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Calliden Group Limited
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North Sydney, NSW 2060

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Calliden Group Limited today announced an on-market share buyback of up to 1.5 percent of issued capital. This follows the announcement last week of court approval for your transfer to Calliden Insurance Limited of all the insurance and reinsurance business within Calliden Limited which will reduce the number of authorised insurers within the Group to one from two and release more than \$10 million of capital. Given that at current share price levels the buyback will use only about \$1 million, what are your plans for the remaining excess capital?

CEO Nick Kirk

The exact amount of excess capital won't be clear until we know the final rules under the Australian Prudential Regulation Authority's (APRA) proposed new capital regime for insurance group holding companies. "In excess of \$10 million" is simply an estimate based on what we believe the new rules would produce.

We've chosen 1.5 percent of issued capital for the buyback so as to have a minimal impact on our regulatory capital calculation. We're also seeking to maintain our balance sheet strength and to ensure the combined insurer remains well capitalised with over two times our minimum capital requirement.

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Why have you chosen to implement a buyback rather than some form of capital return to shareholders?

CEO Nick Kirk

At current share price levels we believe that buying back our shares is good value for our shareholders.

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You've also said that Calliden intends to start paying dividends, but that the quantum of the dividend would depend on the new APRA capital regulations for holding companies and your year-end actuarial review. What will be the main considerations in deciding the size of the dividend and will a dividend be paid for the current year?

CEO Nick Kirk

Given Calliden is now a profitable company, it's our expectation that we'll commence paying dividends with a modest fully franked dividend for this year. This expectation is based on our current forecasts of a profitable full year result and is subject to no materially adverse claims events between now and 31 December and no unforeseen impact on retained earnings from the consolidation of the two insurance companies.

We're currently working on consolidating the two companies into one and applying to APRA for the revocation of Calliden Limited's general insurance authority. As we go through that process, we have to work through the impact on the profitability of the various entities in the Group and see what profits will be available for distribution via dividends. Our current belief is that there would be enough retained earnings to pay a dividend.

Many of our shareholders, some of whom are also customers of ours, have been investors since we started the new insurer or before and we're very grateful for their continued support. We're keen to recognise that support through fully franked dividends as soon as we're able.

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You've indicated the push-across to one insurance company is a further step in the simplification of your business. Can you quantify the efficiency benefits you might expect to realise as a result of the license consolidation?

CEO Nick Kirk

The main benefits are in terms of capital management and simplifying processes such as the audit process, document printing, etc. The cost of the exercise in terms of legal, communication and other expenses, was in the hundreds of thousand dollar range but the benefit going forward should be in the low hundreds of thousands annually.

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Can you comment on the performance of the Group year to date? What's been the trend in premium prices and what's your exposure to the recent Brisbane storms?

CEO Nick Kirk

Year to date the performance of the Group has very much been along the lines of what we said when we released our first-half results. At that time we said the loss ratio tends to be higher in the second half, and the recent weather events in Queensland reinforce that. We also said we'd bought extra

catastrophe reinsurance and a stop-loss contract on our short tail book, both of which provide us protection from any ongoing weather events. However, it's too early to give an estimate of the gross cost of the Queensland weather events, particularly as they appear to be continuing.

On the investment side, being invested 100 percent in fixed interest, the falling interest rate environment has meant we've had mark-to-market gains out of our portfolio during 2008. We're matched in terms of duration, so although the discount rate on the central reserves will impact the loss ratio, that's been offset by gains on the fixed interest portfolio.

The mark-to-market gains this year mean we'd expect a much lower return on our investments in 2009 and as a result we're going to be focusing even more on our underwriting and looking to move with the market in terms of price increases. Premium prices are moving upwards and given most insurers are being negatively impacted on the investment side, there's an increasing certainty of further price rises in 2009.

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Thank you Nick.

For more information about Calliden Group, please visit www.calliden.com.au or call General Counsel & Company Secretary Charles Whattam, on +61 (2) 9551 1143.

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