

CARROLL & O'DEA

SOLICITORS

19TH LEVEL, ST JAMES CENTRE,
111 ELIZABETH STREET,
SYDNEY, AUSTRALIA, 2000.

DX: 183 SYDNEY.
FAX: (02) 9221 1117
e-mail: cod@codea.com.au
www.codea.com.au

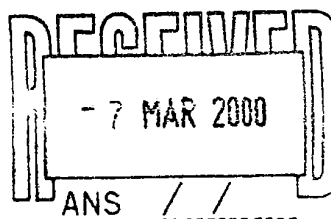
TELEPHONE: (02) 9232 2133.

29 February, 2000

YOUR REF:
OUR REF:
CONTACT: GMP:971769
PARTNER:

Gerard Phillips

Direct Line: 9291 7166
Email: gphillips@codea.com.au



Private & Confidential

The Most Reverend Michael Malone
Bishop of Maitland/Newcastle
Chancery Office
PO Box 780
NEWCASTLE NSW 2300

Dear Bishop

**RE: INDEMNITY CLAIM - CCI REGARDING THE ACTIVITIES OF FATHER
VINCENT GERARD RYAN**

We refer to recent discussions herein and to the "without prejudice" settlement discussions with Mr Liam McCarthy (CCI), Mr Paul Gamble (Messrs Dunhill Madden Butler solicitors) and with your Mr Feenan on 22 February 2000.

We confirm that the indemnity claim made on behalf of the Diocese with CCI in relation to the Father Ryan claims was resolved by the Diocese accepting the sum of \$2,000,000.00 in full and final settlement of all claims, both past and prospective claims in relation to the activities of Father Ryan.

We are delighted that a settlement on this magnitude could be reached at such an early stage of the indemnity claim. Whilst we were confident that the insurer would not ultimately have succeeded in avoiding liability under the policy altogether, there was obviously some risk that a Court could have reduced the liability of the insurer so as to place them in a position they would have been had relevant facts regarding Father Ryan been disclosed to them. We were confident that ultimately Monsignor Cotter's position would have escaped any finding of recklessness. However, we are mindful of the Monsignor's advanced years and his relatively frail state of health and without doubt any such challenge in Court would have been physically demanding of



Certification from
27 July 1999 to 27 July 2002

PARTNERS:
S.A. CARROLL, A.M., LL.B.
MICHAEL O'DEA, A.M., B.A., LL.M.
M. CONCANNON, LL.M.
A.J. BAINE, LL.B.
R.P. HIGGINS, B.A., LL.M.
H.G. HARRISON, B.E.C., LL.M.
P.J. PUNCH, B.A., LL.M.
P.A. CARROLL, B.A., LL.B.
D.B. FARAH, B.A., LL.B.
G.M. PHILLIPS, LL.M.
MAITHRI PANAGODA, LL.M.

ASSOCIATES:
N. DILANCHIAN, B.A., LL.B.
M.F. COOREY, B.E.C., LL.B.
C.L. THOMPSON, B.A., LL.B.
T.J. CONCANNON, B.A., LL.B.
PHILIPPA O'DEA, B.A., LL.B.
JOHN MRSIC, B.A., LL.B.
TANIA SULAN, B.A., LL.B.
JANINE SMITH, B.A., LL.B.
VIRGINIA HART, LL.B.

GMP/ BS/907032

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him. In summary, taking all of these factors into account and the fact that the Diocese did have some risk in relation to the knowledge that was required in 1975, we are most delighted with the resolution reached, particularly given the fact that you have not had to expend substantial legal costs in terms of preparing the matter for either trial or confidential mediation.

On 22 February, however, there was some discussion about the request by CCI that their liability in relation to potential claims also be resolved in this settlement. We have, thus far, settled all of the known cases involving serious sexual interference by Father Ryan. When one considers the list of victims which were in the list of victims in Father Ryan's criminal proceedings, there are still a number of outstanding potential claimants. However, the level of interference in relation to those matters, at least as admitted by Father Ryan and which has been agreed to in statements obtained by the police, is certainly at the lower end of the scale and would not ordinarily figure highly in terms of potential damages awards. However, the imponderable feature in relation to such claims is that to a greater or lesser extent, most Plaintiff's exaggerate either the level of frequency of abuse or its severity. In real terms, if a claimant were to allege a more serious level of interference by Father Ryan, the only person available to rebut such an allegation is, of course, Father Ryan. With due respect to him, bearing in mind his personal circumstances, that would not be evidence that we would have any confidence that a Court will accept.

In real terms, both the Diocese and CCI have taken a risk in relation to future claims. CCI have included a component in the settlement of approximately \$113,000.00 with regards to future claims. If there are no future claims, then obviously the Diocese is ahead. The Diocese is ahead if future claims that may be made are resolved within that sum or within the ambit of any interest made from investing the entire amount. The Diocese will, of course, have to fund any future claims and to the extent they exceed the amount for which allowance has been made, the Diocese will, in effect, be acting as its own insurer. At this stage, it is almost impossible to judge whether or not any of the remaining victims will make a claim. Frequently, it is not until such person or persons suffer a set back in their life, for example, they divorce or they lose a job or perhaps the death of a loved one, that they then focus upon events in the past as a means of explaining their then predicament. Most of Father Ryan's victims

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have continued to live in the Hunter Valley area and would probably have read about Father Ryan's criminal proceedings which first became the subject of significant media attention in late 1995. Further there is always the prospect that one of the Plaintiffs with whom we have already settled will disclose to another victim the fact of the settlement in either general or specific terms. That, of course, may encourage a person to make a claim.

It is our view that even had future liability of CCI be left open, there is no guarantee that the Diocese would have been treated on the same basis as the initial offer of \$1.887 million bearing in mind the prospect of future disputation regarding those potential claims. We are content that the entirety of the liability of the Diocese regarding Father Ryan's activities during the CCI period of risk has been resolved.

We enclose herewith, for your records, a copy of the Heads of Agreement which were signed by the solicitors on 22 February. In due course, the solicitors representing CCI will produce a comprehensive Deed of Release reflecting the agreement set out in this document. We shall provide you with a copy of the draft Deed as soon as it is to hand.

Should you have any questions regarding this matter please do not hesitate to contact our Mr Gerard Phillips.

Yours faithfully
Carroll & O'Dea
Per:



Encl.



Please note our new Email and Web addresses
Email = User'sinitial&surname@codea.com.au..(eg fbloggs@codea.com.au)
Web = www.codea.com.au