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Healthy cash refund - MBF takeover a shot in arm for members

BYLINE: Erica Thompson

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MORE than 300,000 Queenslanders could receive a free cash injection from MBF if a proposed takeover of the health fund goes ahead.

MBF has sent letters to members urging them to vote "yes" to a \$2.41 billion takeover offer from BUPA Australia, part of British-based insurance giant BUPA Group.

The vote will take place next month and while the outcome will have no effect on existing health insurance policies, it could make a difference to your bank account.

Because MBF is classified as a mutual organisation, it is effectively owned by policy holders. This means the takeover fee has to be shared among its 820,000 members, including 301,000 in Queensland.

To qualify you must have become a member before November 8 last year.

The size of the payment, which will be outlined in a letter, will also depend on the length of membership and the type of health coverage.

A single person who has held MBF hospital cover for five years could expect to receive about \$700, while a family with full health cover for a decade could receive more than \$3000.

Tupicoffs' financial planner Neil Kendall says the important thing is to check your entitlement is accurate when you receive your letter.

"It's a bit of a laborious process, but you should check whether the records actually show correctly how long you've been (a member)," he says.

"It could mean a difference of \$1000 or \$2000."

The demutualisation of MBF is similar to that of fellow insurers AMP and NIB, although shares were offered to members in those cases rather than cash.

However, the MBF board says the cash offer is "financially superior" to listing on the stock exchange, particularly given the current volatile market conditions.

Under the proposed deal, BUPA Australia will keep the MBF brand and the health fund says its new owner has no intention of reducing any hospital or extras benefits under existing policies.

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However, Mr Kendall says it's worth bearing in mind that MBF will become a profit making organisation as opposed to a not-for-profit organisation if the deal proceeds.

``Ultimately that may have some impact on policies, but it would bring it in line with a lot of the other private insurers that are in the marketplace," he says.

The only question mark, he believes, is around the tax treatment of the cash payments.

``It's not clear yet and may differ a little bit depending on how long you've been a member," he says. ``But my expectation is that there will be little or no tax to pay."

McCullough Robertson Lawyers partner Matthew Burgess agrees MBF will be pushing for an attractive tax ruling for members.

In the meantime, members have three weeks to lodge their votes, either online or by post.

Mr Kendall says the cash bonuses would be best spent improving the health of your home loan.

Windfall time

A guide to the amount MBF members could receive

Single-person membership

For 5 years

Ambulance \$56

Extras policy \$350

Hospital \$700

Full Policy \$1050

For 10 years

Ambulance \$91

Extras policy \$525

Hospital \$1050

Full Policy \$1575

Family membership

For 5 years

Ambulance \$112

Extras policy \$700

Hospital \$1400

Full Policy \$2100

For 10 years

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Ambulance \$182

Extras policy \$1050

Hospital \$2100

Full Policy \$3150

Source: MBF

KEY DATES

* May 10 Last day to lodge proxy forms

* May 12 Vote to take place

* June 16 Proposed implementation of the scheme

* June 30 Proposed date for eligible MBF contributors to receive cash payments

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