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# **FY20 full year results**

**24 August 2020**

# Disclaimer



The material in this presentation is a summary of the results of nib holdings limited (nib) for the 12 months ended 30 June 2020 and an update on nib's activities and is current at the date of preparation, being 24 August 2020. Further details are provided in nib's full year accounts and results announcement released to ASX on 24 August 2020.

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This presentation should be read in conjunction with other publicly available material. Further information including historical results and a description of the activities of nib is available on our website: [www.nib.com.au/shareholders](http://www.nib.com.au/shareholders).

Group, arhi and iihi figures are inclusive of GU Health unless otherwise stated. The GU Health business was acquired on 31 October 2017.

As referenced in this presentation, if there is a percentage increase or (decrease) between FY19 and FY20, the change shown is the difference between those two percentages.

Any discrepancies between totals and sums of components in this publication are due to rounding.



Chief Executive Officer  
& Managing Director

# Mark Fitzgibbon



# Acknowledgement of Country



Image: Glenrock Trail on Awabakal land.

We would like to acknowledge the Traditional Custodians of the lands we all live and work on and recognise their continuing connection to Lands, Waters and Communities.

We pay our respects to the Elders past, present, and emerging. We would like to extend this respect to all Aboriginal and Torres Strait Islander peoples joining us today.

For our New Zealand viewers

Kei ngā Iwi, kei ngā Mana, Tēnā koutou katoa!

# Our purpose: **your better health**

## Supporting our members through COVID-19

### Our Members



1 April 2020 premium changes postponed until  
**1 OCTOBER 2020**



Expanded cover for **COVID-19** related treatment and additional Extras psychology benefits at

**NO COST**



24/7 medical and non-medical assistance hotline



Latest **COVID-19** health related information provided to members and the community on nib's digital channels, including the

**CHECK UP**



A range of financial hardship support and premium relief options



**ACCESS TO TELEHEALTH CONSULTATIONS** for a range of health services



Free antenatal and early parenting

**ONLINE CLASSES**



\$250 wellness benefit for **FRONTLINE HEALTHCARE WORKERS**



**6,657**

3 month suspensions

**575**

30 day waivers

**2,233**

6 month suspensions

**469**

60 day waivers

- CV19 support package to date more than \$45m.
- Across the Group, six month premium postponement (arhi and nib NZ) represents \$38.5m in forgone premium revenue.
- 560,000 arhi members provided expanded product coverage for chest, lung, kidney and other treatment for CV19 across all levels of hospital cover at no additional cost.
- Extended \$300 minimum psychology benefit for all arhi members with Extras cover.
- More than 1,500 arhi members accessed \$250 frontline health care worker wellness rebate.
- Committed funding to GPConsults, a GP telehealth platform, providing free access to providers and patients.
- Waiving 1 October 2020 premium increase for 6 months for arhi members on JobKeeper and JobSeeker.

# Our purpose: **your better health**

## Supporting our employees and the community through COVID-19

### Our Community



**\$1.5  
MILLION**

donated to community and clinical initiatives in Australia and New Zealand with nib foundation



**100,000**

surgical masks donated to healthcare and allied health workers



**FOOD HAMPERS**

and health packs to support international students



Donation of 100,000 face masks



Food relief to international students

### Our Employees



Up to two weeks

**SPECIAL PAID LEAVE**



Ergonomics package to support

**WORK FROM HOME**



Hygiene packs to international students



\$500,000 to support Lifeline

# FY20: Group results



**\$2.5b**

total Group revenue  
up 3.4%



**\$150.1m**

Group UOP  
down 25.6%  
Statutory operating profit \$118.1  
down 36.0%



**\$16.6m**

net investment income  
down 54.0%



**\$89.2m**

NPAT  
down 40.3%



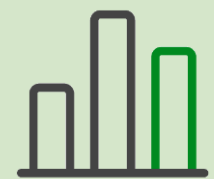
**19.8cps**

statutory EPS  
down 40.0%



**4.0cps**

final dividend  
down from 13.0cps



**14.5%**

ROE  
down 1130bps



**34.8**

Group NPS  
up 2.3



**\$57.0m**

available capital  
above internal  
target

# FY20: Summary observations

## Business fundamentals remain strong

- arhi policyholder growth of 1.9% (accounted for 41.5% of total industry net growth) with premium revenue ▲2.9% and net margin of 6.4%.
- NZ policyholder growth 7.4% with premium revenue ▲11.4% and net margin of 9.8%.
- Notwithstanding CV19 impact on foreign entry, iihi membership growth 6.3% with premiums up 11.8% and net margin of 17.1%.

## Profitability materially impacted by CV19

- In addition to CV19 initiatives, arhi UOP accommodating a \$90.4m provision for deferred claims with extreme uncertainty.
- In addition to CV19 initiatives, NZ UOP accommodating a \$8.4m provision for deferred claims with extreme uncertainty.
- iihi UOP in 4Q20 down 57.5% pcp.
- Travel GWP 4Q20 down 128.0% pcp.

## Business silver linings

- Group remains well capitalised with \$57.0 million in available capital above internal targets and gearing ratio of 28.3%.
- Evidence of heightened consumer awareness of disease risk and need for protection and support.
- “Clinical Partners” orthopaedic pilot since Feb 2019 has avoided potential out of pocket expenses for 550 arhi members equating to a saving of \$660,000 for nib members (average \$1,200 per member).
- Group operating expenses<sup>1</sup> (excluding marketing) down 2.2%.
- Honeysuckle Health (JV with Cigna) launched and progressing rapidly.

