

**HEALTHCARE AND LIFE
SCIENCE CONFERENCE
BBY 2009
24 NOVEMBER**

TODAY'S AGENDA

- Healthcare spending
- About nib and our challenges
- Progress thus far
- Looking ahead

HEALTHCARE SPENDING

Worldwide healthcare costs are rapidly increasing

- Across OECD, healthcare spending has for the past 50 years increased at GDP + 2%

%	1960	2008
USA	5.1	16.0
Australia	4.7	9.7
United Kingdom	3.9	8.5

- USA now spends \$US 2.5 trillion pa on healthcare (cf food \$1 trillion)

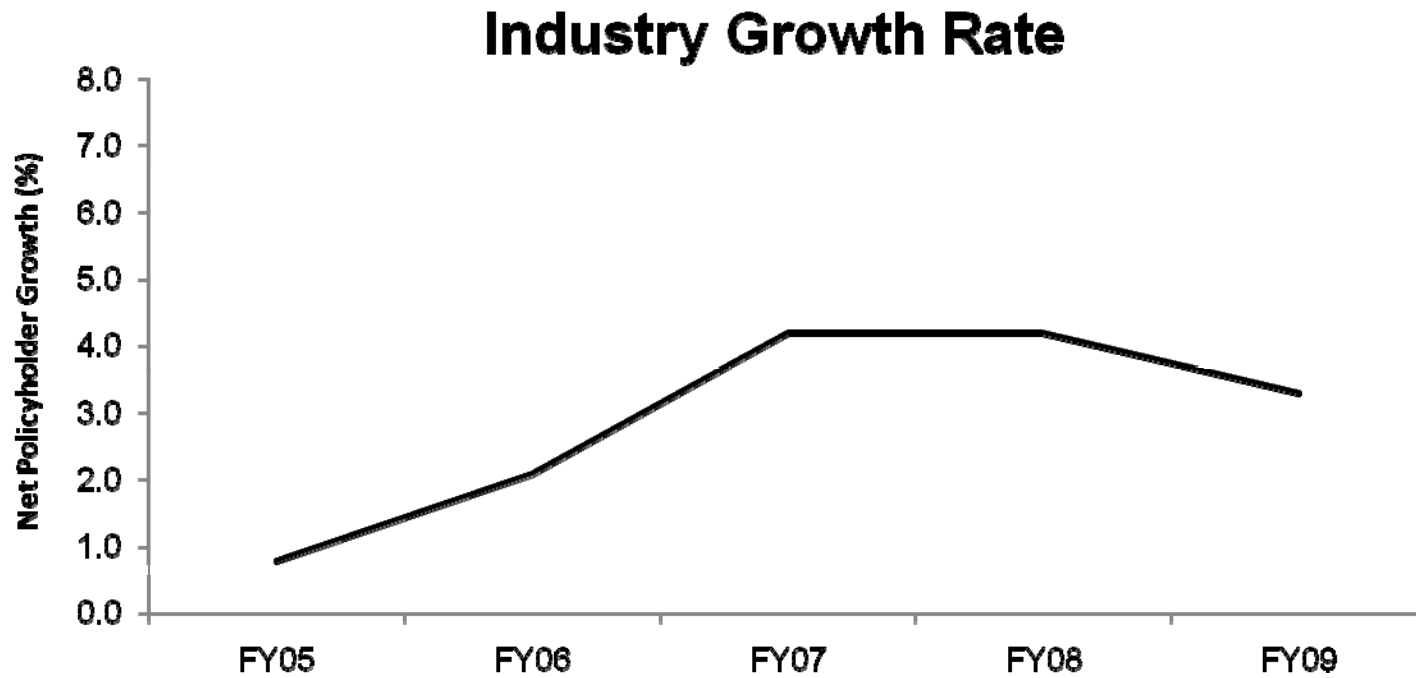
We're all spending more because of:

- Increasing wealth and incomes
- Ageing and longevity
- Cost of technology and higher utilisation
- The rise and rise of chronic disease
- Moral hazard

