

Results Briefing | Half Year 2012

24 August 2012

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Conference Call **Dial In Details**

Friday 24 August at 8.30am AEST

Please note that to participate in this conference call you will need a touchtone phone

Dial in Numbers:

Australia	1800 354 715
New Zealand	0800 452 569
Singapore	800 6162 236
Japan	0053 1250 068
Hong Kong	800 968 831
United Kingdom	0808 234 7860
United States of America	1866 242 1388
<i>backup number</i>	+61288236760

Approximately 10 minutes before the scheduled time, please dial the relevant number above.

You will be greeted by an Operator and asked for your **CONFIRMATION CODE – 19846717**

You will then be placed in Listen Only (mute) mode with hold music until the conference is due to commence.

At the start of the conference your line will be taken off hold music and you will be placed back in Listen Only mode.

Should you wish to ask a question or make a comment please dial ***1** (star one) to register your questions.

Should you wish to cancel your question at any time then please dial ***2** (star two).

Please note that all questions will be answered at the conclusion of the presentation.

If you are disconnected during the call then please redial your conference Dial In number.

At any time during the call please dial ***0** (star zero) for operator assistance.

For any queries regarding the above please contact Susan Lochrin at susan.lochrin@calliden.com.au or + 61 (0)2 9551 1102

First Half 2012 Headlines

- Recovery underway with small loss (\$0.2m)
 - Additional reinsurance costs
 - Discount rate impact on reserves
 - Lower investment income
 - Restructure costs
- Transition to MGA model commenced and progressing
 - Commercial Business Pack transferred to GLA in May
 - Agreement to move Farm to agency with effect 1.1.2013
 - New middle market with effect Q1 2013
- Portfolio management actions improving underlying portfolio performance
 - Lower Gross and Net Loss ratios
 - Continued price increases
 - Lower overall premium
 - Implemented Commercial Online Rating Engine
- Insurer Capital Adequacy Multiple increased to 1.9
 - Reducing insurance risk (MGA model)

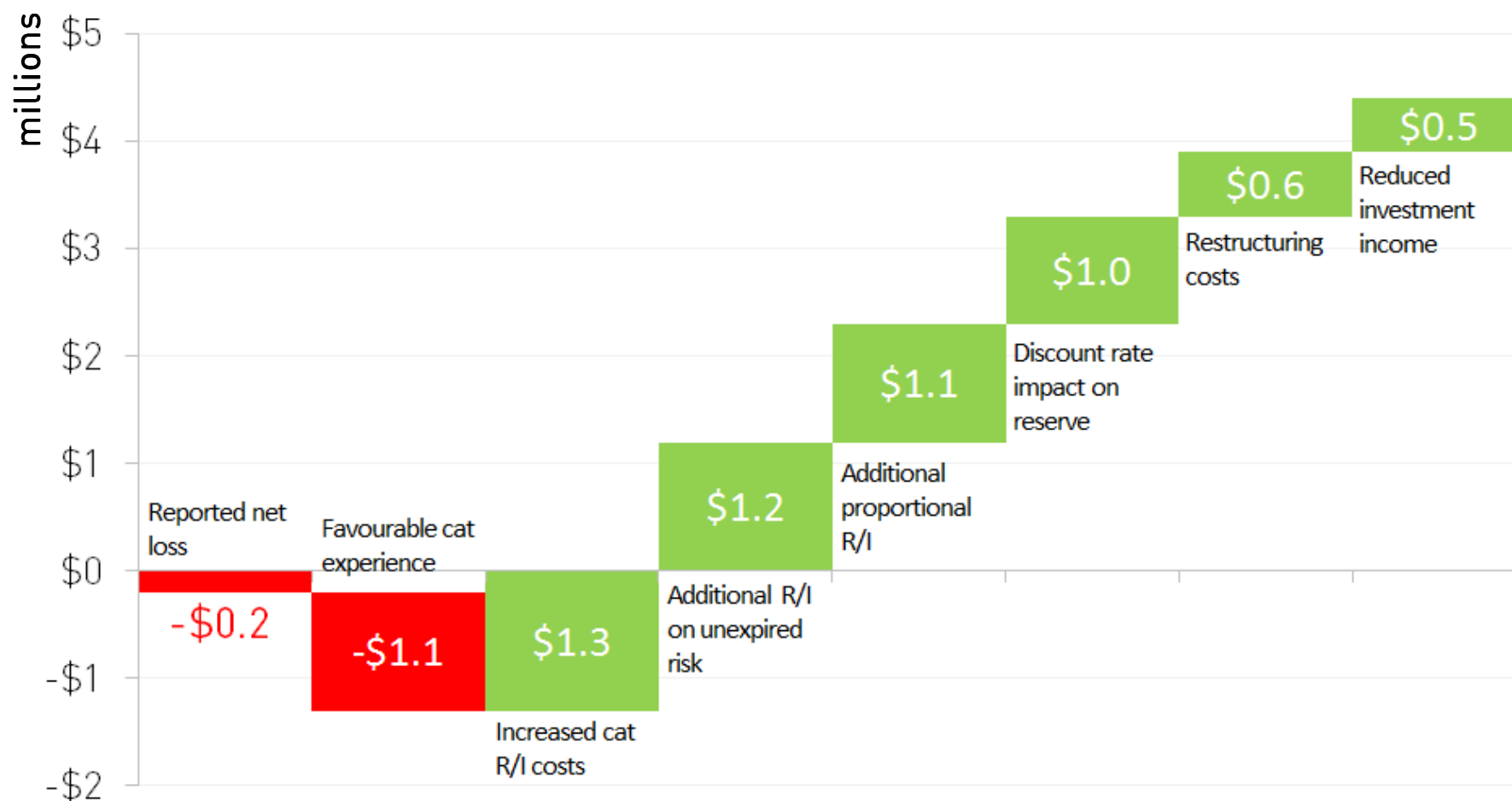
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1. Analysis of Financials
2. Execution of MGA Strategy
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First Half 2012 Overview of Performance