1. Underwriting segments - arhi, iihi & nz, excludes nib Travel.



Group Chief Financial  
Officer

Nick Freeman



# Group income statement

(\$m)	FY20	FY19	Change
Net premium revenue	2,439.6	2,340.8	▲4.2%
Net claims incurred <sup>1</sup>	(1,955.3)	(1,829.8)	▲6.9%
Other underwriting revenue	3.5	3.6	▼2.8%
Underwriting expenses	(307.1)	(310.7)	▼1.2%
<b>Underwriting result</b>	<b>180.7</b>	<b>203.9</b>	<b>▼11.4%</b>
Other income	60.1	77.2	▼22.2%
Other expenses	(86.7)	(78.3)	▲10.7%
Share of net profit/(loss) of associates and joint ventures	(4.0)	(1.0)	▲300.0%
<b>Underlying operating profit</b>	<b>150.1</b>	<b>201.8</b>	<b>▼25.6%</b>
Amortisation of acquired intangibles	(10.4)	(9.2)	▲13.0%
Impairment of intangibles	(8.0)	(1.0)	▲700.0%
One-off transactions, M&A and business implementation costs	(13.6)	(7.0)	▲94.3%
<b>Statutory operating profit</b>	<b>118.1</b>	<b>184.6</b>	<b>▼36.0%</b>
Finance costs	(9.7)	(7.7)	▲26.0%
Net investment income	16.6	36.1	▼54.0%
<b>Profit before tax</b>	<b>125.0</b>	<b>213.0</b>	<b>▼41.3%</b>
Tax	(35.8)	(63.7)	▼43.8%
<b>Net profit after tax</b>	<b>89.2</b>	<b>149.3</b>	<b>▼40.3%</b>

1. Net claims incurred including claims handling.

FY20 full year results

## Key drivers of result

- CV19 impact on claims and pricing.
- Other CV19 impacts especially on nib Travel as well as iih.
- Price inflation v claims inflation including impact of 6 month premium postponement and CV19 impact on claims.
- Above industry arhi policyholder growth 1.9% v industry 0.4%.
- nib Travel UOP decline.
- One-off transactions include QBE Travel and GU Health integration (\$9.3m), organisation re-alignment.
- Amount of Group deferred claims 80%: arhi hospital 85%, arhi ancillary 70%, NZ 90%.

(\$m)	arhi	NZ	Group
Lower than expected claims	113.5	9.4	122.9
Balance sheet - CV19 claims liability	(90.4)	(8.4)	(98.8)
Net claims incurred <sup>1</sup> impact	23.1	0.9	24.1
% deferred	79.6	90.0	80.4

# Group gross profit drivers FY19 - FY20

<b>FY19 Group gross profit (\$m)</b>		<b>529.4</b>
Policyholder growth		28.1
Premium revenue	89.1	
Claims expense	(61.0)	
Product and scale mix		(20.3)
Premium revenue	(64.0)	
Claims expense	43.7	
Rate variances		(4.9)
Premium revenue	101.8	
Claims expense	(106.7)	
Prior year impacts - restate claims for OSC		(31.4)
FY19	(24.1)	
FY20	(7.3)	
COVID-19		5.4
Suspension/waiver impact	(2.4)	
Price increase deferral	(16.0)	
Claims impact	121.8	
Claims deferral to FY21	(98.0)	
<b>FY20 Group gross profit<sup>1</sup></b>		<b>506.2</b>

1. As gross profit excludes the impact of claims handling expense, the COVID-19 claims and deferral impacts shown exclude the impact of claims handling expense (1%).

- Premium revenue growth has been impacted by postponement of price increases due to CV19 and continued downgrading.
- Premium increases not sufficient to offset claims inflation, however margins remain healthy.
- Outstanding claims reserve (OSC) movements material impact on FY19 gross profit, flowing through to FY20 as a comparable.
- CV19 impact only modestly positive due to claims and price deferral to FY21.
- CV19 initiatives also include \$1.5m in other clinical and community support.

# Australian residents health insurance



Financial performance (\$m)	FY20	FY19	Change
Premium revenue	2,072.3	2,013.20	▲2.9%
Claims expense excluding risk equalisation and CV19 provision <sup>1</sup>	(1,400.1)	(1,409.5)	▼0.7%
Risk equalisation levy	(235.0)	(229.5)	▲2.4%
Claims CV19 provision	(78.1)	-	-
Risk equalisation CV19 provision	(12.3)	-	-
Other underwriting revenue	2.4	2.8	▼14.3%
Management expenses	(214.6)	(227.0)	▼5.5%
UOP <sup>2</sup>	133.6	149.5	▼10.6%
Key metrics (%)			
Net promoter score (NPS) <sup>3</sup>	35.3	32.5	▲2.8
Lapse <sup>4</sup>	12.7	13.4	▼70bps
Net policyholder growth	1.9	2.1	▼20bps
Gross margin	16.7	18.6	▼190bps
Gross margin normalised <sup>5</sup>	16.5	17.5	▼100bps
Management expense ratio	10.4	11.3	▼90bps
Marketing MER	4.1	4.2	▼10bps
Other MER	6.2	7.0	▼80bps
Net margin	6.4	7.3	▼90bps
Net margin normalised <sup>5</sup>	6.3	6.2	▲10bps

## Strong membership growth, challenging operating conditions

- Premium revenue ▲2.9% with postponement of 2020 pricing increase impacting premium revenue by \$15m in FY20 (premium revenue would have otherwise increased 3.7%).
- Accounted for 41.5% of total industry growth (industry growth 0.4%), 38.4% of sales new to PHI (FY19 35.0%), with multi-channel distribution strategy continuing to deliver results.
- Net claims expense<sup>6</sup> ▲5.3%, outstripping revenue growth, net margins in line with our target 6%.
- Mental health waiver and increased utilisation of prostheses and joint replacements drivers of claims inflation, with a number of corrective measures underway (Honeysuckle Health, Clinical Partners program, product changes).
- Management expenses ▼5.5% due to operational efficiencies, change in leasing standard with investment in growth (marketing MER) maintained.
- UOP ▼10.6% includes \$90.4m CV19 claims provision.
- NPS improvement ▲2.8 with a focus on digital first member approach.

