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AON

Insure your vision

29 March, 2001

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Dear Stephen

HIH Casualty & General Insurance Ltd - Update

- Further to our earlier correspondence, we would like to take this opportunity to further explain the current situation.
- **PROVISIONAL LIQUIDATION**
- As advised previously, a provisional liquidator was appointed to HIH. The appointment was made by the Court at the request of HIH. The terms of the appointment and the provisional liquidator's plans are not completely clear at this stage.
- The provisional liquidator is Tony McGrath of KPMG.
- Aon continues to make inquiries of the provisional liquidator and the Australia Prudential Regulation Authority (APRA) to obtain more information when more details are available they will be provided.
- **WHAT IS PROVISIONAL LIQUIDATION?**
- Provisional liquidation is a form of Court appointed external management. It normally occurs where there is some risk or concern that a company is unlikely to meet its liabilities.
- The provisional liquidator steps into the shoes of the company. He:
- takes control and realises all assets of the company;
- investigates the financial position of the company;
- decides whether or not the company should be wound up and what liabilities (including claims payments) should be met and in what order;
- is responsible for making recoveries including reinsurance recoveries.

WHAT DOES PROVISIONAL LIQUIDATION MEAN FOR CLAIMS HANDLING AND CLAIMS PAYMENTS?

The provisional liquidation does not affect the legal rights of a policy holder or the obligations of HIH. However:

- there is likely to be a reasonable to significant delay before the provisional liquidator will be in a position to make decisions effecting claims or make payments for claims. The provisional liquidator has not yet provided any estimate of this delay, accordingly we are not able to speculate on the time frame until more precise information is made available.
- there is a real prospect that HIH does not have sufficient assets to meet its liabilities. In other words, claims may not be able to be made in full (or at all). Accordingly, we are not able to speculate or comment further on this topic except to say that the position will depend upon the outcome of the provisional liquidator's investigations and the particular circumstances of each policy.
- If significant decisions need to be made about settlement or the conduct of claims you should contact the lawyer conducting the defence of the claim.
- We emphasise that the impact of the provisional liquidation is uncertain and that the above information is general only.
- Where you are advised by the lawyer conducting the defence of the claim that they are no longer able to act on your behalf, we strongly recommend that you obtain independent legal advice to protect your interests.

Yours sincerely



KEN WINKS
Consultant/Account Executive