

1 November 2017

Company Announcements Office
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

nib holdings limited 2017 Annual General Meeting (AGM) Chairman's Script

nib's 2017 AGM Chairman's script is attached.

Yours sincerely,



Roslyn Toms
Company Secretary

For further information please contact:

Matthew Neat
Head of Corporate Affairs & Investor Relations
T: +61 (0)2 4914 1777
M: +61 (0)411 700 006
E: m.neat@nib.com.au

**nib holdings limited (ASX: nhf)
2017 Annual General Meeting - Chairman's Address
Wednesday 1 November 2017**

Ladies and Gentlemen, good morning, my name is Steve Crane, Chairman of nib holdings limited, and on behalf of the nib Board, I welcome you to The Westin here in Sydney for the 2017 Annual General Meeting.

This month we celebrate our tenth year as an ASX-listed company. Today we are a much more experienced, larger and more diverse organisation than we were a decade ago. Pleasingly our shareholders have benefited from our journey as well with our share price rising more than sevenfold since listing at 85 cents. Our total shareholder return since listing on ASX in November 2007 is 1,166% compared to 32% for the ASX200.

It's a credit to everyone – both past and present – who has built our company into what it is today.

Our growth over the past decade reflects strong customer focus and a business strategy that is supported by deep market insight, measured risk-taking and a genuine belief in the role of innovation.

We also acknowledge that only by doing a good job in fulfilling our mission, which is to “help people access and afford world class health care when and where needed” do we deliver good commercial outcomes for shareholders.

And that brings me to our strong results for fiscal 2017.

As can be seen in the presentation, underlying operating profit was up 16.4% on FY16 at \$153.7 million and net profit after tax was \$120.2 million – a gain of 30.9%.

Return on invested capital of 22.7% beat FY16's 19%.

The Board declared a fully franked full year ordinary dividend of 19 cents per share compared with 14.75 cents per share in the previous financial year. This return to shareholders is testament to the success of our business over the year.

Our core Australian Residents Health Insurance business, or arhi, managed to grow policyholders at a rate of almost four times the industry, even in weak market conditions.

For more than a decade arhi has consistently grown well ahead of the overall health insurance industry. That's a remarkable achievement and one that we are committed to continuing.

As well, our adjacent businesses have continued to show exceptional growth, including our nib New Zealand operations, international students and workers, and our travel insurance business, World Nomads Group.

Underlying operating earnings from these adjacent businesses have almost doubled over the past three years, and accounted for over 30% of total group earnings in 2017.

We think we can get this as high as 50% in years to come.

Apart from creating additional enterprise value, the growth of our adjacent businesses also helps us to diversify risk.

It was good to see us deliver more value to our customers throughout the year, with initiatives like our new arhi First Choice network for dentists, which is cutting out-of-pocket expenses for our customers when they visit a First Choice provider.

Our customer Net Promoter Score for arhi, which reflects customer satisfaction, jumped from 17.7% in the previous year to 23.2%. This is a key performance measure, which is rolled out across the nib Group. It is one we watch closely to ensure we are giving customers what they want and what they need.

FY17 was also another year of considerable discussion, debate and unfortunate negative public commentary about private health insurance value and affordability.

We continued our fight for fairer pricing on prostheses in detailed representations with the Government and specifically the Health Minister, Greg Hunt. We welcome the Health Minister's recent announcement to further reduce the cost health insurers are required to pay for prostheses as well as offering premium discounts to people who take out health insurance before they turn 30. This means if a customer joins nib at aged 25 they will receive a 2% discount on their premium for every year they keep their cover, up to a maximum of 10%, with this discount to remain until they are 40 years of age and will reduce 2% every year thereafter. We anticipate the lifetime savings for eligible customers from this reform measure would range from \$2,000 to over \$5,000.

Overall the PHI Reform changes are an important and positive step to attract younger, better risk people to private health insurance which will lower pressure on premium increases for everyone.

Pleasingly our 2017 arhi premium increase was the lowest in 14 years and lower than the overall industry rate. However, affordability remains a real issue and there can be no doubt that our sector needs to work even harder at slowing the rate of premium inflation.

But pointing the finger at insurers alone ignores the fact that premium inflation is pre-eminently about healthcare cost inflation, driven by a combination of people having more treatment and medical fee increases.