1. Includes state levies.

2. Includes share of net profit/loss of associates and joint ventures accounted for using the equity method.

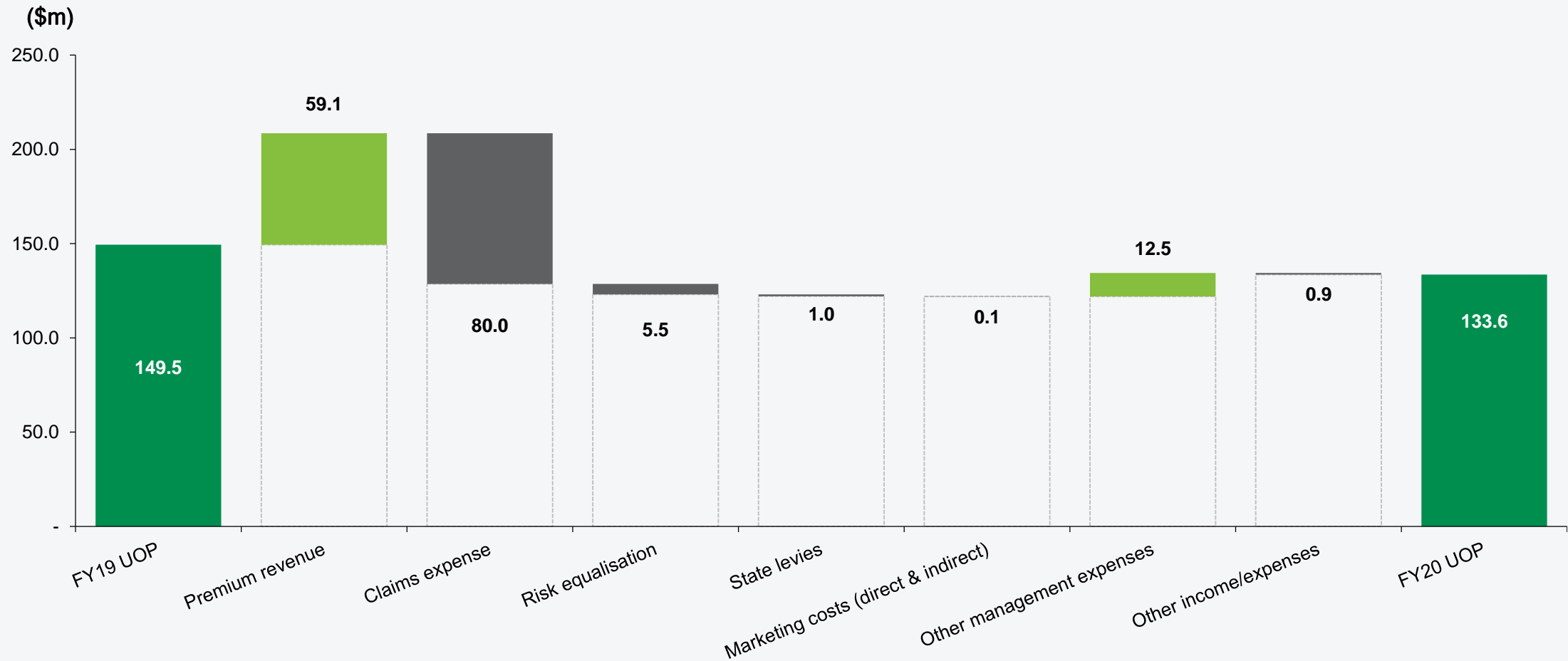
3. Excludes GU Health.

4. Lapse includes impact of COVID-19 suspensions, excluding these lapse would be 11.7% and net policyholder growth 3.0%.

5. Normalised adjusts for OSC timing and COVID-19 impacts on revenue and claims.

6. Includes risk equalisation and CV19 provision.

# arhi: underlying operating profit



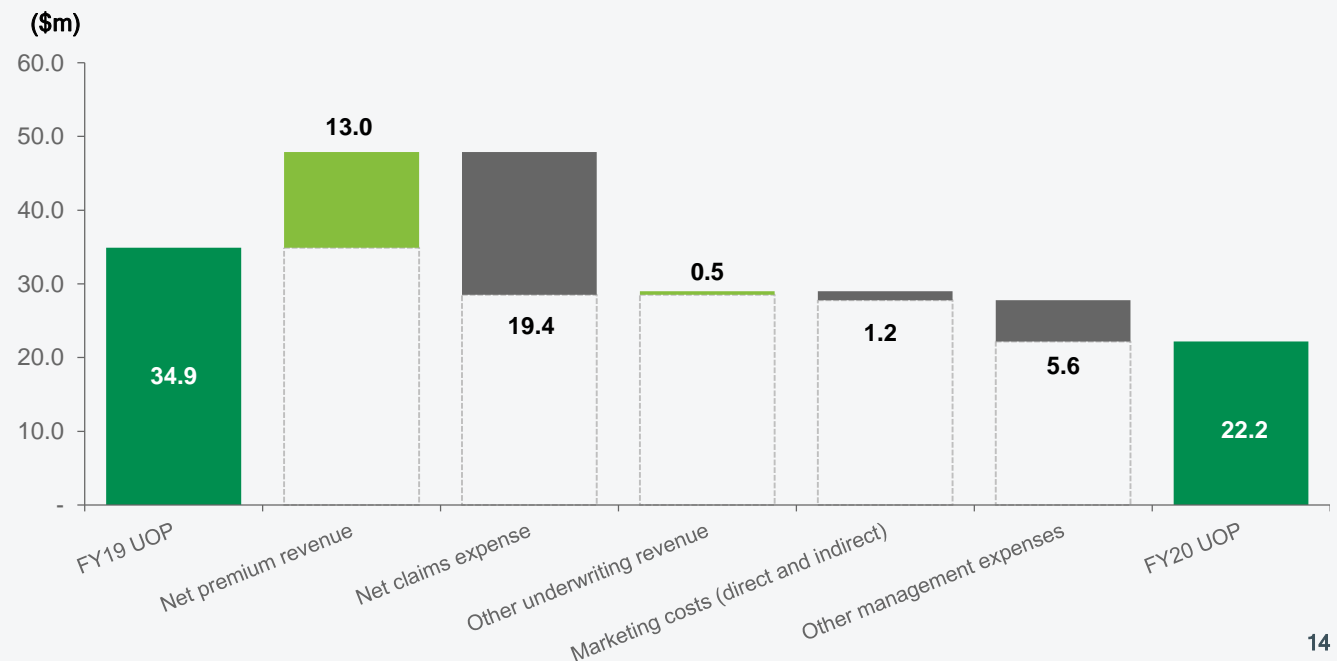
# International (inbound) health insurance

