

Chief Executive's Presentation Annual General Meeting 2011

Nick Kirk CEO

19 May 2011

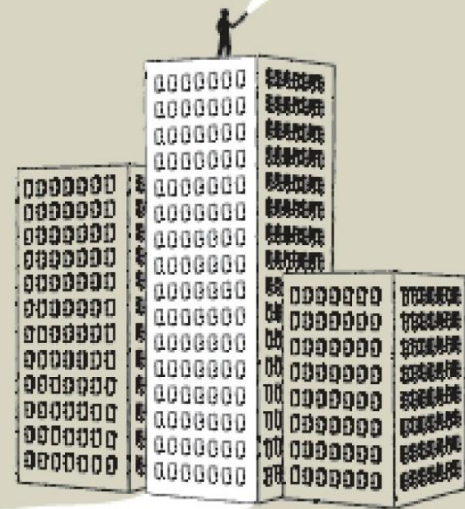
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The information is not intended to be taken as advice regarding any individual situation and should not be relied upon as such. Investors should seek appropriate professional advice in relation to their own objectives, financial situation and needs.

Full Year 2010 Headlines

- \$10.1m profit
 - Positive non-recurring items – legal dispute settlement, sale of Sports Underwriting
 - Balanced by LAT provision, poor weather, and restructuring costs
 - Strong improvement in underwriting performance
- Bottom line focus
 - Flat GWP but growing net revenue
 - Improved insurance margin
- Capital Management
 - Debt reduced to \$5m
 - \$1m share buy back
 - Maintained dividend 1c – paid March 2011
- Operational Improvement
 - Two major systems conversions
 - Centralised back office
 - Growth in online distribution



Full Year 2010 Financial Results

	2009	2010	09-10 % Change	Comments
Gross Written Premium	\$ 218m	\$ 212m	↓ 3%	<ul style="list-style-type: none"> • Bottom line focus • Portfolio management • NSW Builders Warranty
Net Earned Premium	\$ 101m	\$ 117m	↑ 16%	<ul style="list-style-type: none"> • Quota Share from 50% to 40%
Investment Income	\$ 7.6m	\$ 8.2m	↑ 8%	<ul style="list-style-type: none"> • Improved yield but still under long term norm
Profit / (Loss)	(\$ 0.4m)	\$ 10.1m	↑↑ n/a	<ul style="list-style-type: none"> • Improved pricing and underwriting performance
Shareholders Equity	\$ 100m	\$ 107m	↑ 7%	<ul style="list-style-type: none"> • Current year earnings • Buy back • Dividends

Full Year 2010 Strong and Improving Insurance Ratios

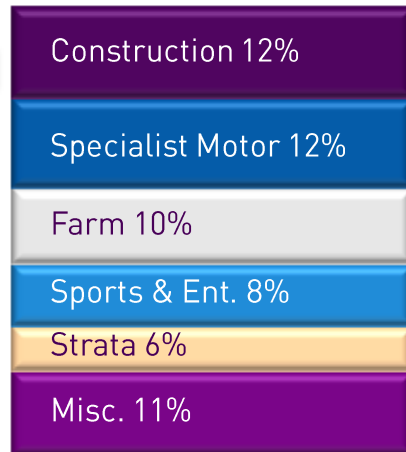
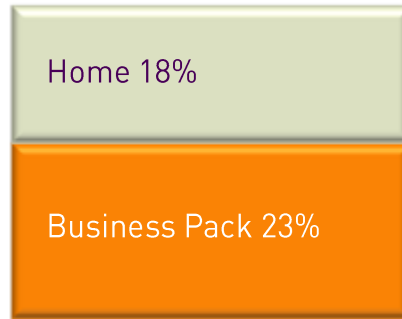
Insurance Ratios (excluding statutory charges)

	31 Dec 2009	31 Dec 2010	31 Dec 2009	31 Dec 2010
Gross Claims Ratio	93%	71%	85%	65%
Net Claims Ratio	66%	61%	55%	50%
Net Acquisition Ratio	38%	35%	49%	46%
Combined Operating Ratio	104%	96%	104%	96%
Insurance Margin	1%	8%	1%	8%

