the Relevant Investment Vehicles.

- 1.15 In July 2004, the unit pricing function in relation to the Relevant Products was outsourced to BNP Paribas Fund Services Australasia Pty Ltd. During the unit pricing transition process, an anomaly was identified in the calculation of unit prices in respect of Portfolios whose underlying investments included the Relevant Investment Vehicles ("**Unit Pricing Issue**"). The anomaly arose from the fees charged by external investment managers being deducted from the Relevant Investment Vehicles so that Product Members and External Policy Holders ("**Affected Investors**") were effectively and incorrectly being charged these fees above the Management Fee.
- 1.16 While initial indications were that this anomaly was an immaterial compliance breach, upon its identification ClearView commenced an internal investigation to determine the extent of the matter.
- 1.17 As a result of this internal investigation, ClearView determined that during the period 1 May 1997 to 30 July 2004 (in respect of WET) and 17 April 1998 to 30 July 2001 (in respect of LPT), the unit prices for the Portfolios that invested in the Relevant Investment Vehicles were incorrect.
- 1.18 On 9 September 2004 the internal investigation came to the view that the Unit Pricing Issue may be a potentially significant breach of ClearView's obligations under the Corporations Act 2001.
- 1.19 As a result of coming to the view that the Unit Pricing Issue may be a potentially significant breach of ClearView's obligations, on 14 September 2004 ClearView engaged the services of Trowbridge Deloitte Limited ("**Trowbridge**") to assist ClearView in taking corrective action to compensate Affected Investors in respect of the Unit Pricing Issue.

ASIC's role

- 1.20 ASIC is the consumer protection regulator of the financial services industry and accordingly is responsible for the monitoring and promoting of market integrity in the Australian financial system.

Early & Open Disclosure and Full Co-operation by ClearView

- 1.21 On 15 September 2004, ClearView advised ASIC of the Unit Pricing Issue.
- 1.22 On 15 September 2004, ClearView also reported the Unit Pricing Issue to the Australian Prudential Regulation Authority ("**APRA**").
- 1.23 ASIC acknowledges that ClearView, pursuant to its obligations under section 912D of the Corporations Act 2001, promptly reported the Unit Pricing Issue to ASIC.

- 1.24 ClearView has been in regular contact with ASIC and APRA in relation to the Unit Pricing Issue.
- 1.25 ASIC acknowledges that ClearView has fully co-operated with ASIC in its assessment of the Unit Pricing Issue.
- 1.26 ClearView has advised ASIC that the Unit Pricing Issue involves a total compensation estimation of approximately \$5.4 million and that there are about 31,500 Affected Investors.
- 1.27 ClearView and ASIC are concerned that Affected Investors:
- (a) Received advices and annual statements which contained unit prices which differed from the correct unit prices;
 - (b) Who have exited the Relevant Products received redemption or withdrawal amounts based on unit prices which differed from the correct unit prices; and
 - (c) Who have switched from one Portfolio which invested in the Relevant Investment Vehicles to another Portfolio (but remaining within the same Relevant Products) received redemption or withdrawal amounts based on unit prices which differed from the correct unit prices.

Compensation Arrangements

- 1.28 ClearView has provided ASIC with a copy of a report prepared by Trowbridge dated 11 January 2005 ("**Trowbridge Report**").
- 1.29 The Trowbridge Report sets out a method of identifying and calculating compensation for Affected Investors ("**Compensation Methodology**"). ClearView has advised ASIC that it will, subject to clause 1.31, implement the Compensation Methodology using its best endeavours in line with industry practices to locate and provide compensation to Affected Investors. The form in which compensation will be provided will depend on the type of Affected Investor and the amount of compensation to be paid.
- 1.30 In support of the Compensation Methodology, ClearView has provided ASIC with a timetable dated 17 March 2005, in relation to the payment of compensation to Affected Investors ("**Affected Investors Payment Timetable**").
- 1.31 A "**Non-materially Affected Investor**" is an Affected Investor to whom the amount of compensation due is less than a materiality threshold of \$20.00 ("**Materiality Threshold**") and who was not an External Policy Holder or a Product Member as at the Completion Date for existing External Policy Holders /Product Members as set out in the Affected Investors Payment Timetable.

ClearView has advised ASIC that:

- (a) It will not individually locate and contact any Non-materially Affected Investor;
- (b) It will provide an ex-gratia payment equivalent to the compensation due to the Non-materially Affected Investor if that investor contacts ClearView by 30 June 2005 and requests to be compensated ("**Non-materially Affected Investor Payment**");
- (c) It will pay to charity on 4 July 2005 the total amount of compensation payable to Non-materially Affected Investors minus the amount of all Non-materially Affected Investor Payments paid or yet to be paid.