Financial performance (\$m)	FY20	FY19	Change
Premium revenue	123.1	110.1	▲ 11.8%
Claims expense	(61.8)	(42.4)	▲ 45.8%
Other underwriting revenue	1.2	0.7	▲ 71.4%
Management expenses	(40.3)	(33.5)	▲ 20.3%
UOP	22.2	34.9	▼ 36.4%
Key metrics (%)			
iwhi net promoter score <sup>1</sup>	47.1	41.5	▲ 5.6
ishi net promoter score	43.2	34.6	▲ 8.6
Net policyholder growth	6.3	19.5	▼ 1,320bps
Gross margin	49.8	61.5	▼ 1,170bps
Gross margin normalised <sup>2</sup>	50.8	59.1	▼ 830bps
Management expense ratio	32.7	30.4	▲ 230bps
Marketing MER	8.2	8.0	▲ 20bps
Other MER	24.5	22.4	▲ 210bps
Net margin	17.1	31.1	▼ 1,400bps
Net margin normalised <sup>2</sup>	18.1	28.7	▼ 1,060bps

1. Excludes GU Health.  
2. Normalised adjusts for OSC timing.

## Sound operating performance impacted by COVID-19 in 2H20, margins consistent with 1H20

- Premium revenue (▲ 11.8%), with slowing policyholder growth impacting 2H20 due to CV19 restrictions on inbound international student and workers intake.
- Claims consistent with 1H20 experience reflect policyholder growth as well as greater utilisation of medical services (particularly GP, pregnancy and emergency department). Investing in member value compressing gross margin.
- Management expenses ▲ 20.3% include greater investment in claims adjudication and digital payment solutions.
- Resilient 2H20 - revenue \$61.6m (1H20: \$61.5m), UOP \$9.9m (1H20: \$12.3m).

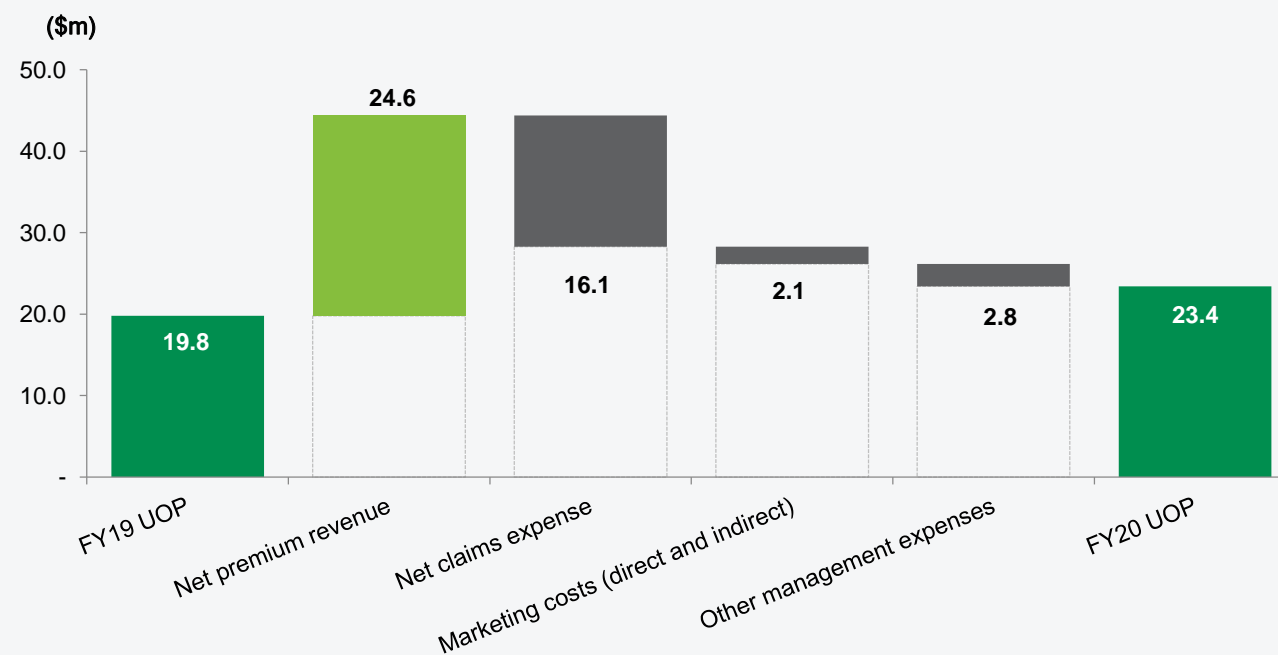


Financial performance (\$m)	FY20	FY19	Change
Premium revenue	240.1	215.5	▲ 11.4%
Claims <sup>1</sup>	(146.1)	(130.0)	▲ 12.4%
Management expenses	(70.5)	(65.7)	▲ 7.3%
UOP	23.4	19.8	▲ 18.2%
Key metrics (%)			
Net promoter score	32.9	34.0	▼ 1.1
Net policyholder growth	7.4	7.2	▲ 20bps
Gross margin	39.2	39.7	▼ 50bps
Gross margin normalised <sup>2</sup>	39.6	40.1	▼ 50bps
Management expense ratio	29.4	30.5	▼ 110bps
Marketing MER	15.0	15.7	▼ 70bps
Other MER	14.4	14.8	▼ 40bps
Net margin	9.8	9.2	▲ 60bps
Net margin normalised <sup>2</sup>	10.4	9.6	▲ 80bps

1. Includes movement in premium payback liability.  
 2. Normalised adjusts for OSC timing and COVID-19 impacts on revenue and claims.

## Positive operating performance with business showing strong revenue and earnings trajectory

- Premium revenue ▲ 11.4% boosted by strong policyholder growth and price adjustments to meet an increase in claims.
- Success in growing group and whitelabel channel saw net policyholder growth of 7.4%.
- Claims expense ▲ 12.4% driven by policyholder growth, increased hospital and ancillary utilisation with initiatives such as First Choice Network reducing service cost inflation and enhancing member value proposition.
- UOP ▲ 18.2%, includes \$8.4m CV19 deferred claims provision.



