

ASX announcement: Calliden Group Limited (CIX)

10 February 2011

Calliden Group Limited market update

2010 Preliminary Result Forecast

Calliden Group Limited (**Calliden**) advises that its after tax profit result for the year ended 31 December 2010 is likely to be in the order of \$10m compared to an after tax loss of \$0.4m in the previous year.

The strong improvement in its preliminary profit primarily reflects the benefits of premium rate increases and underwriting enhancements which have driven improved underlying claims ratios. The strong profit and cash flow performance has enabled Calliden to repay its bank loan from \$25m to \$5m during the second half of 2010.

The 2010 preliminary profit result includes the one off positive recovery from its court case with Australian Unity Limited, although this was more than offset by a liability adequacy test (LAT) expense in the second half, lower than expected rates of return on its mark to market investment book in the fourth quarter and restructuring costs incurred in centralising its back office.

As a result, the return on equity for the year based on the preliminary net profit result is likely to be around 10% compared to the original target of 12.5%.

Weather Events

The 2010 preliminary profit result incorporates the total cost of weather events across Australia in December 2010 for Calliden which is estimated at a gross cost of \$3.5m and a net cost, after reinsurance recoveries, of \$2.1m. These figures include the 2010 impact from the Central Queensland floods which were in the order of a total gross cost of \$0.5m due to Calliden's low exposure in the region.

The Insurance Council of Australia has declared six catastrophe events in 2011 reflecting an unparalleled number of incidents in this strong La Nina weather phase. The Group has substantial reinsurance covers in place and these arrangements were renewed on 1 January 2011.

Under Calliden's reinsurance program, events in the Lockyer Valley and Brisbane in January 2011 are treated as one event. Gross claims notified to date are \$14m and Calliden's net exposure is capped at \$2m.

At this stage exposure to the regional Victorian floods is estimated at a net \$1.1m.

On its current assessment, Calliden advises that the exposure to potential claims arising out of Cyclone Yasi and the Western Australian bushfires is likely to be limited.

Reported claims from the Victorian storms that occurred over the weekend of 5 and 6 February 2011 currently stand at a net cost of \$1.8m with a maximum exposure of \$2m under Calliden's reinsurance arrangements.

Despite the unprecedented number of weather events in early 2011 Calliden has substantial reinsurance covers in place to mitigate its exposure to further events.

The Group's insurer, Calliden Insurance Limited, is well capitalised with 2.5 times the minimum capital requirement prior to the January and February weather events. After including the impact of the weather events it remains strongly capitalised at around 2.1 times the minimum capital requirement. The group capital position is subject to different rules and is 1.98 times the minimum capital requirement and remains at around 1.54 times the minimum after the weather events.

Details on Calliden's performance during 2010 will be provided at the time of the full-year results announcement on 24 February 2011 and in the subsequent investor briefing on 25 February 2011.

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