

**Attention ASX Company Announcements Platform  
Lodgement of Open Briefing®**

**calliden**  
group



**corporatefile.com.au**

Calliden Group Limited  
Level 7, 100 Arthur Street  
North Sydney, NSW 2060

---

**Date of lodgement:** 27-May-2008

**Title:** Open Briefing®. Calliden. CEO Provides Update

**Record of interview:**

**corporatefile.com.au**

Calliden Group Limited has stated that one of its priorities in the current year ending December 2008 would be to focus on the profitability of its insurance portfolios. Given the continuing tough pricing and claims environment, can you comment on how the current profitability of the portfolio compares with your targets?

**CEO Nick Kirk**

The long-tail lines have continued to perform well across the portfolio. The ex-Australian Unity commercial package and domestic businesses have bounced back well from the effects of the weather in 2007. The ARGIS regional and rural book is improving and we're implementing a number of rating and underwriting adjustments to build more profitability into the portfolio.

We've continued to work on those areas of the business, principally in short-tail commercial lines, that aren't yet producing our benchmark profitability. The increasing evidence of pending rises in short-tail commercial premiums should give us much more room for manoeuvre on pricing. This does mean that in advance of market rating increases, growing commercial short tail has been less of a priority.

Given our concern about the prospect of a continuing poor weather pattern, like we experienced in the last quarter of last year, we've also done a lot of detailed analysis of the impact of the weather on our 2007 underwriting performance. That's shown us that our loss ratio was impacted on the residential side by

about five points, and about ten points in our commercial short-tail book. We've found no evidence of anti-selection issues in either book from a weather perspective.

The second half of 2007 produced an unusual number of costly weather incidents after five years where the weather had been very kind to insurers. Despite the storms in Mackay and the Victorian windstorms in April, we haven't yet seen that adverse pattern continue into the first half of 2008.

It's worth mentioning that as we said last year, we'll pay a further \$1.6 million in reinsurance premium in 2008 relating to the consolidation of the reinsurance programme.

**corporatefile.com.au**

What has been the recent trend in pricing in your portfolio, particularly in commercial and personal lines, which have been the industry's underperformers, and what's the outlook for prices given signs of a slowing economy?

**CEO Nick Kirk**

On the personal lines portfolio, we've put through single digit rate increases on renewals from 1 May, and a further single digit increase will follow in a month or two. On the commercial lines, we've been increasing rates on particular portfolios for some months now. In addition to increasing rates, we've been much more cautious in our acceptance of some of the more hazardous categories where the rate softening has made them unprofitable. We've also implemented a series of rating and underwriting actions from 1 May in our regional and rural portfolios, our suburban broker portfolio, and in some of the agency portfolios.

My understanding is that at least one of the major insurers is increasing prices, and the rest of the market is now beginning to follow suit. There's an expectation of a general price rise across short-tail commercial rates from 1 July onwards.

In addition to the underwriting action, we've concentrated the management of our short-tail claims into our joint venture claims management company Claims Services Australia (CSA). We're creating an internal long-tail claims management unit and are in the process of rolling all long-tail claims into it. We believe that through these measures we'll both build further on our service to customers and improve overall claims management results.

We're very actively looking for any early signs of an economic slowdown in our portfolios, and the potential impact on pricing and exposures that could mean.

**corporatefile.com.au**

Last week Calliden started legal proceedings against Australian Unity Limited regarding the post-completion adjustment of the purchase price at which you acquired the AU general insurance businesses (since renamed Calliden Insurance) on 1 August 2007. What legal advice have you had regarding the merits of your case and have you tried to reach a settlement?

**CEO Nick Kirk**

We've taken extensive legal advice including obtaining counsel's opinion. The advice we've received is very clear and therefore we have little option but to pursue this matter. We've attempted to resolve the issue with AU for almost 10 months without success. This is simply an issue where AU and Calliden have a different view on the interpretation of a contract. We're therefore looking to resolve the interpretation so that it's clear to both sides.

**corporatefile.com.au**

To what extent does the dispute reflect an operational underperformance by the AU businesses versus your original expectations?

**CEO Nick Kirk**

This does *not* relate to the current performance of the ex-AU general insurance portfolio. It's an issue that relates to the adjustment price that we believe was due to us at the date of the transaction.