Australian context

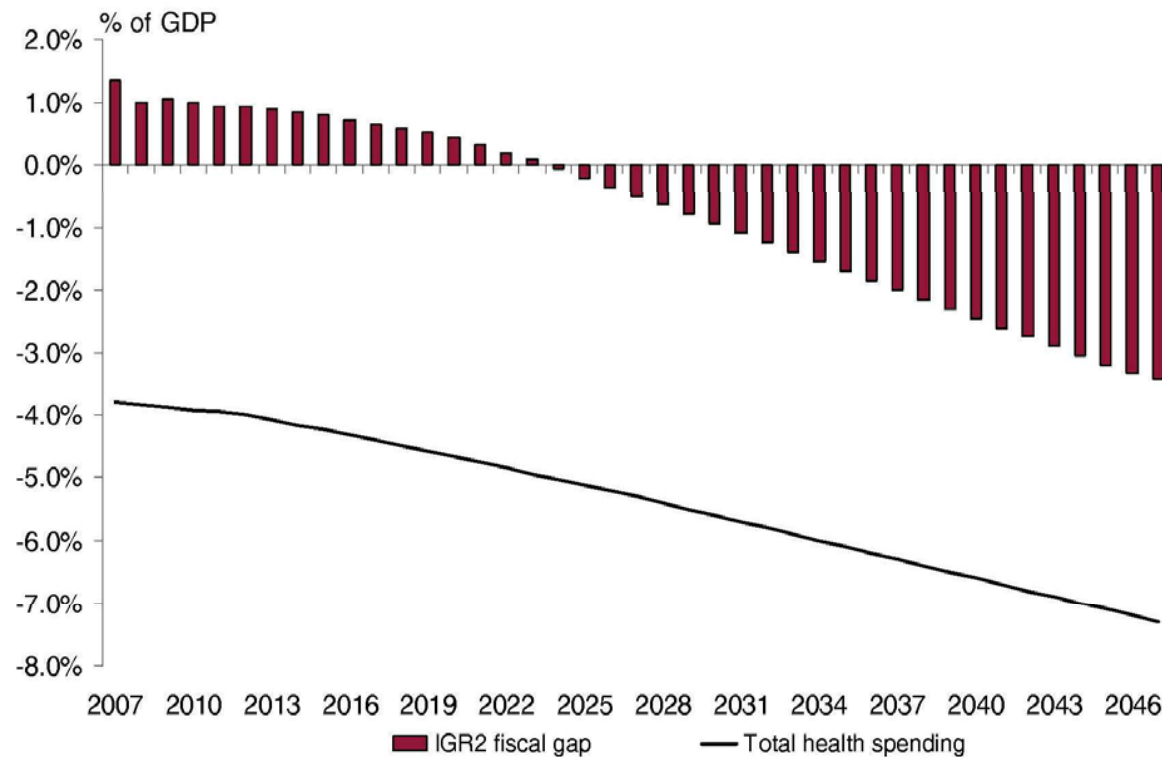
- Healthcare spending about \$100 billion pa - \$4500 per capita
- Government dominated tax funded social insurance system (Medicare, PBS and public hospitals)
- About 9.8 million people have private hospital insurance (45% population) and 11.3 million general treatment insurance (51% population)
- 37 health insurers (4 for profit) - top 5 have approximately 80% of market
- Premium income of \$13.4 billion and profit of \$588 million for 12 months to 30 September 2009 (Source: Private Health Insurance Administration Council – Quarterly Statistics September 2009)
- Premiums are community rated (i.e. no risk rating) with significant risk equalisation via industry claims pool
- Government policies of Lifetime Health Cover loading, 30% rebate and Medicare Levy Surcharge help drive participation

PHI participation continues to grow



- In FY09 the industry grew by 3.3% or 315,269 persons covered
- In Q1 FY10 the industry grew by 0.8% or 94,171 persons covered
- As at 30 September 2009, 11.3 million Australians had private health insurance

Australia with its increasing dependency ratio must embrace more private funding



Source: Australian Government (2007)

ABOUT nib
& OUR CHALLENGES

Snapshot

- Only ASX listed private health insurer – market capitalisation circa \$660 million
- FY09 premium income of \$830 million
- Fifth largest insurer covering approximately 770,000 lives in all states (7.2% market share)
- Net assets of \$361 million (as at 30 June 2009) with surplus capital of approximately \$150 million (as at 30 September 2009) and no debt
- Earnings derived from underwriting margins and investment income:
 - FY09 net margin \$40.2 million (4.8%)
 - FY09 investment loss \$(1.8) million
 - FY09 NPAT \$23.8 million
- Head office in Newcastle NSW (FTE 428)

Our challenges

- Growing earnings and optimising capital to achieve and sustain ROE of at least 15%
- Competing with a free alternative
- Product differentiation in a commoditised market and price competitiveness
- nib's relatively small scale and playing a key role in industry consolidation
- Managing ever present sovereign risk
- Global financial crisis and macro economic conditions

