



Notice varying conditions on Authorisation to carry on insurance business

Insurance Act 1973

TO: IAG Re Australia Limited ABN 60 090 739 923 (the general insurer)

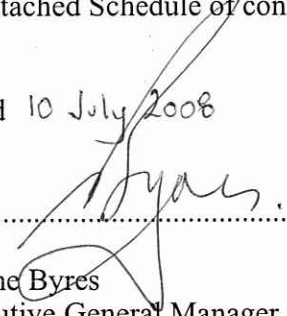
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- A. APRA issued to the general insurer an Authorisation to carry on insurance business in Australia under subsection 12(1) of the *Insurance Act 1973* (the Act), on 2 June 2002 (the Authorisation); and
- B. the Authorisation is subject to conditions,

I, Wayne Byres, a delegate of APRA, VARY those conditions imposed on the Authorisation in the manner specified in the attached Schedule.

When this Notice takes effect, the conditions which apply to the Authorisation are set out in the attached Schedule of consolidated conditions.

Dated 10 July 2008


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Wayne Byres
Executive General Manager
Diversified Institutions Division

Interpretation

In this Notice

APRA means the Australian Prudential Regulation Authority.

insurance business has the meaning given in section 3 of the Act.

prudential standard has the meaning given in section 3 of the Act.

Note 1 Under subsection 13(1) of the Act, APRA may, at any time, by written notice to the general insurer impose conditions or additional conditions or vary or revoke conditions imposed on the insurer's authorisation under section 12 of the Act. The conditions must relate to prudential matters.

Note 2 Under subsection 13(2) of the Act, a condition may be expressed to have effect despite anything in the prudential standards.

Note 3 Under subsection 13(4) of the Act, if APRA imposes, varies or revokes the conditions on a general insurer's authorisation, APRA must give written notice to the insurer and ensure that notice that the action has been taken is published in the *Gazette*.

Note 4 Under subsection 14(1) of the Act, a general insurer commits an offence if:

- (a) the insurer does an act or fails to do an act; and
- (b) doing the act or failing to do the act results in a contravention of a condition of the insurer's authorisation under section 12 of the Act; and
- (c) there is no determination in force under subsection 7(1) of the Act, that subsection 14(1) of the Act does not apply to the insurer.

The maximum penalty is 300 penalty units. Under subsection 14(1A) of the Act, where an individual commits an offence against subsection 14(1) of the Act, because of Part 2.4 of the *Criminal Code* or commits an offence under Part 2.4 of the *Criminal Code* in relation to an offence against subsection 14(1) of the Act, the individual is punishable, on conviction, by a fine not exceeding 60 penalty units. Under subsection 14(2) of the Act, an offence against section 14 of the Act, is an offence of strict liability.

Note 5 Under subsection 13(6) of the Act, a decision to impose conditions, or additional conditions, or to vary the conditions on the Authorisation are reviewable decisions to which Part VI of the Act applies. If you are dissatisfied with a reviewable decision, you may seek reconsideration of the decision by APRA in accordance with subsection 63(2) of the Act. The request for reconsideration must be in writing, must state the reasons for the request, and must be given to APRA within 21 days after the decision first comes to your notice or within such further period as APRA allows. If dissatisfied with APRA's reconsidered decision confirming or varying the first decision, you may, subject to the *Administrative Appeals Act 1975*, apply to the Administrative Appeals Tribunal for review of the reconsidered decision. The address where written notice may be given to APRA is .

Schedule - the conditions which are being varied

The existing condition(s) which are to be varied:

1. The general insurer must meet the capital requirements set out in GPS 110 subject to the following:

If, in applying Attachment C of GPS110, the capital charge on inward reinsurance business from a subsidiary of Insurance Australia Group Limited ABN 60 090 739 923 is greater than the capital charge that would apply on the underlying direct insurance, the capital charge on the inward reinsurance business shall be the same as the capital charge that would apply to the underlying direct insurance.

This condition has effect despite anything in the Prudential Standards, and in particular the general insurer is not required to hold capital under GPS 110 in an amount in excess of the capital required by this condition.

2. The general insurer may carry on insurance business solely for the purposes of:
 - (i) Discharging liabilities under contracts of insurance entered into by the general insurer prior to 22 June 2007: and
 - (ii) Reinsuring risks of companies that are subsidiaries of Insurance Australia Group Limited ABN 60 090 739 923, including discharging liabilities under contracts of reinsurance entered into by IAG Re Limited ABN 97 097 791 145 and which were transferred to the general insurer on 22 June 2007

The condition(s) as varied are:

1. The general insurer must meet the capital requirements set out in *Prudential Standard GPS 110 Capital Adequacy* (GPS 110) subject to the following:

If, in applying *Prudential Standard GPS 115 Capital Adequacy: Insurance Risk Capital Charge*, the capital charge on inward reinsurance business from a subsidiary of Insurance Australia Group Limited ABN 60 090 739 923 (IAGL) is greater than the capital charge that would apply on the underlying direct insurance, the capital charge on the inward reinsurance business shall be the same as the capital charge that would apply to the underlying direct insurance.

This condition has effect despite anything in the Prudential Standards, and in particular the general insurer is not required to hold capital under GPS 110 in an amount in excess of the capital required by this condition. This condition has effect until 1 July 2009.

2. The general insurer may carry on insurance business solely for the purposes of:
 - (i) discharging liabilities under contracts of insurance entered into by the general insurer prior to 22 June 2007: and
 - (ii) reinsuring risks of companies that are subsidiaries of IAGL, including discharging liabilities under contracts of reinsurance entered into by IAG Re Limited ABN 97 097 791 145 and which were transferred to the general insurer on 22 June 2007.

Section 104 - The Corporation's Financial Statements

The Corporation's financial statements for the year ended December 31, 2007, are presented in the accompanying schedule of financial statements.

The Corporation's financial statements have been audited by the independent accounting firm of [Name], who has issued a report dated [Date] and which is included in the accompanying schedule of financial statements.

The Corporation's financial statements are prepared in accordance with the accounting principles generally accepted in the United States of America.

Section 105 - Other Information

The Corporation has no subsidiaries or other entities in which it has a controlling interest.

The Corporation has no material contracts, agreements, or other arrangements that may affect its financial position or operations.

Schedule of consolidated conditions

1. The general insurer must meet the capital requirements set out in *Prudential Standard GPS 110 Capital Adequacy* (GPS 110) subject to the following:

If, in applying *Prudential Standard GPS 115 Capital Adequacy: Insurance Risk Capital Charge*, the capital charge on inward reinsurance business from a subsidiary of Insurance Australia Group Limited ABN 60 090 739 923 (IAGL) is greater than the capital charge that would apply on the underlying direct insurance, the capital charge on the inward reinsurance business shall be the same as the capital charge that would apply to the underlying direct insurance.

This condition has effect despite anything in the Prudential Standards, and in particular the general insurer is not required to hold capital under GPS 110 in an amount in excess of the capital required by this condition. This condition has effect until 1 July 2009.

2. The general insurer may carry on insurance business solely for the purposes of:
 - (i) discharging liabilities under contracts of insurance entered into by the general insurer prior to 22 June 2007: and
 - (ii) reinsuring risks of companies that are subsidiaries of IAGL, including discharging liabilities under contracts of reinsurance entered into by IAG Re Limited ABN 97 097 791 145 and which were transferred to the general insurer on 22 June 2007.

