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James Hardie Releases New Actuarial Review

James Hardie today provided to the Special Commission of Inquiry into the Establishment of the Medical Research and Compensation Foundation (MRCF), and the ASX, an independent actuarial review of future asbestos liabilities of the former James Hardie subsidiaries Amaca and Amaba, now held by the MRCF.

The review was prepared by KPMG Actuaries (KPMG) for James Hardie and ABN 60 Pty Limited (formerly James Hardie Industries Limited) and assesses actuarial advice provided by Trowbridge Consulting between 1996 and 2003.

The report was commissioned to assist the Commissioner to determine the situation facing the MRCF and the former James Hardie subsidiary companies and to provide KPMG's view of historical and current projections with which to address many of the issues being considered by him.

The figures produced by KPMG highlight "an unforeseeable upward trend" in claims numbers and average claimant costs in recent years.

Based on information that would have been available to Trowbridge at the time it prepared its actuarial report for ABN 60 Pty Limited in February 2001 (and upon which the funding for the MRCF was based), KPMG believes their best estimate would have been in the order of \$694m. The equivalent Trowbridge figure was \$323m.

The estimate produced by KPMG for future liabilities as at June 2003 is \$1,573m which compares to the Trowbridge estimate of \$1,090m. The KPMG figures include some \$432m in legal costs. Among a number of differences, KPMG has included an additional \$356m for superimposed inflation* that was not included by Trowbridge.

James Hardie's CEO Mr Peter Macdonald said the different figures were extremely concerning to the directors of the company who believed that the funding set aside at the time the Foundation was created would meet the most likely estimate of future anticipated claims.

Directors are considering the implications of the KPMG report.

End.

** Superimposed inflation is inflation above the underlying rate of inflation and is sometimes called judicial inflation. In this sense, it reflects that the rate of increase in court awards can increase at a higher rate than underlying inflation.*

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