

ASX announcement: Calliden Group Limited (CIX)

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Calliden Group Limited market update

Impact of Weather Events occurring in the first quarter of 2011

At the time of Calliden's full year 2010 earnings announcement on 24 February 2011 it was reported that the net cost of claims associated with the unprecedented weather and flooding across Australia during January and February 2011 was estimated to be \$7.6m, approximately \$2m higher than the Group's annual allowance for catastrophe events.

The development of claims and flow on impacts to the Group's full year 2011 result have now been reassessed following the end of the first quarter and a total impact of \$5m to \$7m higher than expectations is now anticipated. This means the impact on the Group's full year 2011 result is larger than estimated in February.

Any further catastrophe claims events in the remainder of the year will fall outside the Group's annual catastrophe allowance and would further impact the full year result.

The financial results for the first half of 2011 cannot be determined at this point because there are a number of months left to trade. However, the main impact of the weather events will fall into the first half and is likely to result in a trading loss for the period, compared to a reported profit of \$6.5m in the prior corresponding period.

The \$5m to \$7m impact broadly consists of following:

- Further development in the net cost of claims of \$1m taking the impact to \$3m above the annual allowance for catastrophe events;
- Purchase of reinsurance backup covers of \$0.75m;
- Additional claims handling costs of \$0.5m in dealing with the volume of claims;
- A reduction of \$1m in investment income due to lower investible funds arising from the payment of weather related claims; and
- Anticipated additional LAT provision of \$1m to \$2m as a result of an expected increased cost of reinsurance in future years.

Other than incidental risks attached to Australian policyholders, Calliden does not underwrite risks outside of Australia and is therefore not directly exposed to overseas catastrophes including the New Zealand earthquakes and Japanese Tsunami.

In response to the impact of the weather events management has implemented targeted rate increases and is experiencing double digit premium growth across the portfolio compared to the prior corresponding period.

Calliden has substantial reinsurance covers in place to mitigate its exposure to further events. These covers were renewed on 1 January 2011 and remain in place until the end of the calendar year. The Group's insurer, Calliden Insurance Limited, remains well capitalised.

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About the Calliden group

Calliden is an ASX listed Australian general insurer providing insurance for personal customers and small to medium enterprises sourced primarily through professional insurance intermediaries. For further information please visit www.calliden.com.au

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