



Notice varying conditions on Authorisation to carry on insurance business

Insurance Act 1973

TO: The Mortgage Insurance Company Pty. Limited ACN 000 559 553 (the general insurer)
Suite 31, Level 14 309 Kent St, SYDNEY, New South Wales

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 29 June 1998 (the Authorisation); and
- B the Authorisation is subject to the conditions which are set out in the Schedule attached to this Notice;

I, Nigel Boik, a delegate of APRA, under paragraph 13(1)(b) of the Act, VARY the conditions imposed on the Authorisation in the manner set out in the Schedule attached to this Notice and from the date this Variation takes effect, the conditions which apply to the Authorisation are those set out in the Schedule of conditions attached to this Notice.

This Variation takes effect from the date it is executed.

Dated: 29 May 2013

[Signed]

Nigel Boik
Acting Executive General Manager
Specialised 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.

Note 5 Under subsection 13(6) of the Act, a decision to impose conditions, or additional conditions, on the Authorisation is a reviewable decision to which Part VI of the Act applies. If you are dissatisfied with this 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 is Level 26, 400 George Street, Sydney NSW 2000.

Schedule-the conditions on the Authorisation

1. The general insurer will only carry on insurance business for the purpose of discharging liabilities under contracts of insurance entered into on or before 9 April 2008.
2. Except with the prior written approval of APRA, the general insurer must not:
 - (a) enter into, vary or terminate any contractual agreement or arrangement where another party to the contract or arrangement is TMIC Holdings Pty Ltd ACN 098 954 664 or an associate of that company; or
 - (b) make any payment to or transfer any assets to TMIC Holdings Pty Ltd ACN 098 954 664 or any associate of that company; or
 - (c) enter into any dealing or transaction at the request of TMIC Holdings Pty Ltd ACN 098 954 664 or an associate of that company or a receiver, administrator or liquidator of an associate of that company.

An associate has the meaning set out in clause 4 of Schedule 1 to the *Financial Sector (Shareholdings) Act 1998*.

3. The general insurer must comply with the requirements of *Prudential Standard GPS 230 Reinsurance Management* but subject to the following variations:
 - (a) in respect of paragraphs 9(a), 12(a), 15 and 16, the general insurer is not required to take into account reinsurance contracts incepting on or before 18 August 2011; and
 - (b) in respect of paragraphs 23 and 24, the general insurer is not required to submit details to APRA of its reinsurance arrangements in respect of reinsurance contracts incepting on or before 18 August 2011.
4. The general insurer must comply with the requirements of *Prudential Standard GPS 310 Audit and Actuarial Reporting and Valuation* as if the following requirements applied under that standard:
 - (a) a report of a review of its run-off plan from the general insurer's Appointed Actuary must be obtained on a triennial basis; and
 - (b) an External Peer Review report of its Insurance Liability Valuation Report must be prepared by the Reviewing Actuary on a triennial basis.

The first reports under paragraphs 4(a) and (b) are to be obtained in respect of an investigation conducted as at 30 June 2013.

Schedule-the conditions which are being varied

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

Condition 3

3. The general insurer must comply with the requirements of *Prudential Standard GPS 230 Reinsurance Management* but subject to the following variations:
 - (a) in respect of paragraphs 9(a), 12(a), 15 and 16, the general insurer is not required to take into account reinsurance contracts incepting on or before 18 August 2011; and
 - (b) in respect of paragraphs 23 and 24, the general insurer is not required to submit details to APRA of its reinsurance arrangements in respect of reinsurance contracts incepting on or before 18 August 2011.

Condition 4

4. The general insurer must comply with the requirements of *Prudential Standard GPS 310 Audit and Actuarial Reporting and Valuation* as if the following requirements applied under that standard:
 - (a) a report of a review of its run-off plan from the general insurer's Appointed Actuary must be obtained on a triennial basis; and
 - (b) an External Peer Review report of its Insurance Liability Valuation Report must be prepared by the Reviewing Actuary on a triennial basis.

The first reports under paragraphs 4(a) and (b) are to be obtained in respect of an investigation conducted as at 30 June 2013.

The condition(s) as varied are:

Condition 3

3. The general insurer must comply with the requirements of *Prudential Standard GPS 230 Reinsurance Management* but subject to the following variations:
 - (a) in respect of paragraphs 13(a), 16(a), 19 and 20, the general insurer is not required to take into account reinsurance contracts incepting on or before 18 August 2011; and
 - (b) in respect of paragraphs 27 and 28, the general insurer is not required to submit details to APRA of its reinsurance arrangements in respect of reinsurance contracts incepting on or before 18 August 2011.

Condition 4

4. The general insurer must comply with the requirements of *Prudential Standard GPS 320 Actuarial and Related Matters* as if the following requirements applied under that standard:
 - (a) a report of a review of its run-off plan from the general insurer's Appointed Actuary must be obtained on a triennial basis; and

(b) an External Peer Review report of its Insurance Liability Valuation Report must be prepared by the Reviewing Actuary on a triennial basis.

The first reports under paragraphs 4(a) and (b) are to be obtained in respect of an investigation conducted as at 30 June 2013.

Schedule- the conditions which apply when this Variation takes effect.

1. The general insurer will only carry on insurance business for the purpose of discharging liabilities under contracts of insurance entered into on or before 9 April 2008.
2. Except with the prior written approval of APRA, the general insurer must not:
 - (a) enter into, vary or terminate any contractual agreement or arrangement where another party to the contract or arrangement is TMIC Holdings Pty Ltd ACN 098 954 664 or an associate of that company; or
 - (b) make any payment to or transfer any assets to TMIC Holdings Pty Ltd ACN 098 954 664 or any associate of that company; or
 - (c) enter into any dealing or transaction at the request of TMIC Holdings Pty Ltd ACN 098 954 664 or an associate of that company or a receiver, administrator or liquidator of an associate of that company.

An associate has the meaning set out in clause 4 of Schedule 1 to the *Financial Sector (Shareholdings) Act 1998*.

3. The general insurer must comply with the requirements of *Prudential Standard GPS 230 Reinsurance Management* but subject to the following variations:
 - (a) in respect of paragraphs 13(a), 16(a), 19 and 20, the general insurer is not required to take into account reinsurance contracts incepting on or before 18 August 2011; and
 - (b) in respect of paragraphs 27 and 28, the general insurer is not required to submit details to APRA of its reinsurance arrangements in respect of reinsurance contracts incepting on or before 18 August 2011.
4. The general insurer must comply with the requirements of *Prudential Standard GPS 320 Actuarial and Related Matters* as if the following requirements applied under that standard:
 - (a) a report of a review of its run-off plan from the general insurer's Appointed Actuary must be obtained on a triennial basis; and
 - (b) an External Peer Review report of its Insurance Liability Valuation Report must be prepared by the Reviewing Actuary on a triennial basis.

The first reports under paragraphs 4(a) and (b) are to be obtained in respect of an investigation conducted as at 30 June 2013.