

Date 2 July 2012

Subject nib confirms policyholder prepayments

With income testing of the Federal Government Rebate in place from 1 July 2012, nib contacted policyholders (with hospital or hospital/ancillary cover) to advise that if they were subject to the income testing they could prepay their nib health cover premium and maintain the Federal Government Rebate for up to 13 months.

Policyholders had until 30 June 2012 to prepay their premium otherwise they would be subject to income testing of the Federal Government Rebate from 1 July 2012.

In total 26,396 nib policyholders prepaid their premium representing approximately \$91.5 million in premium revenue. As detailed in nib's 2012 Strategy Briefing presentation (slide 54) lodged with ASX on 25 June 2012, the expected impacts of prepayment include:

- Potential reduction in FY13 lapse.
- Increase in FY13 net investment income.
- Potential reduction in FY13 health insurance business net underwriting profit due to 2013 price increase being rate protected if nib is unable to price in the additional rate protection impact.

Arising out of the above is a positive impact upon consolidated net profit after tax.

nib's analysis continues to suggest that overall 4,700 nib customers (0.6% of customers) may drop their nib cover beyond normal lapse rates and approximately 19,800 nib customers (2.2% of customers) could downgrade their cover beyond normal levels in response to income testing of the Federal Government Rebate. However, nib previously forecast this impact would largely occur during the period ended 30 June 2013. As a result of customers being able to prepay, nib is now expecting the full lapse and downgrade impact of the income testing to occur over a longer timeframe including some impact in FY14.

nib will announce its FY12 full year results on Monday 20 August 2012.

MEDIA AND INVESTOR RELATIONS

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