1.32 ClearView has advised ASIC that a more detailed description of the Unit Pricing Issue and the Compensation Methodology will be available for those Affected Investors who contact ClearView and request more details.

1.33 ASIC and APRA have jointly considered:

- (a) The Unit Pricing Issue;
- (b) The Trowbridge Report;
- (c) The Compensation Methodology; and
- (d) The Affected Investors Payment Timetable.

1.34 ASIC and ClearView have agreed that ClearView will use the Compensation Methodology provided in the Trowbridge Report, and the Affected Investors Payment Timetable, as the basis for paying compensation to Affected Investors.

1.35 ClearView does not admit that it has breached any law or any provision of any policy or governing rule of the Relevant Products. ClearView has offered, without admission of any liability, and ASIC has accepted, this Enforceable Undertaking in relation to ClearView's own concerns and ASIC's concerns. By accepting the undertakings in Section 2 below offered by ClearView, ASIC will not take any action against ClearView in relation to the matters that are the subject of this Enforceable Undertaking.

2. **UNDERTAKINGS**

Pursuant to Section 93AA of the ASIC Act, ClearView offers the following undertakings to ASIC:

Compensation Process

2.1 Subject to clauses 2.2, 2.3, 2.4 and 2.5, ClearView will do all acts and things reasonably necessary as set out in this undertaking to implement the Compensation Methodology, in accordance with the Affected Investors Payment Timetable.

- 2.2 In the case of any Affected Investor (other than a Non-materially Affected Investor) for whom ClearView does not possess a current address or means to contact the Affected Investor, ClearView will be taken to have complied with clause 2.1 if it uses its best endeavours in line with industry practices (including but not limited to searches of the white pages online, the electoral roll, ClearView's databases and databases available to ClearView) to locate and compensate Affected Investors.
- 2.3 In the case of any Non-materially Affected Investor, ClearView will not individually locate and contact that investor but will provide a Non-materially Affected Investor Payment to any Non-Materially Affected Investor who contacts ClearView by 30 June 2005 and requests to be compensated.
- 2.4 ClearView has engaged the services of an independent expert, Trowbridge, to develop the Compensation Methodology.
- 2.5 Trowbridge has also been engaged to implement the Compensation Methodology in respect of the following:
- (a) Identification of the Affected Investors from the total client database;
 - (b) Review and validate that the Affected Investor transaction data is a complete and correct extract of the ClearView policy administration system(s);
 - (c) Apply the Compensation Methodology and calculate the compensation due to Affected Investors;
 - (d) Provide a listing of Affected Investors and the compensation amounts due ("**Compensation List**"); and
 - (e) Perform a high level review of the implementation process of the Compensation Methodology to ensure that it is consistent with the recommended approach.

Payment of Compensation

- 2.6 ClearView will pay:
- (a) To Affected Investors (other than Non-materially Affected Investors), compensation in accordance with the Compensation Methodology, Compensation List and the Affected Investors Payment Timetable; and
 - (b) To Non-materially Affected Investors, an ex-gratia payment equivalent to the compensation due to that Non-materially Affected Investor provided that they contact ClearView by 30 June 2005 and request to be compensated; and

- (c) To charity, on 4 July 2005, the total amount of compensation payable to Non-materially Affected Investors minus the amount of all Non-materially Affected Investor Payments paid or yet to be paid.

Investor Communications

- 2.7 ClearView will provide all Affected Investors who contact ClearView and request more details with a copy of a more detailed description of the Unit Pricing issue, in a form previously agreed by ASIC.

Identify Affected Investors

- 2.8 To the extent that ClearView has not already done so, ClearView will identify details of Affected Investors (including but not limited to their names, known contact details and the applicable compensation to be paid to those investors as provided by the Compensation Methodology), in accordance with the Affected Investors Payment Timetable.
- 2.9 ClearView will engage the services of an Independent Expert to ensure that compensation has been paid to Affected Investors other than Non-materially Affected Investors, and that the Non-materially Affected Investor Payments have been made to Non-materially Affected Investors who request a payment by 30 June 2005, in accordance with the Compensation List and to provide a report to ClearView ("Investors Payment Review Report") which:
 - (a) Confirms whether or not ClearView's processes and procedures for paying Affected Investors were in accordance with the Compensation List; and
 - (b) Makes any recommendations if this is not the case.