Financial performance (\$m)	1H20	2H20	FY20	FY19 <sup>1</sup>	Change
Operating income	47.8	6.3	54.1	72.4	▼25.3%
Acquisition costs	(22.2)	(4.9)	(27.1)	(32.2)	▼15.8%
Marketing - commissions	(17.3)	(2.5)	(19.8)	(20.7)	▼4.3%
Marketing - advertising	(4.9)	(2.4)	(7.3)	(11.5)	▼36.5%
Underwriting result	0.2	0.3	0.5	(0.8)	▲162.5%
Gross profit after commissions <sup>2</sup>	24.2	(0.6)	23.6	42.2	▼44.1%
Operating expenses	(24.1)	(23.1)	(47.2)	(32.8)	▲43.9%
UOP	1.7	(21.4)	(19.7)	6.6	▼398.5%
<b>Key metrics (%)</b>					
Sales NPS			64.2	61.2	▲3.0
Sales (#)	612,767	238,763	851,530	736,553	▲15.6%
Domestic	408,501	140,851	549,352	367,597	▲49.4%
International	204,266	97,912	302,178	368,956	▼18.1%
Gross written premium <sup>3</sup>	100.3	29.1	129.4	152.7	▼15.3%

## Business significantly impacted by CV19 and travel restrictions

- UOP loss of \$19.7m with operating income ▼25.3% and operating expenses ▲43.9%
- First full year of QBE Travel acquisition impacted by CV19
- Operating expenses impacted by CV19 customer refunds/credit and claims backlogs (peaking at 38,000) as well as the impact of CV19 on performance-based payment structure with underwriter.
  - 2H20 acquisition costs significantly scaled back due to CV19.
- nib received \$2.0m in JobKeeper subsidy.
- Focus on reducing operational expenses with heavy emphasis on right sizing cost base and improving operating efficiency in preparation for any return to travel.

1. FY19 does not include full year impact of QBE Travel with business acquisition completed May 2019.

2. Includes other marketing costs.

3. nib Travel is a distributor of travel insurance and earns a commission for policies sold, however, GWP is shown as it is a key performance metric of the business noting GWP excludes other sources of income such as emergency travel assistance and managing general agent fees.



# Investments, gearing, cash flow and capital

(\$m)	FY20	FY19	Change
Net investment income (\$m)	16.6	36.1	▼54.0%
Net investment return (%)	1.7	3.8	▼210bps
Funds invested (\$m)	995.2	942.9	▲5.5%
Debt (\$m)	232.9	233.9	▼0.4%
Finance costs (\$m)	(9.7)	(7.7)	▲26.0%
Finance costs (\$m)	(5.5)	(7.7)	▼28.6%
Finance costs - interest on lease liabilities (\$m)	(4.2)	-	n/a
Interest ratio cover	20:1	29:1	n/a
Effective tax rate (%)	28.7	29.9	▼120bps
Gearing ratio (%)	28.3	27.6	▲70bps
Dividend payout ratio (%)	71.0	70.0	▲10bps
Available capital above internal targets <sup>1</sup> (\$m)	57.0	95.7	▼40.4%

Consolidated cash flow (\$m)	FY20	FY19	Change
Operating cash inflows	2,635.1	2,548.7	▲3.4%
Operating cash outflows	(2,423.5)	(2,364.2)	▲2.5%
<b>Net cash inflow from operating activities</b>	<b>211.6</b>	<b>184.5</b>	<b>▲14.7%</b>
Investing cash outflows - PPE	(26.9)	(28.6)	▼5.9%
Investing cash outflows - other assets	(10.0)	(21.0)	▼52.4%
Lease payments	(10.6)	-	n/a
Dividends paid	(104.7)	(95.5)	▲9.6%
<b>Free cash flows</b>	<b>59.4</b>	<b>39.4</b>	<b>▲50.8%</b>
Change in value of investments	(26.5)	(64.8)	▼59.1%
Movement in shares	0.8	(1.8)	▲144.4%
Effects of exchange rate changes	(1.0)	(0.6)	▼66.7%
<b>Net increase in cash and cash equivalents</b>	<b>32.7</b>	<b>(27.8)</b>	<b>▲217.6%</b>

- Net investment impacted by negative return on growth assets however ~83% allocation in defensive assets which performed solidly, ameliorated impact.
- Finance costs ▲26.0% due to full year impact of new leases standard.
- Movement in debt due to FX changes, with debt portfolio including NZ\$70m held in nib nz.
- Gearing ratio remains in line with capital management policy target of 30%.

1. Allowing for payment of final dividend but does not include impact of any dividend reinvestment plan.

# Capital summary



nib health funds (\$m)	FY20	FY19
Total assets nib health funds limited (excluding unclosed business contributions - unearned)	1,193.7	842.5
Capital adequacy requirement	769.4	540.9
<b>Surplus assets for Capital Adequacy</b>	<b>424.3</b>	<b>301.6</b>
Net assets nib health funds limited	464.7	332.0
Internal capital target	444.5	290.1
<b>Surplus assets over internal capital target</b>	<b>20.2</b>	<b>41.8</b>

nib nz	FY20	FY19
Actual Solvency Capital	30.4	31.7
Minimum Solvency Capital	12.6	11.2
<b>Solvency Margin</b>	<b>17.8</b>	<b>20.5</b>
Net assets nib nz limited	97.1	97.6
Capital Adequacy Coverage Ratio	2.42	2.83
Internal benchmark	2.25xMSC	2.00xMSC
Internal benchmark requirement	28.3	22.3
<b>Surplus assets over internal benchmark</b>	<b>2.1</b>	<b>9.4</b>

- The current CV19 environment has been considered in setting internal capital targets with an increase in target.
- Regular engagement with APRA regarding new PHI capital standard. No surprises but still a number of specifics to be determined during consultation.
- New standard not expected to come into effect until at least July 2023.

