



Insurance Act 1973

**NOTICE TO IMPOSE CONDITIONS ON
AUTHORISATION TO CARRY ON INSURANCE
BUSINESS**

To: Royal & Sun Alliance Lenders Mortgage Insurance Limited ACN 001 825 725
(the "company")

SINCE:

- A. the company is authorised to carry on insurance business in Australia under subsection 12(2) of the *Insurance Act 1973* (the "Act"); and
- B. the company's authorisation to carry on insurance business in Australia is subject to conditions;

I, Keith David Chapman, a delegate of the Australian Prudential Regulation Authority, under paragraph 13(1)(a) of the Act, IMPOSE the additional conditions set out in the Schedule on the authorisation of the company to carry on insurance business in Australia under subsection 12(2) dated 26 June 2002.

Dated: 15 July 2003.

A handwritten signature in black ink, appearing to read "K Chapman", written over a dotted line.

Keith Chapman
Acting Executive General Manager
Diversified Institutions Division

SCHEDULE – ADDITIONAL CONDITIONS

3. The company may only conduct insurance business in Australia and New Zealand for the sole purpose of discharging liabilities that arose prior to 8 April 2003 (including variations for the purpose of running-off existing insurance business).
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.
5. The company must adhere to the run-off plan in Schedule 3 of the Subscription and Run-off Agreement dated 16 May 2003 between the company, Royal & Sun Alliance Insurance Plc and Promina Group Limited.
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.
7. The run-off plan must incorporate details of how the company is managing the run-off of insurance liabilities, including reinsurance and administration.
8. The Risk Management System 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.
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.
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.

KChyan
15 July 2003