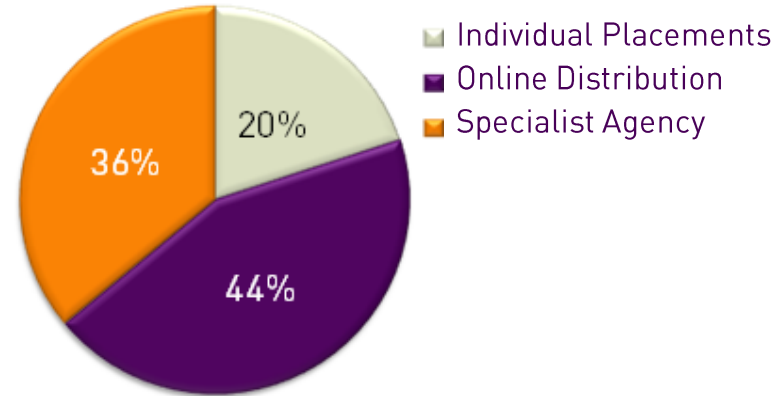
From statutory accounts. Certain 2009 figures have been restated to be consistent with the current year presentation. AU settlement amounts of \$2.5m have been included as claims recoveries.

Calliden's Insurance Portfolio Today

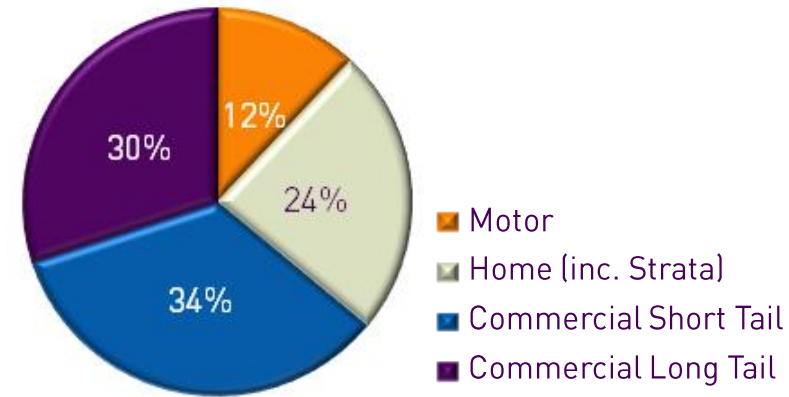
Market Segments



Distribution Method



Insurance Class



2011 – Update on Catastrophe Claims

Quarter	Expectation	Calliden 2010 Actual	Calliden 2011 Actual
Q1	35%	\$4.9m	\$8.6m*
Q2	15%	\$0.5m	n/a
Q3	5%	\$0	n/a
Q4	45%	\$0.3m	n/a
Total		\$5.7m	

* Actual claims cost and reinstatement premiums

- Unprecedented Q1 2011 CAT activity: \$5-7m** profit impact in 2011
 - Reinsurance back up costs \$0.75m
 - Additional claims handling costs \$0.5m
 - Reduction in investment income due to lower investable funds \$1m
 - Anticipated LAT failure due to higher reinsurance costs \$1-2m

**Assumes no further Cat claims in 2011

2011 – Update on Catastrophe Claims cont.

