

Date 17 October 2008

Subject nib updates FY2009 net policyholder growth guidance following Senate approval of Medicare Levy Surcharge changes

The Senate's approval and subsequent legislation of the Medicare Levy Surcharge (MLS) Threshold Bill has prompted nib holdings limited (nib) to update its FY2009 net policyholder growth guidance.

The Senate yesterday passed the Government's compromise Bill to increase the MLS annual income threshold limit to \$70,000 for singles and \$140,000 for couples/families with the thresholds indexed to average weekly earnings. This is lower than the original proposed increase of \$100,000 for singles and \$150,000 for couples, following opposition from Senator Fielding and Senator Xenophon.

The changes will result in singles earning \$50,000 to \$70,000 annually or couples/families earning \$100,000 to \$140,000 annually without an appropriate level of private hospital cover no longer paying an additional 1% in tax.

On 25 September 2008, nib updated guidance for FY2009 taking into consideration the continuing MLS uncertainty, which was based on the Government's publicly stated compromise for the annual income threshold to increase to \$75,000 for singles and \$150,000 for couples being legislated.

nib's Managing Director, Mr Mark Fitzgibbon said the final legislated change to the MLS income levels had prompted the health fund to revise its FY2009 net policyholder growth guidance.

"As a result of the now legislated changes to the MLS, we believe our net policyholder growth for FY2009 could be 4%, compared to our previous guidance of 3.5%. While our normalised net underwriting margin guidance in the order of 4% remains unchanged," Mr Fitzgibbon said.

Mr Fitzgibbon added that he remained confident about nib's outlook and the future of the private health insurance industry.

"There is no doubt that the changes to the MLS will make things a little harder to retain younger, normally better risk policyholders. However, in my view the legislated income threshold levels are a reasonable compromise and given the significant crisis of confidence in the public health system and other supportive Government policy, the private health insurance industry is still very well positioned for growth.

"While the current economic environment is challenging, nib is strategically well positioned to deliver on our earnings targets," Mr Fitzgibbon added.

nib reaffirmed that nib policyholders who cancelled their health cover as a result of the proposed MLS uncertainty will be offered an amnesty to reinstate their policy.

The amnesty applies to nib customers who have cancelled their policy due to confusion around the MLS changes. Customers will be able to reverse their cancellation simply by back-paying any outstanding premiums, ensuring they avoid both the MLS and additional waiting periods.

The period of amnesty applies to nib policyholders who lapsed between 1 May 2008 and 16 October 2008. nib customers have until 17 November 2008 to accept the amnesty.

For further information nib policyholders should contact nib's Customer Care Centre on 13 14 63 or visit an nib Retail Centre.

MEDIA & INVESTOR RELATIONS

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