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AON
Insure your vision

23 March, 2001

Mr Stephen Tyrrell
Bursar
Brisbane Grammar School
Gregory Terrace
BRISBANE QLD 4000

Aon Corporate Risk Services

Insurance Brokers

Risk Consultants

GPO Box 65, Brisbane QLD 4001
Level 10, Comalco Place
12 Creek St, Brisbane QLD 4000
DX 129, Brisbane
Telephone 61 (7) 3223 7400
Facsimile 61 (7) 3221 4525

Direct Phone 61 (7) 3223 7445

Dear Stephen

HIH CASUALTY & GENERAL INSURANCE LTD ("the Company")

You would be aware that HIH decided that an orderly run off would be best achieved by the appointment of a provisional liquidator.

Aon met with the provisional liquidator Mr Tony McGrath of KPMG, on Monday 19 March 2001. Following that discussion we can advise:-

- It is likely that a Scheme of Arrangement will be put into place to attend to the matter of outstanding claims payments. It is not clear at this stage the extent to which outstanding claims will be paid.
- Whilst it may take some three to four months to develop a reasonable view of the ability of HIH to meet its obligations, it is unlikely such a position will be firm enough to consider paying any claims for approximately 12 months.
- As you are aware the renewal of your Liability programme for the period 31 December 2000 to 31 December 2001 was arranged through Gerling HIH Underwriting Agency Pty Ltd with 100% security being provided by Gerling Australia. The renewal policy for the current period will in fact be issued by Gerling Australia and not Gerling HIH and consequently you do not have any concerns in relation to the current renewal period.

A possible area of exposure for you at this time is in relation to any outstanding Professional Indemnity or Directors' & Officers' Liability claims reported to Underwriters or of which you were aware prior to 31 December 2000 or General Liability claims where the incident(s) occurred prior to 31 December 2000 whether reported or not and as indicated in point 2 above it may be some time before the position becomes clear.

Apart from the situation in relation to the uncertainty of claims payments, ongoing protection will invariably involve an increase in premium, in some cases significant, because this current situation was in part created by a general underpricing of product in the market.

We will continue to keep you informed as further developments occur.

Yours sincerely

Ken Winks
Consultant/Account Executive



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