CAT 112 – Brisbane & Ipswich from 10 Jan



CAT 111 – Lockyer Valley from 10 Jan



=
=
\$2m
net

CAT 113 – Rural Victoria 13 – 18 Jan



=
=
\$2m
net

CAT 113 – Severe Tropical Cyclone Yasi 3 Feb



=
=
\$1.6m
net

CAT 115 –VIC
Storms/Flooding from 5 Feb

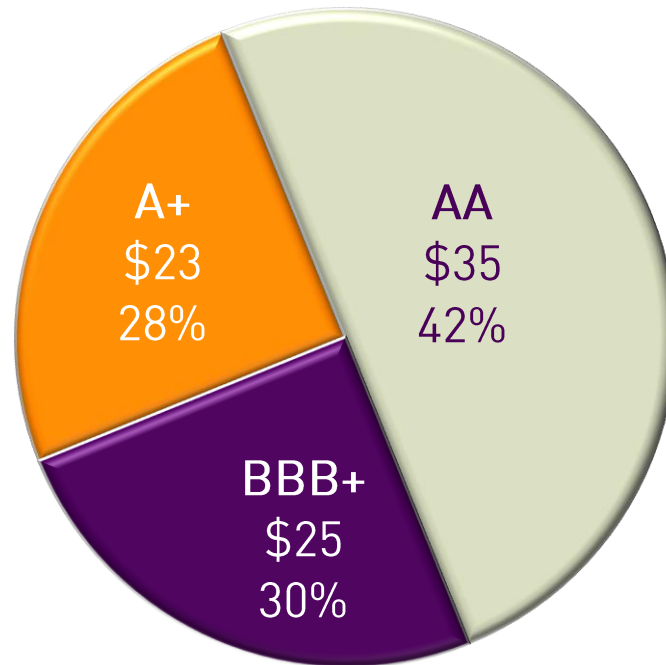


=
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\$2m
net

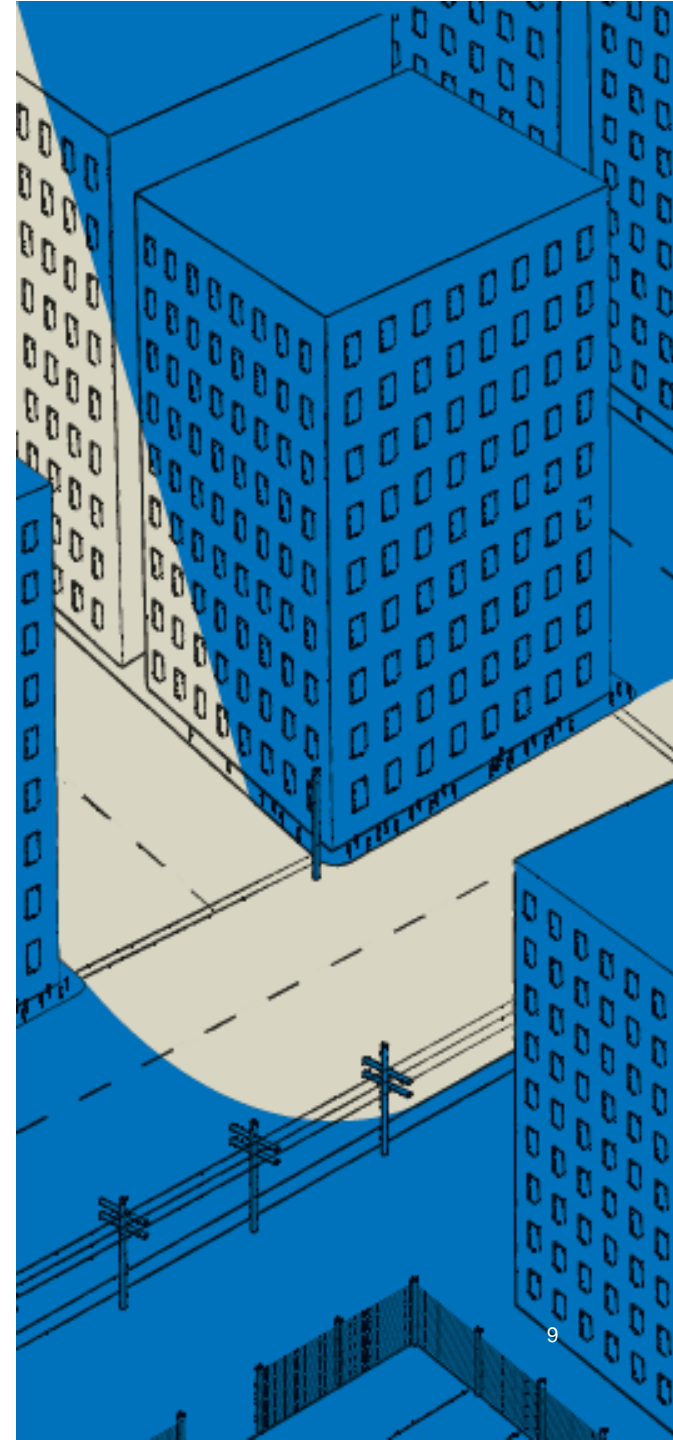
- Reinstatement premium \$1m
- No significant claims on WA bushfire
- Australia only

2011 – Investment Update

Term Deposits by Rating (\$m / %)