	HY 2012	HY 2011	Comments
\$m			
Gross Written Premium	104.1	121.6	<ul style="list-style-type: none"> • Business Pack to GLA • Portfolio management actions
Reinsurance Premium Expense	(77.0)	(47.6)	<ul style="list-style-type: none"> • Additional proportional reinsurance new and unexpired risks • Increased catastrophe treaty cost
Net Earned Premium	42.8	60.7	
Net Claims Incurred	(21.1)	(40.3)	<ul style="list-style-type: none"> • Higher proportional reinsurance • Lower attritional, large and cat claims • Discount rate impact
Net Acquisition Costs & Underwriting Expense	(12.4)	(16.5)	<ul style="list-style-type: none"> • Reduced intermediary commission • Reduced deferral of expenses
Investment Income on Technical Reserves	1.9	2.2	<ul style="list-style-type: none"> • Lower yields • Higher reinsurance premiums
Insurance Profit/(Loss)	0.8	(3.3)	
Agency Written Premium	18.9	11.4	
Other Income (net of admin expenses)	1.3	1.1	<ul style="list-style-type: none"> • Increased agency commission and fees • Lower investment return on shareholders funds • Lower JV profit post CSA sale
Depreciation and Amortisation	(2.3)	(2.1)	
Net Profit/(Loss) After Tax	(0.2)	(4.3)	
Earnings Cents Per Share	(0.1)	(1.9)	

First Half 2012 Factors Impacting Reported Profit



First Half 2012 Underwriting Performance

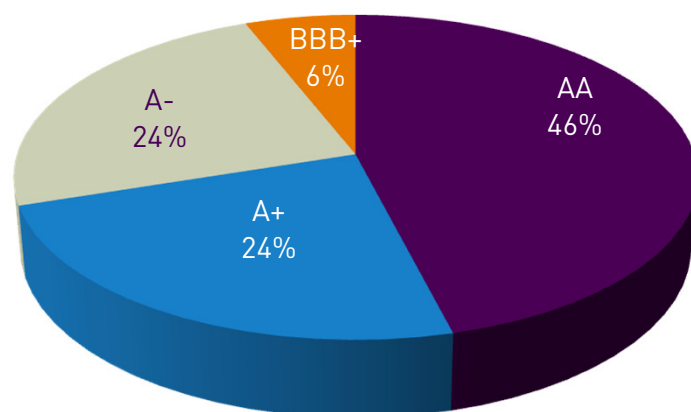
	HY 2012	HY 2011	Comments
%			
Insurance Margin* (%)	2	(6)	<ul style="list-style-type: none"> Improved loss ratios
Gross Claims Ratio* (%)	60	107	<ul style="list-style-type: none"> Reduced catastrophe, large and attritional claims Discount rate
Net Claims Ratio* (%)	65	79	<ul style="list-style-type: none"> Higher reinsurance Portfolio management actions Discount rate
Net Acquisition Ratio* (%)	38	32	<ul style="list-style-type: none"> Transition to MGA leading to lower deferral of cost
Combined Operating Ratio* (%)	103	111	<ul style="list-style-type: none"> Better claims experience

