

Date: 8 June 2007

Subject: **ELIGIBLE POLICYHOLDERS AND COMPANY MEMBERS TO VOTE ON PROPOSED DEMUTUALISATION OF NIB ON 19 JULY**

NIB Health Funds Limited (NIB) has formally commenced the process that may see it become the first Australian health insurer to demutualise and list on the Australian Securities Exchange (ASX).

NIB anticipates early next week dispatching an Explanatory Statement to its Eligible Policyholders and Company Members providing them with full details of the Proposal and the share allocation for Eligible Policyholders.

The meetings of the Eligible Policyholders and Company Members to approve the demutualisation are due to be held on 19 July 2007.

While the value of the allocation will not be known until the company lists on the ASX, Eligible Policyholders will each receive between 100 and 6,000 shares, with an average of approximately 1,450 shares, if the demutualisation and subsequent proposed listing is approved.

The Explanatory Statement includes an Independent Financial Expert's Report which concludes that the demutualisation is in the best interests of Policyholders and Company Members as a whole.

The Explanatory Statement outlines the Board's recommendation that Eligible Policyholders and Company Members vote in favour of demutualisation, as well as outlining the advantages, disadvantages and other relevant considerations.

NIB Chairman, Keith Lynch, encouraged Eligible Policyholders and Company Members to vote on the future of NIB.

"The results of the vote on the proposed demutualisation will shape the future of NIB. The Board conducted an extensive examination of the advantages and disadvantages and the alternatives to the Proposal. We unanimously recommend that Eligible Policyholders and Company Members vote 'for' the Proposal.

"We believe demutualisation and listing on the ASX will provide a strong platform for the continued growth and success of NIB. We also believe the Proposal is in the best interest of Policyholders and Company Members as it releases more value than any alternative Proposal."

NIB Chief Executive, Mark Fitzgibbon, said: "Structural change to the private health insurance industry is inevitable. By demutualising and listing on the ASX we believe NIB will be in a strong position to take advantage of those changes.

"Eligible Policyholders can share in the value that is currently within NIB through the receipt of Shares."

A summary of the advantages and disadvantages are outlined below:

Advantages

1. Eligible Policyholders can share in the considerable value that is currently locked within NIB through the receipt of shares
2. Demutualisation and the intended Listing should enhance NIB's strategic and capital flexibility and improve the prospects of NIB participating in mergers,

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takeovers and other corporate transactions, which may deliver benefits to Policyholders, Shareholders and NIB

3. More value will be delivered to Eligible Policyholders under the Proposal and NIB will be in a stronger capital position than under any of the alternatives considered, including returning NIB's surplus capital in the form of reduced premiums and/or increased benefits.

Disadvantages

1. NIB will no longer be an income tax exempt entity
2. There are costs associated with the Proposal and becoming a listed public company
3. Shareholders may have competing interests with those of Policyholders, particularly if the number of Shareholders who are not Policyholders increases over time.

The Board believes the advantages of demutualisation and listing on the ASX significantly outweigh any disadvantages.

With the release of the Explanatory Statement, the company has issued a timetable for key events in the process.

Eligible Policyholders voting by proxy to have voted online or to have completed proxy forms and returned in reply paid envelope	10am, 17 July
Company Members voting by proxy to have voted online or to have completed proxy forms and returned in reply paid envelope	11.30am, 17 July
Demutualisation meetings	19 July

The Proposal is also subject to regulatory approval from the Private Health Insurance Administration Council (PHIAC) and approval by the Federal Court of Australia.

Eligible Policyholders and Company Members will be asked to vote on the Proposal at the Demutualisation Meetings on 19 July 2007. They can also vote by returning the proxy form included in the Explanatory Statement pack in the reply paid envelope or by visiting the NIB website at nib.com.au and clicking on the Demutualisation link.

The number of Shares to be allocated to Eligible Policyholders if the Proposal is approved is displayed on the Eligible Policyholder's Share Allocation Form. The key elements of how the allocation is determined are outlined in Section 2.3 of the Explanatory Statement and the Share Allocation Rules contained in Schedule 1 of the Eligible Policyholders' Scheme.

If the Proposal is implemented and NIB lists on ASX, a new \$25m charitable foundation will be set up, known as the NIB Foundation. Funds from the NIB Foundation will offer support for the health and well-being of Australians, particularly those from the Hunter region.

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NIB has established a hotline – 131 NIB (13 16 42) – and further information can be found on NIB's website at nib.com.au

- Ends -

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About NIB:

NIB has been a registered health fund since 1953. The health fund started operations at BHP's Newcastle Steelworks as Newcastle Industrial Benefits Hospital Fund and is now Australia's sixth largest health insurance provider. Today, NIB has approximately 320,000 Policyholders across Australia and in 2006 posted a pre-tax profit of almost \$64 million.

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Share Allocation Policy

The Share Allocation Rules are supported by the recommendation of the Consulting Actuary. The Board believes that the Share Allocation Rules provide an equitable basis for allocating Shares to Eligible Policyholders. The Independent Financial Expert agrees with this conclusion.

Shares will be allocated to all Eligible Policyholders based on the type of policy held as at 20 March 2007. The key elements of the Share Allocation Rules are as follows:

- Eligible Policyholders with an Ambulance Only Policy at 20 March 2007 will be allocated 10 Shares for each year that they have been a Policyholder subject to a minimum allocation of 100 Shares and a maximum allocation of 300 Shares;
- Eligible Policyholders with a Single Policy at 20 March 2007 will be allocated 100 Shares for each year that they have been a Policyholder subject to a minimum allocation of 300 Shares and a maximum allocation of 3,000 Shares;
- Eligible Policyholders with a Family Policy on 20 March 2007 will be allocated 200 Shares for each year they have been a Policyholder subject to a minimum allocation of 600 Shares and a maximum allocation of 6,000 Shares; and
- Company Members will receive Shares only in their capacity as Eligible Policyholders, in accordance with the Share Allocation Rules.

Eligible Policyholders

An Eligible Policyholder who is eligible to receive Shares is a person who:

- was a Policyholder on 20 March 2007 (the day prior to the announcement of the Proposal) and remains a Policyholder on the date of the Eligible Policyholders' Scheme Meeting; or
- becomes a Policyholder in respect of an existing Policy, in substitution for the previous Policyholder, between 20 March 2007 and the date of the Eligible Policyholders' Scheme Meeting, and:
 - the previous Policyholder was a Policyholder on 20 March 2007; and
 - the new Policyholder remains a Policyholder on the date of the Eligible Policyholders' Scheme Meeting.

Company Members

Company Members are members of NIB. The current Constitution of NIB provides that there can only be between 35 and 50 Company Members. As at the date of this press release, there are 50 Company Members.

Company Membership Rights include the right to receive notices of meetings and corporate governance materials and reports such as the Annual Report, and to vote at meetings of Company Members. Company Membership is not transferable and Company Members do not have any interest or property rights in the assets or profits of NIB.

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