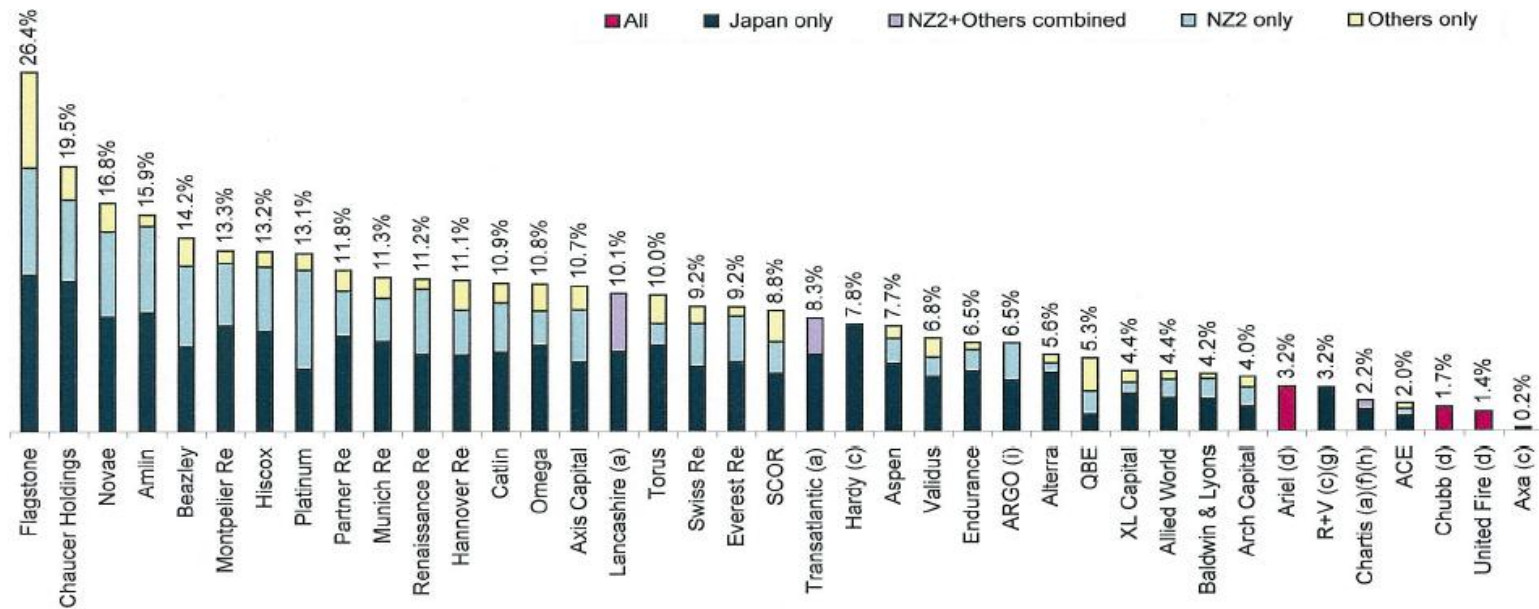
- Fixed interest portfolio moved to Australian bank deposits to reduce volatility and increase yield.



2011 – Reinsurance Pricing Update

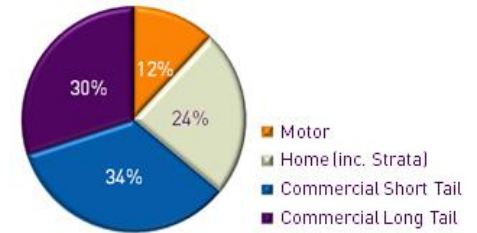
Q1 2011 International Catastrophe Losses

Q1 Cat losses as a % of 31 December 2010 Group Consolidated Shareholder Funds



- Calliden's programme renews 1 January 2012
- Significant catastrophe activity will increase reinsurance costs – clearer after 1 July
- Calliden not alone and premiums will increase in the market

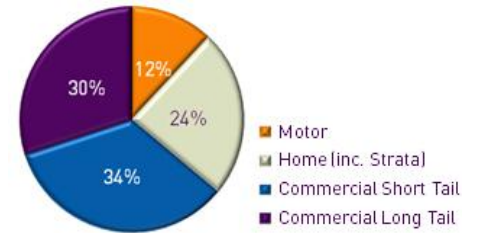
2011 – Business Update



Underwriting Action Home

- Average premium increase 16% to January 2011
- Additional increase April 10% metro; 15% regional
- New rating algorithm WEF 15 May – average rate increase 18%
- Flood
 - Additional flood excess \$2,000 (\$600)
 - Wording changes limit cover to main dwelling
 - Flood mapping in place for 90% of dwellings
 - Postcodes with high exposure to flood excluded
 - Flood risks priced according to new flood mapping
- Strata 10% increase from October 2010 onwards

2011 – Business Update



Underwriting Action Motor

- Average premium increase 13% to January 2011
- Further 4% increase WEF 1 July

Underwriting Action Commercial

- 4-7% increase WEF 1 July
- New pricing algorithm under construction to be implemented fourth quarter

2011 – Business Update **Returning to Growth**

- Double digit premium growth in Q1
 - > Home
 - > Motor
 - > Strata
 - > General liability
- Renewal rights on Ansvar intermediated home portfolio May 2011



Questions