First Half 2012 Investment Income

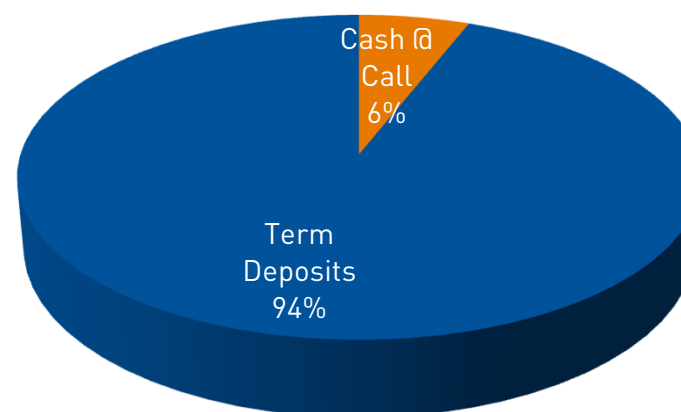
Income	2010			2011			2012	
	HY1 \$000s return	HY2 \$000s return	Annual Return	HY1 \$000s return	HY2 \$000s return	Annual Return	HY1 \$000s return	Annualised Return
Investment Income	4,770	2,133	5.8%	3,497	3,175	6.4%	2,988	5.9%
JV Investment Income	720	546	65%	730	544	68%	283	49%

Investment Portfolio

by Rating 30 June 2012



by Asset 30 June 2012



First Half 2012 Balance Sheet

	30 Jun 2012	31 Dec 2011	Comments
\$m			
Assets	398	421	
Cash & Investments	90	120	• Higher reinsurance payments
Other Assets	259	251	• Additional deferred reinsurance expenses
Intangibles	49	50	• Lower capitalisation of expenses
Liabilities	304	327	
Insurance Provisions	297	320	• Settlement of 2011 catastrophe claims • Transition to MGA
Other Liabilities	7	7	
TOTAL EQUITY	94	94	
NTA (cents per share)	18.5	17.9	

First Half 2012 Capital Management

- Calliden Insurance Limited CAM strengthened to 1.9
 - \$4.5m capital injection into Calliden Insurance Limited in January 2012
 - Increased proportional reinsurance
- Calliden Group CAM increased to 1.6
- Transitioning to a less capital intensive MGA model
 - Business Pack to GLA
- New capital standards
 - Solid progress on the development of Calliden's Internal Capital Adequacy Assessment Process
 - Risk Appetite Statement adopted
 - Dynamic Financial Analysis model being developed

EXECUTION OF MGA STRATEGY

Execution of Strategic Plan Progress in First Half

Calliden is transitioning to a Managing General Agent using third party insurers as well as Calliden Insurance Limited.

- Mansions  
- NSW Home Warranty  
- Calibrate Business Pack  GREAT LAKES AUSTRALIA

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

Execution of Strategic Plan Transition of Next Portfolio

- Farm Pack is the next product to move to agency on behalf of Great Lakes Australia (GLA)
 - Effective date 1.1.2013
 - 8-10% of GWP
- New “middle market” opportunity agreed with GLA
 - Effective date Q1 2013
 - Larger risks (+50%) Property and Liability
- Continued discussions – on track for 50% target

