

ANNEXURE P2

This is a copy of Exhibit 50, Volume 1, Tab 23

13 February 2001

Mr Roy Williams
Allen Allen & Hemsley
The Chifley Tower
2 Chifley Square
Sydney NSW 2000

PRIVILEGED & CONFIDENTIAL

Dear Roy

Use of our advice about asbestos-related claims

We refer to our advice to you dated 13 February 2001 titled "James Hardie Industries Limited – Asbestos Litigation".

That letter was prepared for your use in preparing advice in relation to the future management of asbestos-related claims by the Board and management of James Hardie Group companies.

We understand this advice will also be presented to Sir Llewellyn Edwards and Messrs Michael Gill, Peter Jollie and Dennis Cooper who are considering their potential involvement as directors of James Hardie & Coy Limited and Isekarb Pty Limited.

We consent to the use of our report by those four potential directors, their legal advisers and D&O insurers provided the material is used only in conjunction with their involvement or potential involvement with the James Hardie Group as noted above.

No part of the content of that advice may be disclosed to any other party, referred to or cited in any material without our further written consent.

Kind regards


David Minty


Karl Marshall

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TRO003.012.0001

13 February 2001

Mr Roy Williams
Allen Allen & Hemsley
The Chifley Tower
2 Chifley Square
Sydney NSW 2000

PRIVILEGED & CONFIDENTIAL

Dear Roy

James Hardie Industries Limited – Asbestos Litigation

We refer to your letter dated 30 January 2001 on the above subject. You have asked us to revisit the claim number assumptions that we adopted for our draft advice on the future cost of asbestos-related disease claims as at 31 March 2000 in view of recent work that Trowbridge Consulting have carried out to estimate the impact of such claims on the insurance industry in Australia.

In setting the assumptions for the draft advice, we examined a considerable amount of the research conducted on the likely emergence of claims Australia-wide as well as some international material in order to establish the parameters of our model. In particular we considered the observations from the research paper "Recent Trends in Asbestos-Related Diseases" by Atkins, Smith and Watson that was presented to the Institute of Actuaries' 6th Accident Compensation Seminar in December 1996, together with the observations of the authors regarding the apparent trends since that paper was written.

Trowbridge is currently in the process of finalising a paper that discusses our recent review of trends in asbestos-related disease claims. This review shows that the number of new mesothelioma claims during the 1990's has been worse than even the high end of projections from earlier papers. Evidence also suggests that the tail of claims being reported may be longer than previously thought. Some sources have even suggested that claims will continue to be reported as late as 2050.

We have supplemented the results of the review, which concentrated mainly on mesothelioma experience, with other information on the likely future pattern of non-mesothelioma claims.

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Based on all of the information available we make the following observations in relation to the likely future experience of asbestos-related claim lodgements against Hardie group companies:

- mesothelioma claim reports are likely to continue to be reported well past the last date assumed for our earlier draft advice on projected claims as at 31 March 2000;
- mesothelioma claim number reports are likely to be made at a higher rate than assumed for our previous advice;
- mesothelioma claim number reports Australia-wide may increase over the next 5 to 10 years before dropping off;
- asbestosis related claims are expected to drop off pretty quickly over the next ten years and then continue at a low level thereafter;
- lung cancer claim reports are expected to dry up about 5 to 10 years earlier than mesothelioma claims;
- there appears to be increasing pressure to compensate lung cancer sufferers based on exposure to asbestos rather than on evidence of asbestosis. A change in lung cancer criteria away from the Hans Weill theory, which requires lung cancer to be accompanied by asbestosis or a level of asbestos build up in the lung commensurate with asbestosis before a claim will be accepted, would raise the potential of significantly higher future claim numbers.

With these observations in mind, we have constructed two further projections of claim numbers. These are described in detail below.

(i) Best Estimate Basis

For mesothelioma claims we have assumed that claim numbers will follow the Berry Medium pattern proposed by the draft Trowbridge paper. This assumes that claim numbers will increase slightly over the next two years and then fall away gradually until 2040.

