

calliden

Get the Facts

WHO IS calliden?

Operated
since
March 2005

73% of
brokers in
Australia
use
Calliden**

Australian
owned and
listed General
insurance
company (CIX)

2011 Financial highlights

Key figures



GROWTH



Online distribution up 44% on 2010

Home up 18% on 2010

Despite strong premium growth, Calliden reported a loss of \$10.2m for the year ended Dec 2011. Principal reasons for the loss include:

- A continuation of the unprecedented 2011 catastrophe activity;
- An increase in 2012 catastrophe reinsurance costs and retentions following the recent Asia-Pacific industry experience. This resulted in an increase in the Liability Adequacy Test provision of \$3.9M in the second half of the year;
- Reduction in the discount rate applied to our reserves for future claims to 3.4% as a result of the fall in Australian Government bond yields (despite our current returns of 6.4% from Australian bank deposits) requiring an increase in our claims reserves of \$2M;
- Strengthening our claims reserves by \$1.2M reflecting changed actuarial assumptions;
- Higher than expected large loss activity in the 4th quarter of \$5M;

^ Figure as at January 2012

Outlook for 2012

Calliden is in the process of transitioning its business model to focus more on lower volatility underwriting agency business.

In 2011 Calliden started the transition to a less capital-intensive and less volatile business model (see what is Calliden). A significant step in this process was announced on the 5th December when it advised that Calliden will underwrite its Business Package business on behalf of Great Lakes Australia. Great Lakes Australia is S&P rated AA- (very strong) and is part of the Munich Re Group. Please note that ratings can vary from time to time; you can view Great Lakes Australia's rating at www.standardandpoors.com.au.

Calliden is targeting a return to a modest profit in 2012, and from 2013 onwards it aims to be producing a more stable profit which will enable it to make maximum use of its franking credits and tax losses.

Calliden's reinsurance program was successfully renewed with effect from 1 January 2012 including an increased proportional treaty which has both a positive capital impact and reduces the impact of a more expensive catastrophe treaty.

Both of these strategies will combine to assist the Group to manage future profit volatility.

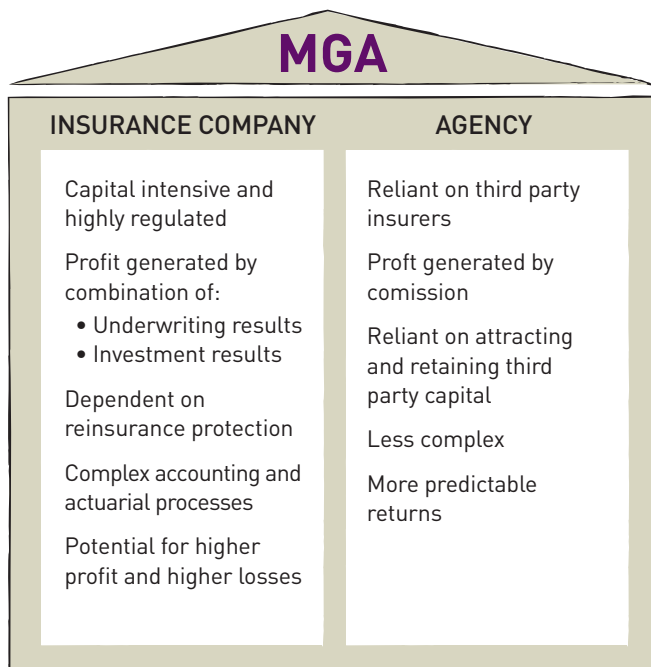
What is Calliden?

Calliden currently delivers insurance in a number of ways. Through agency ownership, as a joint venture investor or as the underwriter Calliden Insurance Ltd (see overleaf). In December of 2011 Calliden started to transition to become the number one Managing General Agent* Group in Australia. This will mean that some of its portfolios will continue to be underwritten by Calliden but that for others capacity will be sourced from elsewhere. The great advantage of this model is that it allows Calliden to become less capital intensive and reduces the profit volatility we have seen in the past.

* A Managing General Agent may perform one of many tasks normally performed by an insurer. These include but are not limited to: marketing, distribution via broker and agents for placement of business, relationship management, negotiating commissions, handling claims, issuing policies, processing endorsements, collecting policy premiums, risk assessment and pricing.

**NIBA Broker Market Survey 2012. Brokerage Usage Mentions for National Insurers.

Operating Model



More than 30% of Calliden's premium is now placed with Capital providers other than Calliden Insurance Limited.

Examples include the Mansions of Australia brand which is underwritten on behalf of various Lloyd's syndicates, NSW Home Warranty on behalf of the State Government of NSW and Great Lakes Australia who will underwrite Calliden's Business Pack. This combination of insurer and MGA in the same group makes it quite unique.

Overview of Insurance Portfolio GWP* Breakdown

MARKET SEGMENTS

Standard 44%

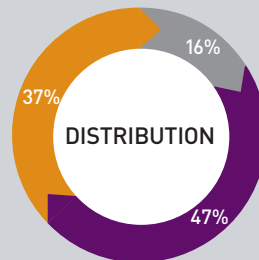


- ▶ Home
- ▶ Business Pack

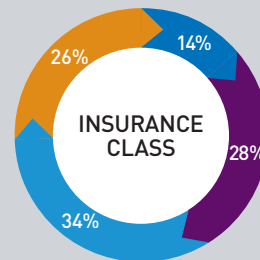
Specialist 56%



- ▶ Construction
- ▶ Specialist Motor
- ▶ Farm
- ▶ Sports & Ent
- ▶ Strata
- ▶ Misc.



- ▶ Individual Placements
- ▶ Online Distribution
- ▶ Specialist Agency



- ▶ Motor
- ▶ Household (inc. Strata)
- ▶ Commercial Short Tail
- ▶ Commercial Long Tail

*All figures are based on year end 31.12.11

Our Track Record

- ▶ Dealt with over 20 catastrophes
- ▶ Generated over \$975m in premiums
- ▶ Dealt with in excess of 129,000 claims
- ▶ Paid out over \$480m in claims

A Sound
Financial
Position

\$94.5m	Shareholder Equity
\$5.0m	Debt Repaid
\$421.1m	Total Assets
\$120m	Cash & Investments

Financial strength

Calliden is authorised by the Australian Prudential Regulation Authority (APRA) to conduct general insurance. It has net assets of \$421m and a capital adequacy ratio that exceeds APRA's minimum requirements by 1.65 times[^]. This measure aims to ensure that general insurers maintain adequate capital to act as a buffer against the risk associated with their activities and is calculated for each individual insurer. Capital adequacy figures for other insurers are obtainable from APRA. These demonstrate Calliden has a strong capital base relative to its peers.

Calliden is publicly listed on the Australian Securities Exchange (Code CIX) and is subject to ASX continuous disclosure and listing rules. Calliden is also subject to ASIC's rigorous governance framework. As at end of Dec 2011 the group has \$94m in shareholders equity. Over 50% of its shares are held by leading Australian Institutions including:

- Hunter Hall Investment Management 20%
- Australian Unity 13%
- Celeste 9%
- Greencape Capital 6%

Reinsurance

Calliden maintains a conservative reinsurance philosophy with low risk retention levels in comparison to its strong capital base. In addition it is supported by some of the worlds largest reinsurers, including Munich Re. The majority of these reinsurers have a Standard and Poors rating of 'A' or better.

Broker security committees

Calliden has approval from the majority of the international broker security committees.

[^] Figure as at January 2012