Execution of Strategic Plan **Recap of MGA Model**

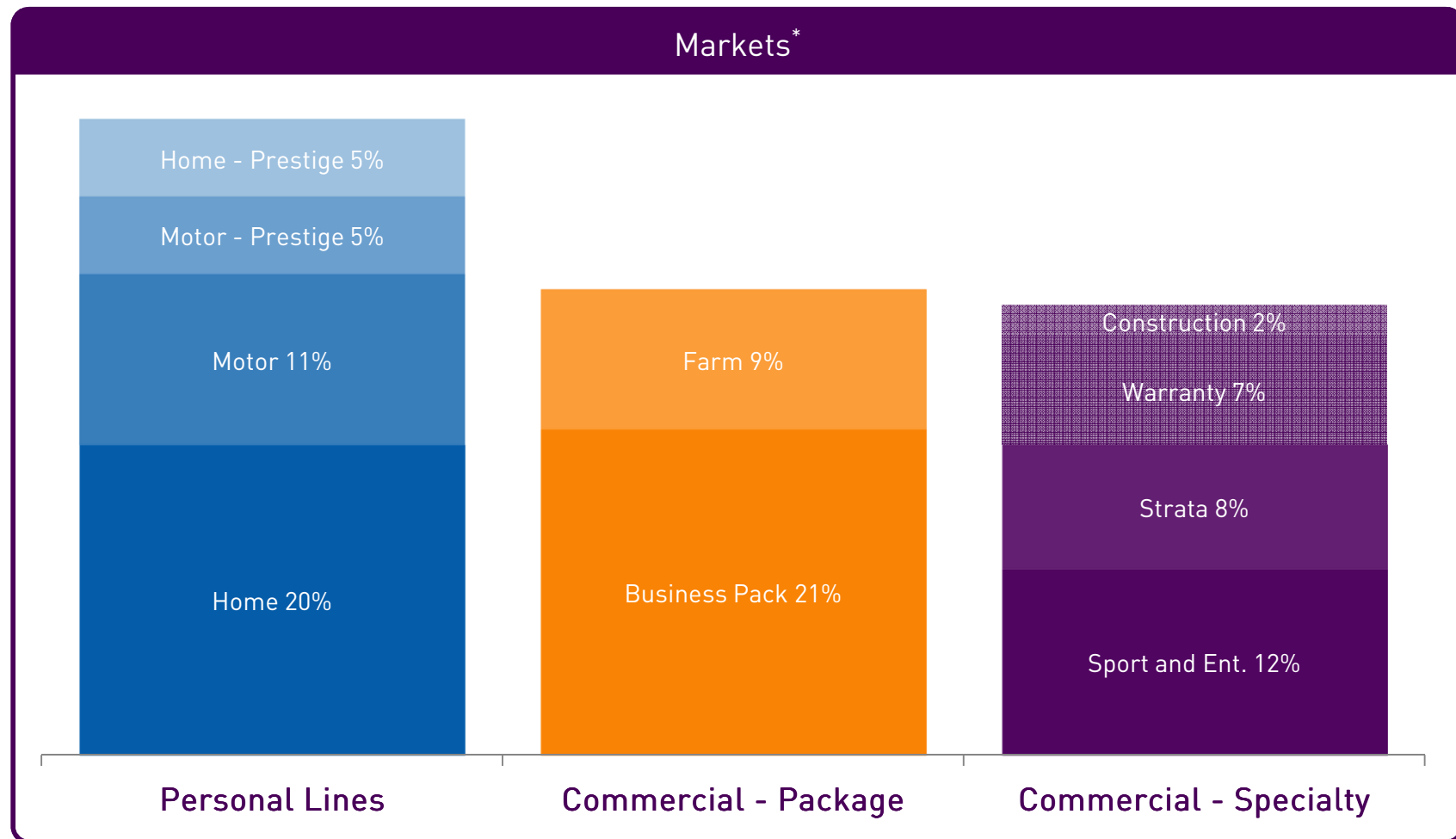
MGA	
Insurance Company	Agency
Capital intensive and highly regulated	Reliant on third party insurers
Profit generated by combination of: <ul style="list-style-type: none">• Underwriting results• Investment results	Profit generated by commission and fees
Dependent on reinsurance protection	Reliant on attracting and retaining third party capital
Complex accounting and actuarial processes	Less complex
Potential for higher profit and higher losses	More predictable returns

