



Notice varying conditions on Authorisation to carry on insurance business

Insurance Act 1973

TO: Gordian Runoff Limited ABN 11 052 179 647 (the general insurer)
Level 22, 33 Alfred Street SYDNEY NSW 2000

SINCE

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

I, Wayne Byres, a delegate of APRA, under paragraph 13(1)(b) of the Act, VARY those conditions imposed on the Authorisation in the manner set out in the Schedule attached to this Notice.

This Variation takes effect on 1 October 2006.

Dated

.....

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 varies 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.

Schedule - the conditions which are being varied

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

1. The body corporate must not:
 - a. enter into a contract of insurance;
 - b. renew a contract of insurance;
 - c. vary a contract of insurance to the effect set out in paragraph (a) or (b) or to increase or accept a different risk under a contract of insurance, after 1 September 1999 unless there was a right of the policy holder to enter into, renew or vary a contract of insurance which right existed before 1 September 1999.

2. The body corporate must seek APRA's approval before making a reduction in its capital base as set out in Guidance Note GGN110.1. A reduction in capital includes, but is not limited to: share buybacks; the redemption, repurchase or early repayment of any eligible capital instruments issued by the insurer or a special purpose vehicle; trading in own shares; or any payment of interest of dividends on capital instruments.

3. Condition 1 does not prevent or restrict or limit the body corporate from indemnifying GIO General Limited ACN 010 831 722 and GIO General (New Zealand) Limited (by way of reinsurance or otherwise) in respect of:
 - a. (i) contracts of insurance issued by those entities:
 - (A) before 1 September 1999 (the 'Relevant Date'); or
 - (B) on or after the Relevant Date pursuant to and in accordance with a right acquired by the policy holder before the Relevant Date to enter into, renew or vary the contract of insurance ('Prescribed Right'); and
 - (ii) variations and subsequent renewals of contract of insurance within the ambit of paragraph (a)(i), effected pursuant to and in accordance with a Prescribed Right, (collectively 'Relevant Contracts');
 - b. where:
 - (i) the Relevant Contracts are or were recorded on the body corporate's electronic claims management system as having been issued by the body corporate; and
 - (ii) the intention of the body corporate at initial inception of the relevant risks was that those policies would be issued by it.

4. The body corporate must comply with paragraph 9 of GGN110.1 by 30 June 2003.

The condition(s) as varied are:

1. The Company must not:

- a. enter into a contract of insurance;
 - b. renew a contract of insurance;
 - c. vary a contract of insurance to the effect set out in paragraph (a) or (b) or to increase or accept a different risk under a contract of insurance, after 1 September 1999 unless there was a right of the policy holder to enter into, renew or vary a contract of insurance which right existed before 1 September 1999.
2. The Company must seek APRA's approval before making a reduction in its capital base as set out in Guidance Note GGN110.1. A reduction in capital includes, but is not limited to: share buybacks; the redemption, repurchase or early repayment of any eligible capital instruments issued by the insurer or a special purpose vehicle; trading in own shares; or any payment of interest or dividends on capital instruments.
 3. Condition 1 does not prevent or restrict or limit the Company from indemnifying GIO General Limited ACN 010 831 722 and GIO General (New Zealand) Limited (by way of reinsurance or otherwise) in respect of:
 - a. (i) contracts of insurance issued by those entities:
 - (A) before 1 September 1999 (the 'Relevant Date'); or
 - (B) on or after the Relevant Date pursuant to and in accordance with a right acquired by the policy holder before the Relevant Date to enter into, renew or vary the contract of insurance ("Prescribed Right"); and
 - (ii) variations and subsequent renewals of contracts of insurance within the ambit of paragraph (a)(i), effected pursuant to and in accordance with a Prescribed Right, (collectively 'Relevant Contracts');
 - b. where:
 - (i) the Relevant Contracts are or were recorded on the Company's electronic claims management system as having been issued by the Company; and
 - (ii) the intention of the Company at initial inception of the relevant risks was that those policies would be issued by it.
4. The Company is required to maintain a current run-off plan and to submit revisions to APRA within 14 days of them being approved by the Board of the Company. The run-off plan must be revised, re-approved by the Board and re-submitted to APRA should there be material change to the operations of the Company. The run-off plan should incorporate details of how the Company is managing the run-off of insurance liabilities, including reinsurance, investment policy and administration.
 5. The requirements in Condition 4 shall apply to the Company to the exclusion of the requirements of paragraphs 14-16 (inclusive) of Prudential Standard GPS 220, but without prejudice to the Company's obligation to otherwise comply with the prudential standards and guidance notes.