For non-mesothelioma claims we have assumed that claims will continue to be reported until 2035. We have allowed for the fact that the bulk (about 75%) of the non-mesothelioma claims reported to Hardies each year relate to asbestosis and that asbestosis claim numbers are expected to reduce quite rapidly. This projection gives claim numbers less than our original projection up to 2018 and greater thereafter.

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(ii) **High Basis**

For mesothelioma claims we have assumed that claim numbers will follow the Berry High pattern proposed by the draft Trowbridge paper. This assumes that claim numbers will increase over the next six years and then fall way gradually until 2040.

For non-mesothelioma claims we have assumed that claim numbers will follow the Berry Medium pattern proposed by the draft Trowbridge paper. This assumes that claim numbers will increase slightly over the next two years and then fall away gradually until 2040. This is a conservative approach considering that the bulk of Hardie's non-mesothelioma claims relate to asbestosis. However, in view of the potential for considerable increases in lung cancer claims, this basis is not unreasonable as a high basis.

For workers' compensation claims we have maintained the current basis due to lack of materiality.

The attached appendices provide the following information:

- Appendix A shows the projected cashflows over the period to 2020 for mesothelioma claims, non-mesothelioma claims and total claims (including workers' compensation claims) both gross and net of reinsurance recoveries. Three claim number projection scenarios are shown – current, best estimate and high. The cashflows are based on average claim sizes for mesothelioma and non-mesothelioma claims as assumed in our earlier work: we have not detected any trends that need to be built into the average cost assumptions.
- Appendix B illustrates these cashflows graphically.
- Appendix C gives the net present value of the cashflows over the next 10, 15 and 20 years based on discount rates of 7%, 8% and 9%.
- Appendix D illustrates the claim numbers projected for mesothelioma and non-mesothelioma claims for the "current" scenario and the two new scenarios.

Reliances and Limitations

This letter has been prepared for the use of Mr Roy Williams, Solicitor of Allen Allen & Hemsley in preparing advice in relation to the future management of asbestos-related claims by the directors and management of James Hardie Group companies. No part of the content may be disclosed to any other party, referred to or cited in any material without our prior written consent.

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While due care has been taken in preparation of the review Trowbridge Consulting accepts no responsibility for any action which may be taken based on its contents. The nature of the problem is such that experience could vary considerably from our estimates. Variations are normal and are to be expected.

The projections of future asbestos-related disease cases are based on epidemiological work that is subject to inherent uncertainty. In addition, the behaviour of potential claimants (the propensity to sue) is uncertain and the potential exposure will be heavily influenced by legal decisions that are impossible to predict. Our estimates are based on a continuation of the current environment regarding legal principles and settlement practices. We have also taken into account our understanding of insurance arrangements with various insurers and reinsurers in assessing the net liability for outstanding claims, and the eventual extent of these recoveries is also subject to uncertainty. Our estimates do not allow for the agreement that has been reached with QBE Insurance in relation to commutation of various covers, and so any such amounts can be deducted from our estimates in this letter.

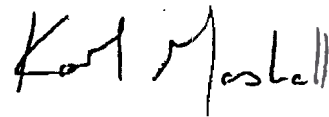
We have relied on the information supplied previously by Hardies for our investigations.

If you have any questions or need any clarification about the advice contained in this letter please contact Karl Marshall on (02) 9324 9154 or David Minty on (02) 9324 9047.

Yours sincerely,



David Minty
Fellow of the Institute of Actuaries of Australia



Karl Marshall
Fellow of the Faculty of Actuaries

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Cashflows on 3 bases for claim numbers