**corporatefile.com.au**

What's been your progress in the integration of the AU general insurance businesses and the progress towards consolidating the group onto one IT platform?

**CEO Nick Kirk**

We've consolidated from four offices in New South Wales into one new office in North Sydney, and we'll move into new offices in Melbourne in the first half of July.

We've carefully centralised a number of back-office functions into Melbourne or Sydney and concentrated our short-tail claims management into CSA. This has unfortunately meant that some people have left the Group, although a number of our claims handlers have moved across to CSA. During the coming period we'll continue to look for opportunities to streamline the internal workings of the Group.

In terms of IT, we've made a great deal of progress in preparing for the combination of the various legacy systems onto one modern platform. We see significant benefit in combining the systems, but it does mean that in the meantime our annual IT budget is in excess of \$2 million higher than it will be when the work is complete towards the end of 2009.

**corporatefile.com.au**

Within your investment portfolio, you've indicated that you've now exited listed equities, which accounted for 5.3 percent of the portfolio at the end of December 2007. What's your current investment strategy and how is the portfolio performing versus your targets?

**CEO Nick Kirk**

We've been progressively reducing our equities exposure since we inherited it through the AU acquisition. At that time we had over 11 percent of our investments in equities. By the first quarter that had reduced to just over 5

percent. Unfortunately even this modest amount suffered a \$1.6 million loss in the first quarter.

As part of a reassessment of our asset allocation we've decided to discontinue our investment in listed equities. We also took the opportunity to exit our small holdings in mortgage and property trusts. Our investment portfolio is now 100 percent cash and fixed interest. These decisions were based on our desire to eliminate volatility and the fact that we currently have bank debt. We estimate that together these factors will reduce our annual budgeted investment income by about \$2 million.

As part of the integration process we're currently putting our investment management out to tender to find the right partner to help us maximise our returns within an acceptable risk framework.

**corporatefile.com.au**

What progress has been made regarding your planned push across to one insurance license from the current two and when might the process be completed?

**CEO Nick Kirk**

We've commenced the project to create one insurer within the group and we're on track for it to be completed by the first quarter of 2009. We've had a series of discussions with the Australian Prudential Regulation Authority (APRA) and we're now in the process of the detailed planning and logistics.

I'd stress though that this is a far more labour-intensive and complex project than the reinsurance push-down because we're talking about live policies and individual policy holders rather than professional insurance companies.

**corporatefile.com.au**

What are the organic growth opportunities for the group at this stage of the insurance cycle and will you continue to actively seek acquisitive growth? Have your acquisition targets changed as a result of the continuing tough environment?

**CEO Nick Kirk**

Our key areas of focus are building the bottom line, simplifying the business after our various acquisitions, and maximising the value of the group to make sure we're taking all the opportunities we can to sell the wider range of product we now have. That said, we'd still consider acquisitions where they either consolidated within the Group or provided us with additional growth opportunities.

**corporatefile.com.au**

Calliden reported net profit of \$4.1 million for 2007, excluding costs of \$2.8 million relating to the integration of the AU businesses. Can you provide any guidance regarding the outlook for earnings in the current year or for the first half ending June?

**CEO Nick Kirk**

Our business is tracking broadly in line with our plan bearing in mind the cost of integration, including IT and reinsurance, and excluding the impact of investment income.

**corporatefile.com.au**

Thank you Nick.

---

For more information about Calliden Group, please visit [www.calliden.com.au](http://www.calliden.com.au) or call Nick Kirk, on +61 (2) 9551 1102.

To receive future Open Briefings by e-mail, visit [www.corporatefile.com.au](http://www.corporatefile.com.au)

**DISCLAIMER:** Corporate File Pty Ltd has taken reasonable care in publishing the information contained in this Open Briefing®. It is information given in a summary form and does not purport to be complete. The information contained is not intended to be used as the basis for making any investment decision and you are solely responsible for any use you choose to make of the information. We strongly advise that you seek independent professional advice before making any investment decisions. Corporate File Pty Ltd is not responsible for any consequences of the use you make of the information, including any loss or damage you or a third party might suffer as a result of that use.