Nothing in this clause prevents ClearView from liaising with ASIC and/or the Independent Expert as to the findings and recommendations contained in the Investors Payment Review Report.

- 2.10 ClearView will provide ASIC with a copy of the Investors Payment Review Report within 7 business days of receipt of the report by ClearView.
- 2.11 In the case that the Independent Expert has made any recommendations in the Investors Payment Review Report, ClearView will:
 - (a) Take all reasonable steps to promptly implement the Independent Expert's recommendations in the Investors Payment Review Report and promptly comply with ASIC's reasonable directions, in respect of the Independent Expert's recommendations; and
 - (b) Within 8 weeks from the date of receipt by ASIC of the Investors Payment Review Report, provide ASIC with a report signed by a senior officer of ClearView confirming

that ClearView has taken all reasonable steps to fully comply with those recommendations and any directions. If required, ClearView may request ASIC's consent to an extension of the time (such consent not to be unreasonably withheld).

Compensation Funding

- 2.12 MBF Life will fund the payments referred to in clause 2.6 from MBF Life shareholder funds.

Notice to Affected Investors

- 2.13 MBF Life on its own behalf and also on behalf of and with the approval of ClearView Life Nominees will, in accordance with the Affected Investors Payment Timetable referred to in clause 2.1, but subject to clauses 2.2, 2.3, 2.4 and 2.5, take all reasonable steps to notify all Affected Investors, in the form and manner previously agreed by ASIC, of the Unit Pricing Issue. Notification pursuant to this clause will satisfy any notification obligations imposed on ClearView Life Nominees.

Report to ASIC

- 2.14 ClearView will by 31 December 2005 provide a report to ASIC, signed by both a member of the Board of ClearView Life Nominees and a member of the Board of MBF Life, containing the following information:
- (a) The total number of Affected Investors;
 - (b) The total number of Affected Investors remaining as Product Members or External Policy Holders (as the case may be) and the total number of exited Affected Investors;
 - (c) The total number of exited Affected Investors to whom cheques have been sent or compensation otherwise paid;
 - (d) The total compensation paid and the average compensation paid;
 - (e) The total number of Affected Investors to whom additional units have been issued;
 - (f) The number of Affected Investors other than Non-materially Affected Investors who have not been able to be located;
 - (g) The total amount below the Materiality Threshold that has been paid to charity; and
 - (h) Confirmation that Affected Investors other than Non-materially Affected Investors have been notified in accordance with clause 2.13 above.

3. ACKNOWLEDGEMENTS

- 3.1 ClearView acknowledges that ASIC:

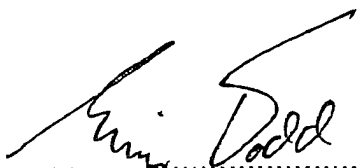
- (a) May issue a media release on execution of this undertaking referring to its terms and the concerns of ASIC which led to its execution;
- (b) May from time to time publicly refer to this undertaking; and
- (c) Will place a copy of the executed undertaking on a Public Register.

3.2 Further, ClearView acknowledges that:

- (a) ASIC's acceptance of this undertaking is based on the information supplied to ASIC by ClearView;
- (b) ASIC's acceptance of this undertaking does not affect ASIC's power to investigate a contravention arising from future conduct; and
- (c) This undertaking in no way derogates from the rights and remedies available to ASIC or any other person or entity arising from any conduct described in this undertaking.

EXECUTED on 24 March 2005

SIGNED by MBF LIFE LIMITED)
(ACN 000 021 581) in accordance with)
section 127 of the Corporations Act 2001:)

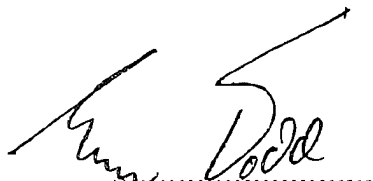


Director

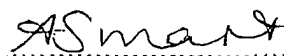


Director/Secretary

SIGNED by CLEARVIEW LIFE NOMINEES PTY LIMITED)
(ACN 003 682 175) in accordance with)
section 127 of the Corporations Act 2001:)

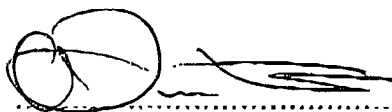


Director



Director/Secretary

ACCEPTED BY THE AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION
PURSUANT TO SECTION 93AA OF THE ASIC ACT BY ITS DULY AUTHORISED
DELEGATE:



~~Jan Redfern~~ Allen Turtan

Deputy

Executive Director - Enforcement
ASIC