

L A W Y E R S

6 August 2002

Mr Rick Edwards
 Divisional Director
 AON Corporate Risk Services

Partner

David Abernethy (07) 3228 9456
 Email: David_Abernethy@corrs.com.au

Our reference

DJA/BRIS2923-7545873

BY EMAIL

Email: rick.edwards@aon.com.au

Dear Rick

BRISBANE GRAMMAR SCHOOL

Further to our telephone conversations yesterday I confirm that on Friday 2 August I met with representatives of AIG, Ace Asia Pacific, Royal Insurance and their lawyers to consider indemnity issues in relation to these 64 claims which are scheduled for mediations during the three week period commencing 30 September 2002.

I also met with Ross Nuttall and Ray Ward yesterday in the hope they could provide further information in relation to underwriters in particular periods.

The various proceedings allege abuse from 1975 to 1988. We need to identify the public liability underwriters for each year during that period. There is no doubt that AON and its predecessors (Stenhouse Queensland Limited etc) have been the only brokers to the School since at least mid 1974.

The periods of alleged abuse during which you have not been able to identify underwriters or in which underwriters have not accepted they were on risk are as follows:

- 1 1 January 1975 to 1 September 1978. Ace Asia Pacific have accepted that Insurance Company of North America was the primary layer underwriter from 1 September 1978 until 1 September 1979. Ken Winks had suggested they were also the underwriter for the previous year from 1 September 1977 but there is no document to support that suggestion and hence Ace Asia Pacific have denied they were on risk. It is also very clear from documents obtained from School archives that Ross Nuttall was responsible for the Brisbane Grammar School account in the period 1975-1978. There is extensive correspondence during that period as

WATERFRONT PLACE 1 EAGLE STREET BRISBANE 4000

GPO BOX 9925 QLD 4001

TELEPHONE (07) 3228 9333 INT +617 3228 9333 FAX (07) 3228 9444

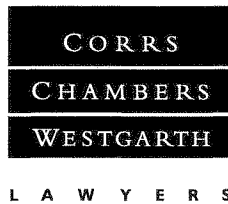
DX 135 BRISBANE

SYDNEY MELBOURNE BRISBANE PERTH CANBERRA GOLD COAST

OUR LIABILITY IS LIMITED BY THE SOLICITORS SCHEME, APPROVED UNDER THE PROFESSIONAL STANDARDS ACT 1994 (NSW).

THIS LIMITATION OF LIABILITY APPLIES TO CLAIMS THE PROPER LAW OF WHICH IS THE LAW OF NEW SOUTH WALES.

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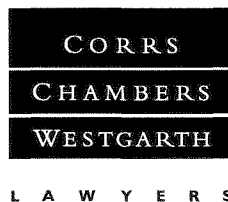
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there was a review of the value of the buildings at BGS for the purposes of property insurance. The property insurance was with SGIO, and Ross Nuttall/Ray Ward suggest that the public liability insurance may also have been with SGIO. Nevertheless before any approach is made to SGIO it would be helpful if there was some document indicating they were on cover as that would then give a basis for requiring them to carry out a detailed investigation of their records.

- 2 1 September 1986 – 1 September 1987. All of the documents that you have provided to us indicate that Royal Insurance Melbourne was the primary layer underwriter for this year. However, they have not accepted that they were on risk. The documents which you have provided to us indicate that Ray Ward dealt with the renewal of the policy for that year and that he dealt with John Poulton at Royal. We have not seen the documents but Royal say the only record they have during that year is that they were an excess underwriter for \$4 million above the primary cover of \$1 million. We need further documents to support the claim for indemnity. Ross Nuttall is following up AON personnel in Melbourne/Sydney who may be able to assist.
- 3 The School insurance year concluded on 1 September 1988 and Royal Insurance accept they were the primary underwriter from 1 September 1987 to 1 September 1988. The problem is that there are a number of claims where abuse is alleged “during 1988” being the year Lynch finished with the School. Therefore, underwriters are suggesting there is a period in 1988 where part of the claims are uninsured. We need to know who were the underwriters from 1 September 1988.

As a general comment, it may be that the accounting records of AON and its predecessors will identify the underwriters during the relevant years. You will appreciate that Brisbane Grammar School received from AON a statement identifying all insurance premiums as a result of which the School provided one cheque to AON for insurance. We assume that AON's records should identify to whom the premiums were paid. In our meeting with representatives of Royal last Friday they said they had no records indicating they were the primary underwriters for the 1986/1987 year and that AON's accounting records should be able to confirm who the premium was paid to.

I understand that you have arranged for additional boxes of documents to be delivered to you today to see whether or not there are any further documents which assist. If it is not possible to take the matter any further as a result of those documents then I confirm we are prepared to provide a couple of personnel to look through archived documents to see whether they can locate any documents



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which assist us in establishing identity of underwriters during the periods referred to above.

I know you are aware of the urgency attaching to this matter but it needs to be resolved quickly as the 64 matters are scheduled for mediation commencing on 30 September.

Regards

A handwritten signature in black ink, appearing to read 'David Abernethy', written in a cursive style.

David Abernethy
Partner