



Notice of change in conditions on Authorisation to carry on insurance business

Insurance Act 1973

TO: Vero Lenders Mortgage Insurance Limited ABN 55 001 825 725 (the general insurer)

465 Victoria Avenue, Chatswood NSW 2067

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

I, Wayne Stephen Byres, a delegate of APRA,

- (i) under paragraph 13(1)(b) of the Act, VARY those conditions on the Authorisation which are set out in the Schedule attached to this Notice; and
- (ii) under paragraph 13(1)(b) of the Act, REVOKE those conditions on the Authorisation which are set out in the Schedule attached to this Notice;

Dated

.....
Wayne Stephen 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.

Schedule - the conditions which are being varied

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

Condition 4

The company must seek APRA's approval before making any reductions in capital, including transfers of capital within the Promina Group Limited and repayments of the upper tier 2 perpetual redeemable capital notes to Royal & Sun Alliance Insurance Plc.

Condition 6

If there is a material change to the operations of the insurer, the run-off plan must be revised, re-approved by the company's Board and the Subscriber to the Subscription and Run-off Agreement dated 16 May 2003, then submitted to APRA within 14 days of the material change.

Condition 10

Revision of the Risk Management System description and Reinsurance Management System description to reflect revision of the run-off plan as required under condition 6 must occur within 28 days of the revised run-off plan being submitted to APRA.

The condition(s) as varied are:

Condition 4

The company must seek APRA's approval before making any reductions in capital, including transfers of capital within the Promina Group Limited.

Condition 6

If there is a material change in the operations of the insurer, the run-off plan must be revised and reapproved by the company's Board then submitted to APRA within 14 days of the material change.

Condition 8

Revision of the Risk Management System description and Reinsurance Management System description to reflect the revision of the run-off plan as required under condition 6 must occur within 28 days of the revised run-off plan being submitted to APRA.

Schedule - the conditions which are being revoked

Condition 8

The Risk Management description and Reinsurance Management System description must be revised to reflect the run-off plan. The Risk Management System description must also incorporate details of how the company is managing investment risk in run-off or refer to the method to be employed in managing investment risk in run-off.

Condition 9

Revision of the Risk Management System description and Reinsurance Management System description to reflect the run-off plan referred to in condition 5 must occur by 30 September 2003.