Execution of Strategic Plan Impact on 2nd Half Results

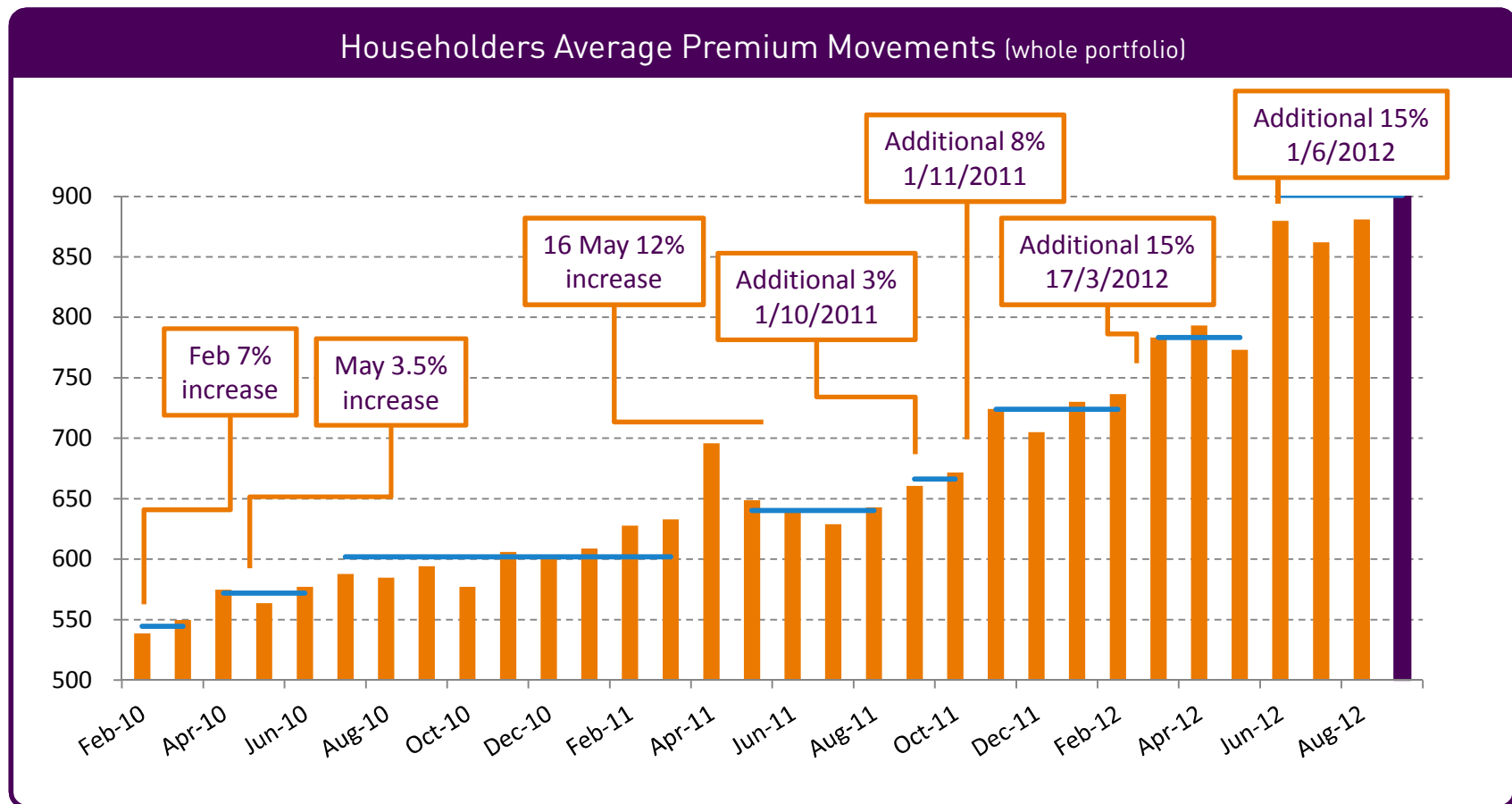
- Lower GWP
 - Transition to Business Pack
 - Further Portfolio Management action
- Lower Deferred Acquisition Costs
- Higher Commission and Fees Revenue
- Lower Reinsurance Cost
 - Run off of unexpired risk reinsurance