Group capital (\$m)		30 June 2020
<b>Net assets</b>		<b>606.4</b>
Add:	Borrowings (excluding bank overdraft)	230.9
Less:	Intangibles within non-regulated entities	(167.8)
	Internal capital targets looking forward 12 months	(564.1)
	Working and strategic capital requirements	(13.4)
	Charitable foundation	(16.7)
	Allowance for final dividend	(18.3)
<b>Available capital<sup>1</sup></b>		<b>57.0</b>

1. Allowing for payment of final dividend but does not include impact of any dividend reinvestment plan.



Chief Executive Officer  
& Managing Director

# Mark Fitzgibbon



# Business strategy



**Personalised  
healthcare**



**Affordability and  
sustainability**



**Grow the core  
(arhi)**



**Economies  
of scope**



**Racing the Red  
Queen (RRQ)**

# Key focus areas



Ongoing CV19 response and business adaptation



Personalisation business transformation strategy



Market growth and share



Claims and operating cost efficiency and pricing



Regulatory reform and opportunities (eg. risk equalisation)

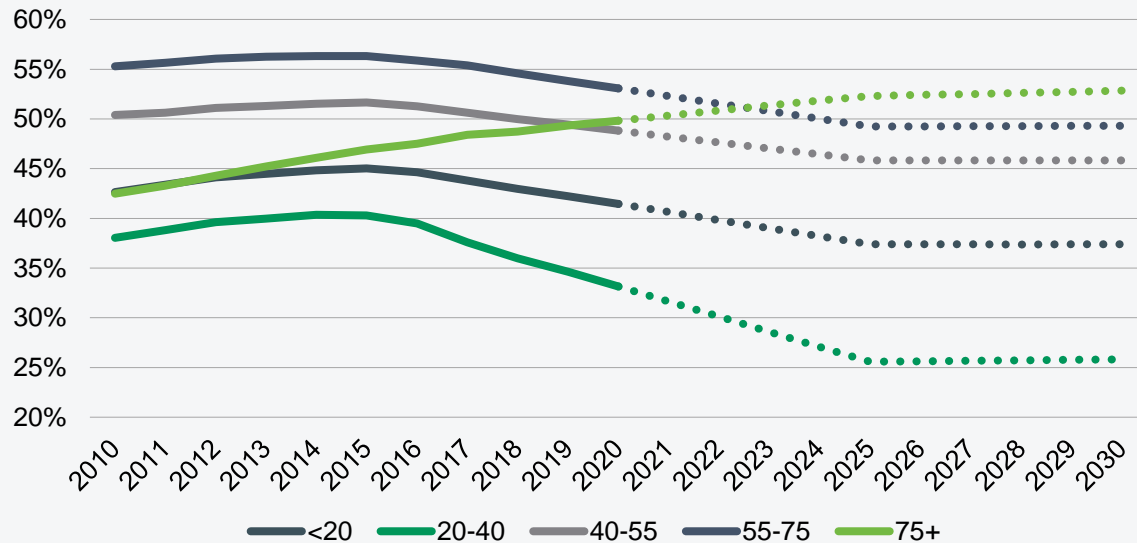


Minimise travel impact and losses

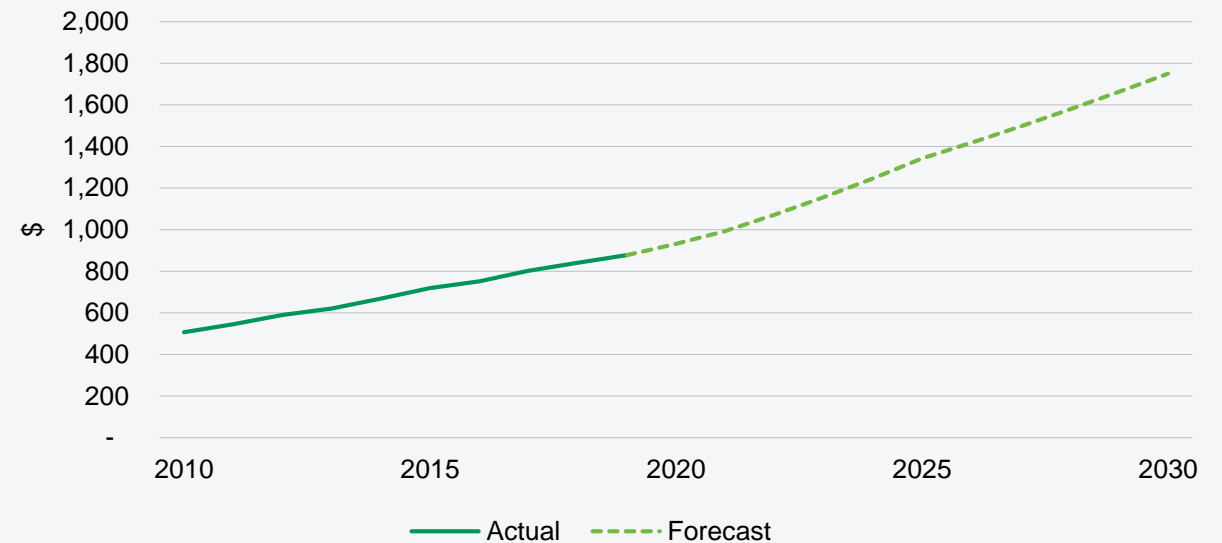
# Community rating, an ageing cohort and risk equalisation

## Threatening the viability of community rating and affordability of cover

PHI participation by age (as at 30 June)



Premium flagfall (calculated deficit per SEU)



- As younger members leave the system due to affordability and value for money concerns, the claims costs to be shared by those remaining increase per capita putting pressure on premiums.
- These forecasts suggest an exponential increase in the PHI entry flagfall due to the decline in participation rates continuing.

