



## Notice varying conditions on Authorisation to carry on insurance business

*Insurance Act 1973*

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TO: Westpac Lenders Mortgage Insurance Limited ABN 60 074 042 934 (the general insurer)

Level 20, Westpac Place, 275 Kent Street, Sydney NSW 2000

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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 26 June 2002 (the Authorisation); and
- B. the Authorisation is subject to conditions,

I, Wayne Byres, a delegate of APRA:

- (i) under paragraph 13(1)(b) of the Act, REVOKE those conditions on the Authorisation, specified in the attached Schedule; and
- (ii) under paragraph 13(1)(a) of the Act, IMPOSE those conditions on the Authorisation, 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.

This Notice takes effect on 1 March 2010.

Dated 19 February 2010

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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 400 George Street, Sydney NSW 2000.

## **Schedule - the conditions which are being revoked**

2. The general insurer must not provide insurance to third parties, whether directly or through assignment of the benefit of the policy, but may discharge liabilities that arose under inwards treaty mortgage reinsurance contracts entered into with GE Mortgage Insurance Pty Ltd prior to 1 January 2004. For these purposes, "third party" means: (a) an entity that is not a related body corporate of the general insurer within the meaning of section 50 of the Corporations Act 2001; (b) an entity that is a related body corporate of the general insurer, but is a trustee, or special purpose vehicle in relation to securitisation; or (c) an entity that is a related body corporate of the general insurer, but holds insurance on trust for a person who is not.
3. The general insurer must not materially reduce its reinsurance coverage (that is, coverage obtained by the general insurer under outwards reinsurance contracts) from the level in place on 1 October 2006 without APRA's prior written approval.

## Schedule - the conditions being imposed

2. The policies must only indemnify the policy holder against default on loans that are assessed and maintained by WBC.

In this Schedule

- Assessed and maintained* by WBC, in relation to a loan means that the loan:
- a) has been assessed and approved by WBC as meeting WBC's lending criteria prior to the making of the loan; and
  - b) is loaded and maintained on WBC's lending software; and
  - c) is subject to WBC's review processes during the term of the loan.

*Lenders mortgage insurance* has its ordinary commercial meaning and includes insurance under a policy which protects a lender from losses in the event of borrower default on a loan secured by mortgage over residential or other property.

*WBC* means Westpac Banking Corporation.

## Schedule of consolidated conditions

1. The general insurer must not issue or renew new insurance policies other than policies that:
  - a) provide lenders mortgage insurance; and
  - b) do not provide any other kind of insurance.
  
2. The policies must only indemnify the policy holder against default on loans that are assessed and maintained by WBC.

In this Schedule

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