Tackling the challenges

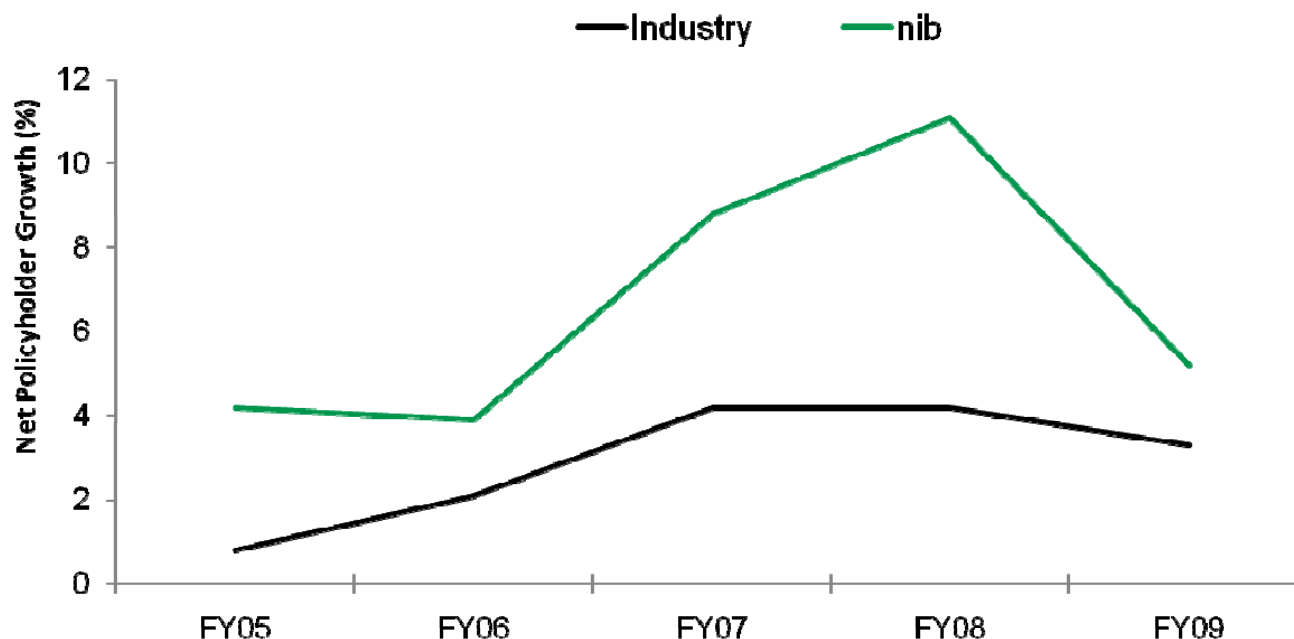
- Organic growth through:
 - Targeting “new to category” <40 segment
 - Extending brand reach nationally
- Establish ongoing price advantage and profitability through “better risk” strategy and improved productivity/efficiency
- Demutualisation and ASX listing to support M&A
- Innovation and “strategy by adaptation”
- Capital management and maintenance of strong balance sheet

nib and targeting < 40 segment

- Brand reputation and positioning
- Fit for purpose products:
 - Deductibles and restrictive benefits
 - Emphasis on ancillary cover
- Price competitiveness
- Distribution

PROGRESS
THUS FAR

nib v system growth



- CAGR of 6.6% (system: 2.9%) since FY05
- nib's net policyholder growth for Q1 FY10 of 6,923 policies (same period FY09 = 6,549) or 1.8% (system: 0.8%)
- In Q1 FY10 nib accounted for 17% of total industry growth
- nib's growth in hospital persons aged 20-39 for Q1 FY10 was 2.6% (system: 1.0%) with nib accounting for approximately 26% of total industry growth in this segment

The efficacy of our business strategy

(%)	FY05	FY06	FY07	FY08	FY09
Net policyholder growth (nib)	4.2	3.9	8.8	11.1	5.2
Net policyholder growth rate (industry)	0.8	2.1	4.2	4.2	3.2
% of new sales new to category (nib)	68.7	70.8	74.4	78.2	67.4
% of new sales “under 40” (nib)	71.7	73.6	78.5	79.2	78.7
% of new sales online (nib)	4.1	13.5	32.5	38.8	36.2
% of new sales outside NSW/ACT (nib)	19.1	23.4	32.3	44.0	42.6

The pay off

- Underlying earnings increased 21.8% in FY09 to \$40.2 million
- Underlying ROE* of 11.3% in FY08 and 11.2% in FY09
- TSR since listing of 73.5% (as at close of trade 17 November 2009)

* Normalised investment income for FY09 calculated on the basis of 5.5% (FY08: 7.0%) assumed return over average investment assets for period

LOOKING AHEAD

Looking ahead

- Net underwriting result forecast to increase as much as 25% in FY10 (FY10 net underwriting result forecast of \$45 - 50 million and net underwriting margin of 5-5.5%)
- PHI system growth of GDP +1-2% with nib consistently doing better (FY10 guidance of 4-6% net policyholder growth)
- Increased nib penetration across all states
- Further industry consolidation
- Capital management
- Ongoing Government support for private sector
- Earnings growth to achieve and ROE of at least 15% in near term and sustain

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