Forecasts produced by Finity Actuarial and Insurance consultants



- Target annual net organic policyholder growth 2% - 3%
- Unpredictable claims trajectory given CV19
- Net margin circa 6%
- Ever present premium pricing risk
- Prudent capital management
- Managing health risk and digital health
- Opportunistic M&A



## iihi

- Slow recovery in market conditions
- Positive medium-long term performance
- Competitive pressures on profit margins



## New Zealand

- Positive market fundamentals
- Expansion of iwi population health business



## nib Travel

- Slow recovery in market conditions
- Focus upon operating efficiencies
- Positive medium-long term performance



## China

- Sell health insurance in China
- Ongoing growth of health management business



## Honeysuckle Health

- Development of data science capability
- Initial population risk stratification and management strategy
- Portfolio of health management platform and programs



# August 2020 snapshot



Year to 14 August	Sales		Lapse		Net growth	
	2020	2019	2020	2019	2020	2019
arhi <sup>1</sup>	17,901	16,415	(10,703)	(12,408)	7,198	4,007
iihi <sup>1</sup>	5,646	14,396	(8,269)	(9,307)	(2,623)	5,089
NZ <sup>2</sup>	2,476	6,231	(1,366)	(1,610)	1,110	4,621
nib Travel						
Domestic	198	103,785				
International	6,796	54,022				

Week to 16 August <sup>3</sup>	2020	2019	Change
Hospital benefits paid	\$18,681,219	\$18,587,115	▲0.5%
Hospital benefits paid excluding Victoria	\$15,692,779	\$15,282,759	▲2.7%
Eligibility checks	8,246	8,251	▼0.1%
Eligibility checks excluding Victoria	7,330	6,782	▲8.1%
Ancillary benefits paid	\$6,590,448	\$6,935,186	▼5.0%
Ancillary benefits paid excluding Victoria	\$5,865,273	\$5,382,583	▲9.0%

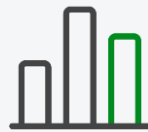
1. 2019 sales, lapse and net growth for GU Health arhi and GU Health iihi are estimates based on monthly actuals and are indicative and for comparative purposes only.

2. Figures are New Zealand resident health insurance sales/lapse only and exclude international students sales through Uni-Care distribution agreement.

3. Claims figures include arhi, iihi and exclude GU Health



# Questions and Answers



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# Appendix

# Policyholder and other data



nib Group health insurance	1H20	FY20	1H19	FY19
Total persons covered	1,612,683	1,613,984	1,547,801	1,577,540
Australian residents health insurance	1,186,159	1,186,805	1,168,358	1,176,155
International (inbound) health insurance	200,988	200,254	172,771	188,324
New Zealand	225,536	226,925	206,672	213,061
Total policyholders	916,635	920,581	862,463	889,866
Australian residents health insurance	615,871	619,079	601,131	607,388
International (inbound) health insurance	184,416	183,243	156,933	172,357
New Zealand	116,348	118,259	104,399	110,121
<b>arhi</b>				
Net policyholder growth	1.4%	1.9%	1.1%	2.1%
Market share	9.2%	9.2%	9.0%	9.1%
Average age of hospital persons covered (years)	40.5	40.7	40.0	40.2
<b>arhi sales by channel</b>				
Corporate	11.1%	8.9%	13.5%	10.0% <sup>1</sup>
Direct to consumer	34.8%	37.8%	35.7%	37.1% <sup>1</sup>
Retail brokers	29.4%	30.0%	25.0%	25.0%
Whitelabel partners	24.7%	23.3%	25.9%	27.9%

1. Immaterial adjustment to FY19 figures associated with allocation between Corporate and Direct to Consumer.

# Detailed Group gross underwriting result

(\$m)	FY20	FY19	Change
<b>Net premium revenue</b>	<b>2,439.6</b>	<b>2,340.8</b>	<b>4.2%</b>
- arhi	2,072.3	2,013.2	2.9%
- iihi	123.1	110.1	11.8%
- nz	240.1	215.5	11.4%
- nib Travel	4.1	2.0	105.0%
<b>Net claims expense</b>	<b>(1,649.9)</b>	<b>(1,547.6)</b>	<b>6.6%</b>
- Hospital claims paid (arhi)	(960.2)	(988.3)	(2.8)%
- Ancillary claims paid (arhi)	(406.6)	(401.5)	1.3%
- OSC provision movement (arhi)	1.7	14.3	(88.3)%
- Claims CV19 provision (arhi)	(78.1)	-	-
- arhi claims incurred	(1,443.2)	(1,375.5)	4.9%
- iihi claims incurred	(61.8)	(42.4)	45.8%
- nz claims incurred (including CV19 provision)	(144.9)	(129.7)	11.7%
- nib Travel claims incurred	-	-	-
<b>Risk equalisation levy</b>	<b>(247.3)</b>	<b>(229.5)</b>	<b>7.8%</b>
- OSC risk equalisation margin	(1.8)	(1.6)	12.7%
- Gross deficit	435.7	423.0	3.0%
- Calculated deficit	(668.9)	(650.9)	2.8%
- CV19 risk equalisation provision	(12.3)	-	-
<b>State levies</b>	<b>(35.0)</b>	<b>(34.0)</b>	<b>2.9%</b>
<b>Decrease / (increase) in premium payback liability</b>	<b>(1.2)</b>	<b>(0.3)</b>	<b>300.0%</b>
<b>Net claims incurred (excluding claims handling)</b>	<b>(1,933.4)</b>	<b>(1,811.4)</b>	<b>6.7%</b>
<b>Gross underwriting result</b>	<b>506.2</b>	<b>529.4</b>	<b>(4.4)%</b>
- arhi	346.8	374.2	(7.3)%
- iihi	61.3	67.7	(9.5)%
- nz	94.0	85.5	9.9%
- nib Travel	4.1	2.0	105.0%

# Management expenses (arhi, iihi and nz)



(\$m)	Marketing (direct)	Marketing indirect (commissions paid)	Marketing indirect (commissions deferred)	Marketing indirect (commissions amortised)	Total marketing	Other management expenses	Total underwriting expenses	MER underwriting expenses	Amortisation of acquired intangibles	Total management expenses	MER
<b>Australian residents health insurance (arhi)</b>											
FY19	32.1	54.6	(32.4)	31.2	85.5	141.5	227.0	11.3%	1.9	228.9	11.3%
FY20	29.8	56.9	(35.7)	34.6	85.6	129.0	214.6	10.4%	1.9	216.5	10.4%
<b>International (inbound) health insurance (iihi)</b>											
FY19	1.5	8.3	(6.4)	5.5	8.9	24.6	33.5	30.4%	1.6	35.1	30.4%
FY20	1.7	8.0	(6.0)	6.5	10.1	30.2	40.3	32.7%	1.5	41.8	32.7%
<b>New Zealand</b>											
FY19	6.0	29.2	(16.1)	14.8	33.8	31.9	65.7	30.5%	3.4	69.1	32.1%
FY20	4.9	33.2	(19.2)	17.1	36.0	34.5	70.5	29.4%	3.4	73.9	29.4%