REVIEW OF INSURANCE PORTFOLIO

Overall Insurance Portfolio Composition of Premium

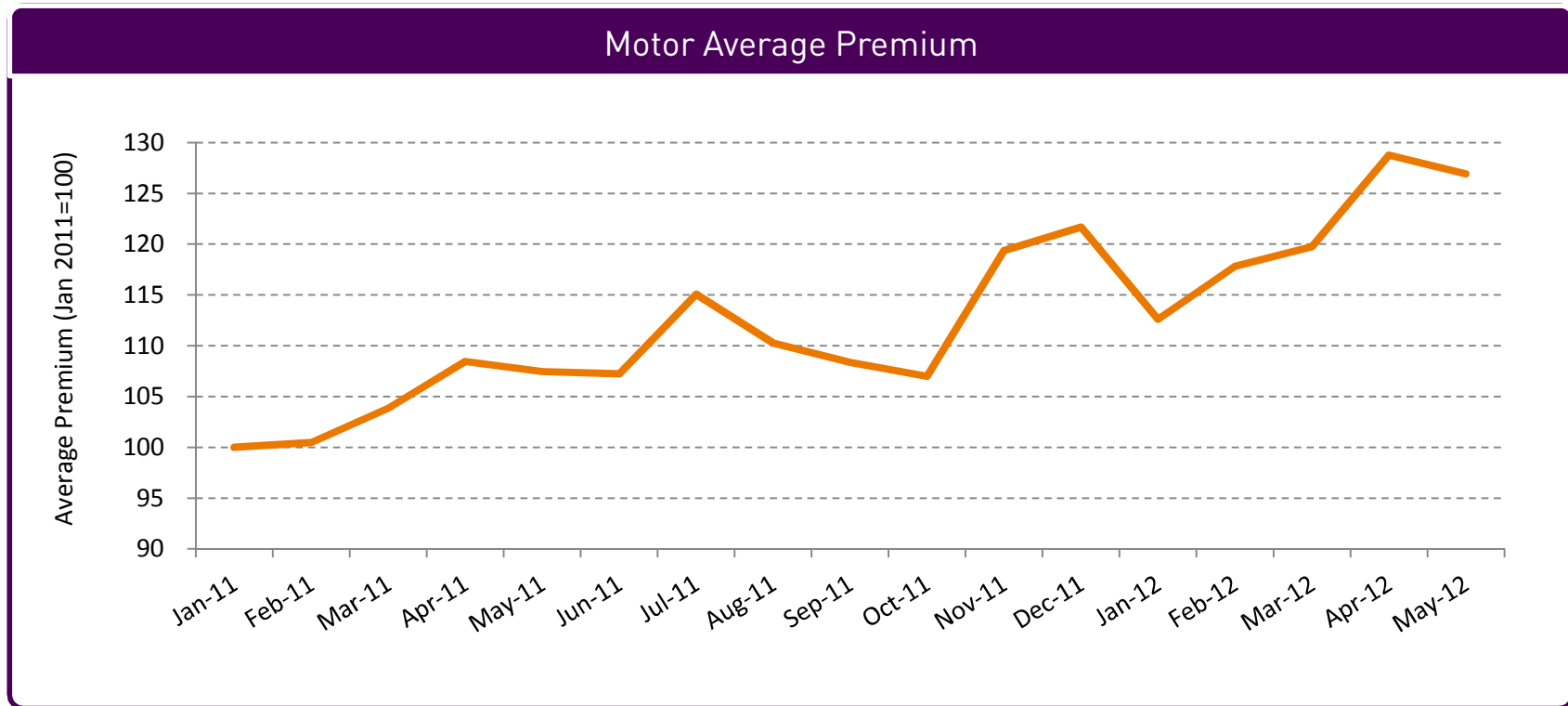


Insurance Portfolio Home



- Improved risk selection and segmentation monitoring
- Continued reduction of flood exposure

Insurance Portfolio Motor



- Attritional loss ratio stable and profitable
- Steady average premium increase, from both rate increase and portfolio mix change
- Increased use of segmentation analysis

Insurance Portfolio Commercial Premium Increases and Portfolio Management

Portfolio	2012 Increase	Comment
Business Pack	5%	New algorithm launched
Farm	10-20%	Exiting hobby farms and property only covers
Construction	10-20%	Catastrophe exposure reduction
Sports Property	10-30%	Tighter acceptance on sports clubhouses
Strata Commercial Residential	9% 30%	Catastrophe exposure reduction

OUTLOOK

First Half 2012 Summary

- Recovery underway with a small loss for the first half
- Transition to MGA model commenced and progressing well
- Portfolio management actions improving underlying portfolio performance
- Insurer Capital Adequacy Multiple strengthens to 1.9

Outlook 2012

- Continued focus on costs and efficiency
- Portfolio management actions continue
- Increasing proportion of premium underwritten on behalf of third party insurers by year end
- Completing preparations for APRA's new capital standards
- Remain on target for a modest profit in FY2012