Last year we paid for more than 310,000 episodes of care in our arhi business at a cost of almost \$1.2 billion. Our largest nib customer claim was for almost \$410,000.

Naturally, we're doing everything we can to keep a lid on claims inflation and maintain affordability of premiums. However, affordability is an issue that demands a whole of system approach both in Australia and New Zealand. We have doctors and hospitals as good as anywhere in the world yet there remains too much evidence of over-servicing, fee variation and potentially avoidable hospital admissions.

We know that variations in medical costs for the very same procedure and the increasing rate of out-of-pocket expenses, is a pain point for customers.

Why is it that the cost charged by a medical specialist for a prostatectomy can vary from about \$2,000 to more than \$10,000?

This means that depending on how much the surgeon charges, our customers could have zero out-of-pocket costs for a prostatectomy or face bills of several thousand dollars for the same procedure. As can be seen on screen the same cost variation exists for other procedures such as knee replacements.

We're working hard to tackle these challenges and increasingly looking towards consumer empowerment. Consumers have the right to know what their out-of-pocket costs will be and they have the right to make informed decisions around their healthcare services.

While we never want to substitute our opinion for that of doctors and other healthcare providers on the need for or choice of treatment, we do want to help our customers make more informed decisions.

Our efforts to date have been about empowering customers to:

- Find, assess, select and book a healthcare provider

- Better manage chronic health conditions, such as mental health and diabetes, through prevention and coordination programs
- Helping customers recover from surgery and other medical treatment in more appropriate settings including at home support; and
- Investing in the digital delivery of content and information allowing customers to better manage their everyday health and wellbeing as well as understand treatment options.

We have plans to take this to the next level through initiatives such as Whitecoat.

Soon Whitecoat will allow consumers to pay providers and doctors, see the average fee charged by a surgeon or anesthetist and their no-gap participation rate.

We also want consumers to have access to patient reported outcome measures and their feedback.

Our company remains ambitious and open-minded about the future. We want to ensure that we deliver on our mission.

We cannot ignore the fact that communities are demanding more and more healthcare and that the digital age will transform what consumers buy and how they buy it.

As our recent GU Health acquisition and collaboration in China with Tasly pharmaceutical group, which Mark will touch on in his presentation, demonstrate, we are constantly examining new opportunities for expansion. Our focus is to continue to experiment and innovate as a fundamental basis for competitive advantage and delivery of returns for our shareholders.

This year also marks 10 years since nib raised \$25 million through the issue of new shares to establish our charitable organisation, nib foundation. We take great pride in the positive contribution the foundation makes in supporting the health and wellbeing of people right across Australia.

Since that time the foundation has contributed almost \$16 million in funding to over 100 charity partners to aid the development and delivery of unique and practical initiatives.

We continue to see growing demand from Australian charities and community organisations for funding to improve community health and wellbeing. On behalf of the nib Board, I would like to recognise the great work of our foundation, the Chairman Keith Lynch, and volunteer Board of Trustees for their unwavering sense of community.

As shareholders would be aware, we are proposing a number of changes to our Constitution at this year's AGM. One of these changes is to provide the ability to reinvest unclaimed nib dividends into nib foundation if they have not been claimed after a period of five and a half years. I will defer discussion and any questions relating to this change until later in the meeting.

Lastly, as shareholders expect, succession planning and ensuring we have the right skills mix, diversity and experience on our Board and in our senior management ranks remains a priority for your Board.

In line with this, Non-Executive Director, Mr Harold Bentley announced his retirement from the Board in September 2017.

On behalf of the Board I would like to thank him for his sound advice, commitment and dedication over the past decade. He really has made a wonderful contribution especially in his role as Chairman of the Audit Committee.

On behalf of the Board I would also like to welcome Anne Loveridge as a Non-Executive Director of nib, who if successfully elected today will assume the role of

Chair of the Audit Committee. As part of your Board's succession planning Anne was appointed with a good overlap prior to Harold's retirement. Anne has impeccable credentials and although only been with us since February this year is already making a significant contribution.

Finally, I take this opportunity to thank my fellow nib Directors, senior management and all our people across the nib Group for another successful year.

ends//