

23 December 2013

The Manager
Company Announcements
ASX Limited
20 Bridge Street
Sydney NSW 2000

RE: nib announces changes to premiums

Please find attached nib media release advising approval of nib's 2014 premium changes by the Federal Minister for Health.

nib has received approval to increase its premiums by an average of 7.99% across all products (effective 1 April 2014).

Yours sincerely



Michelle McPherson
Chief Financial Officer &
Company Secretary

Date 23 December 2013
Subject nib announces changes to premiums

nib health funds limited (nib) has received approval from the Federal Minister for Health to increase its premiums by an average of 7.99% across all products.

The changes will be effective from 1 April 2014.

nib's Chief Executive Officer, Mr Mark Fitzgibbon said the increase is necessary to keep pace with the rising cost of providing health care services as well as nib's contribution to the risk equalisation scheme.

"In financial year 2013, nib paid out more than \$1 billion in benefits to customers, including risk equalisation. That's an increase of more than 10% on the previous year," he said.

"And while every effort has been made to keep premium increases as low as possible, rising medical and health care costs as well as customer utilisation means we need to increase premiums to maintain the level of health cover and benefits our customers have come to expect," he added.

"Despite this nib still remains one of Australia's most affordable health funds. And while nib's premium changes will vary across products and by customer, for almost 70% of our customers it will mean an increase of less than \$3 per week from April next year," Mr Fitzgibbon added.

Mr Fitzgibbon said a major factor of nib's premium increase was the health fund's burgeoning risk equalisation liability, a system which requires all health insurers to share the costs associated with older and chronically ill Australians.

"As we have said for a number of years, the current design of risk equalisation is flawed, meaning nib and our policyholders are effectively subsidising other insurers. We are continuing to be penalised for the fantastic success we've had in growing the youth market, which is exactly the type of growth I should add that takes considerable pressure off industry-wide premiums," Mr Fitzgibbon said.

"An easier way to look at it is that our forecast risk equalisation expense has contributed more than 1.5% to our 7.99% price increase," Mr Fitzgibbon added.

FOR FURTHER INFORMATION:

Matthew Neat
Tel: 02 4914 1777
Mob: 0411 700 006
Email: m.neat@nib.com.au