# Investment asset allocation



	Consolidated			Australian investment portfolio			New Zealand investment portfolio			nib foundation investment portfolio		
	Balance at 30/06/2020 (\$m)	Allocation at 30/06/2020 (%)	Net return 12 months to 30/06/2020 (\$m)	Balance at 30/06/2020 (\$m)	Allocation at 30/06/2020 (%)	Net return 12 months to 30/06/2020 (\$m)	Balance at 30/06/2020 (\$m)	Allocation at 30/06/2020 (%)	Net return 12 months to 30/06/2020 (\$m)	Balance at 30/06/2020 (\$m)	Allocation at 30/06/2020 (%)	Net return <sup>1</sup> 12 months to 30/06/2020 (\$m)
Cash <sup>2</sup>	166.3	16.7	3.3	127.4	14.9	3.0	28.4	23.5	0.1	10.4	62.8	0.2
Fixed interest/short maturity	660.2	66.3	14.2	564.6	65.8	11.0	92.7	76.5	3.2	2.9	17.7	0.0
Mortgages	0.4	0.0	0.0	0.4	0.0	0.0	-	-	-	-	-	-
<b>Total defensive</b>	<b>826.8</b>	<b>83.1</b>	<b>17.5</b>	<b>692.4</b>	<b>80.7</b>	<b>14.0</b>	<b>121.1</b>	<b>100.0</b>	<b>3.3</b>	<b>13.4</b>	<b>80.6</b>	<b>0.2</b>
Australian shares	68.4	6.9	(2.0)	66.0	7.7	(2.1)	-	-	-	2.4	14.6	0.1
Global shares - hedged	33.4	3.4	1.1	33.4	3.9	1.1	-	-	-	-	-	-
Global shares - unhedged	35.3	3.6	3.5	34.5	4.0	3.5	-	-	-	0.8	4.8	-
Direct and unlisted property	10.5	1.1	(0.1)	10.5	1.2	(0.1)	-	-	-	-	-	-
Listed property	1.7	0.2	(0.7)	1.7	0.2	(0.7)	-	-	-	-	-	-
Global property	18.9	1.9	(2.7)	18.9	2.2	(2.7)	-	-	-	-	-	-
<b>Total growth</b>	<b>168.4</b>	<b>16.9</b>	<b>(0.9)</b>	<b>165.1</b>	<b>19.3</b>	<b>(1.0)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>3.2</b>	<b>19.4</b>	<b>0.1</b>
<b>Total</b>	<b>995.2</b>	<b>100.0</b>	<b>16.6</b>	<b>857.5</b>	<b>100.0</b>	<b>13.1</b>	<b>121.1</b>	<b>100.0</b>	<b>3.3</b>	<b>16.6</b>	<b>100.0</b>	<b>0.3</b>

1. Net return for Foundation Growth Portfolio grouped under Australian shares.

2. Excludes operating cash of \$40.5m, noting total cash is split between cash and cash equivalents of \$198.0m and short term deposits of \$8.8m included in Financial Assets.

# Glossary



Term	Definition
1H	Six months ended/ending 31 December of the relevant financial year
2H	Six months ended/ending 30 June of the relevant financial year
APRA	Australian Prudential Regulation Authority
arhi	Australian residents health insurance, inclusive of GU Health unless otherwise stated
AUD	Australian dollar
bps	Basis points (1.0% = 100 bps)
cps	Cents per share
DRP	Dividend reinvestment plan
CV19	COVID-19
DTC	Direct to consumer
EPS	Earnings per share
FX	Foreign exchange
FY	Financial year ended/ending 30 June
Group	nib holdings Group
GPAC	Gross profit after commissions, includes other marketing costs
GWP	Gross written premium
iihi	International inbound health insurance (ishi & iwhi combined), inclusive of GU Health unless otherwise stated
IMAN	IMAN Australia Health Plans - OVHC health insurance by nib
ishi	International students health insurance
iwhi	International workers health insurance
JV	Joint venture
Lapse	Lapse is determined by dividing the average of opening and closing policyholder counts
MER	Management expense ratio
MGA	Managing general agent
Net claims expense	Claims expense net of reinsurance
Net margin	Gross profit less management expenses as percentage of net premium revenue
Net policyholder growth	Total policies as at the end of the reporting period less total policies as at 30 June of the prior financial year
Net premium revenue	Premium revenue net of reinsurance

Term	Definition
nib	nib holdings limited
nib Travel	nib Travel is a travel insurance distributor
niss	nib international student services
Normalised	Refers to reported claims, revenue or margins adjusted for the latest estimate of claims incurred taking into account all payments to date by service period and any claims still estimated to be outstanding as at 31 July 2020 for each service period and the identified COVID impacts on revenue and claims. These figures have not been audited or reviewed by our external auditors and are provided to give a view of normalised performance for the period.
NPAT	Net profit after tax
NPS	Net promoter score (service) (number of promoters less number of detractors)
NZD	New Zealand dollar
OSC	Outstanding claims liability
Other underwriting revenue	Revenue from underwriting activities excluding premium revenue
PCP	Prior comparative period
PHI	Private health insurance
PPB	Premium payback liability relates to previously offered products, where customers are entitled to receive a refund (or partial refund) of premiums paid less any claims made, once the policy has been in force for a specified period. It is determined based on the discounted value of accumulated excess of premiums over claims at an individual policy level
Sales NPS	A measure of the likelihood of a new customer to recommend the brand immediately following a sales interaction
Shared services	Refers to nib Group shared service functions including finance and corporate services, people and culture, IT, benefits and provider relations as well as legal, risk and governance and executive management
Underlying underwriting revenue	Net premium revenue and other underwriting revenue
UOP	Underlying operating profit - comprised of underwriting result, other income and expenses including non-underwriting businesses. It excludes amortisation of acquired intangibles, one-off transactions (integration of acquired business, establishment of business costs as well as extraordinary legal fees), merger and acquisition costs, finance costs, net investment income and income tax