

Date **Friday 8 May 2009**

Subject **nib responds to proposed rebate changes**

nib holdings limited (nib) believes reports in the media today with regards to means testing the 30% Rebate are reliable.

nib's Managing Director, Mr Mark Fitzgibbon said he was not surprised by this morning's reports.

"The Government's proposals are not unexpected given earlier media speculation and Government's stated objective to reduce budget outlays," Mr Fitzgibbon said.

"However, proposals unavoidably run the risk of lower PHI (Private Health Insurance) participation and thereby increase public health outlays and hospital waiting times," Mr Fitzgibbon added.

nib is currently attempting to model the likely impact of the proposals once in place on possible policyholder loss and downgrading, as well as future sales. Impact should however be significantly mitigated by:

- proposed increased to the Medicare Levy Surcharge,
- ongoing effect of the Lifetime Health Cover loading,
- proposed income tax cuts,
- the price inelasticity of demand amongst higher income earners, and
- the ever growing crisis of confidence in the public hospital system.

"In the meantime and as the media reports currently suggest the proposals would not have effect until July 2010, we do not anticipate any material impact on our FY10 earnings."

Mr Fitzgibbon added that he urges the Government, as part of any change initiative, to examine how the PHI industry may be able to provide financial incentives for improved individual health behaviour and disease prevention (e.g. non-smoking) in order to slow future claims and premium inflation.

MEDIA AND INVESTOR RELATIONS

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