

EMAIL TO PHIL WOTTON & KEN HORSLEY

Dear Phil/Ken,

RE: BRISBANE GRAMMAR SCHOOL – VARIOUS CLAIMS

We expect to receive offers in a number of matters today which may be acceptable to underwriters and the School.

So that there is certainty in relation to settlements we are instructed to finalise the basis upon which underwriters will contribute to settlements and costs in respect of those matters settled during or within 28 days of the conclusion of the current mediations. There have been some amendments advised by each of you to the terms set out in Phil's letter of 9 September 2002. We confirm that the School accepts the terms of that letter subject only to including the amendments subsequently advised by you that:

1. ACE will contribute 100% to settlement and costs in relation to abuse during the 1978/1979 insurance year.
2. AIG will contribute 100% to settlement and costs in relation to abuse during the 1979/1980 insurance year.
3. Royal & Sun Alliance accepts that it was on risk as a primary insurer during the 1986/87 insurance year.
4. Other than the 100% contributions referred to in 1 and 2 above the contribution to settlements/costs by insurers will be 70% rather than 80% as referred to in the letter of 9 September 2002.

As there are 2 years subject to 100% contribution by insurers and some years when the School is uninsured it may not follow in all cases that School contributes the first 30% of each settlement. Also, the formula for payment of costs as set out in paragraph 6.4 will require adjustment where the 1978/79 and 1979/80 years are involved.

At this stage we have put to the Plaintiff's lawyers the draft settlement agreement approved by you. There may be an issue as to the breadth of the release. We are insisting upon a broad release rather than just a release of the matters raised in the proceedings. Should this be an issue we will come back to you for further instructions.

Yours faithfully,