Amounts in AUS

Year	Meso - gross		Non-meso - gross		Total - gross		Recoveries - meso		Recoveries - non-meso						
	Current	Best Estimate High	Current	Best Estimate High	Current	Best Estimate High	Current	Best Estimate High	Current	Best Estimate High					
2001	18,255,970	19,347,785	16,453,739	6,275,804	6,251,212	6,252,177	25,307,966	25,372,555	23,484,474	2,274,425	2,285,386	2,299,308	781,083	778,858	779,012
2002	19,147,326	19,334,361	19,625,292	5,901,946	5,812,991	5,821,047	25,865,509	25,974,769	26,269,756	2,387,325	2,411,559	2,447,582	735,866	724,900	725,970
2003	19,726,720	19,985,453	20,471,847	6,146,023	6,016,743	6,036,322	26,593,317	26,735,713	27,241,687	2,459,382	2,497,227	2,533,241	766,241	750,300	752,848
2004	20,663,449	20,944,732	21,635,886	6,428,144	6,322,378	6,351,214	27,767,148	27,962,213	28,702,203	2,576,194	2,611,804	2,701,012	801,422	788,399	792,150
2005	21,378,607	21,627,656	22,590,790	6,932,355	6,897,532	6,927,254	29,003,047	29,243,567	30,236,423	2,664,580	2,695,937	2,816,763	864,020	859,793	863,734
2006	22,459,480	22,606,566	23,845,536	7,281,982	7,288,593	7,369,030	30,374,375	30,560,711	31,880,121	2,799,300	2,817,744	2,973,054	907,610	908,470	916,768
2007	22,671,933	22,920,701	24,460,955	7,417,462	7,416,733	7,621,918	30,647,786	30,936,739	32,682,158	2,825,596	2,856,826	3,049,609	924,437	924,421	930,244
2008	22,629,290	23,351,143	23,216,877	7,618,842	7,594,020	7,969,207	30,817,901	31,559,726	33,810,647	2,819,704	2,910,399	3,143,543	949,339	945,244	993,444
2009	22,554,736	23,886,786	26,103,651	7,877,781	7,772,360	8,374,087	31,007,604	32,307,693	35,126,284	2,809,661	2,977,121	3,253,745	981,341	968,705	1,043,806
2010	22,402,323	24,361,203	26,950,066	7,934,486	7,719,980	8,576,667	30,911,988	32,752,182	36,197,730	2,790,387	3,036,816	3,359,436	980,303	962,356	1,069,117
2011	22,135,157	24,736,622	27,719,282	7,975,883	7,616,119	8,777,792	30,681,289	33,044,398	37,188,731	2,736,757	3,084,233	3,455,444	993,333	949,600	1,094,226
2012	21,755,469	23,000,409	26,399,643	7,981,587	7,451,326	8,946,111	30,297,642	33,161,979	38,055,999	2,709,103	3,117,815	3,540,387	993,908	929,259	1,119,250
2013	21,766,852	25,136,928	26,978,519	7,912,798	7,272,951	9,077,272	29,727,110	33,086,379	38,782,244	2,647,977	3,135,861	3,612,693	985,238	901,000	1,131,645
2014	20,666,952	23,063,159	29,290,777	7,748,124	6,928,457	9,158,934	28,947,462	32,739,573	39,177,669	2,573,134	3,122,703	3,650,411	964,678	864,484	1,141,837
2015	19,953,927	23,008,940	29,467,701	7,487,663	6,581,483	9,205,264	27,956,822	32,315,961	39,418,503	2,484,341	3,121,482	3,673,749	932,243	818,969	1,147,673
2016	19,134,618	24,718,911	29,538,607	7,154,794	6,182,951	9,204,513	26,785,266	31,651,701	39,512,959	2,382,398	3,086,196	3,685,163	890,824	771,952	1,147,555
2017	18,217,839	24,190,892	29,435,140	6,733,845	5,810,846	9,142,489	25,425,783	30,751,016	39,326,908	2,264,451	3,021,014	3,669,835	838,486	725,672	1,139,843
2018	17,197,102	23,557,634	29,246,906	6,213,296	5,434,786	9,021,261	23,860,310	29,738,020	39,013,768	2,141,718	2,942,633	3,646,542	773,801	678,870	1,124,783
2019	16,065,557	22,849,333	28,972,759	5,618,296	5,042,553	8,853,791	22,106,677	28,630,767	38,565,432	2,001,281	2,854,885	3,082,711	699,869	630,036	942,046
2020	14,813,973	21,804,752	28,457,576	4,939,568	4,634,383	8,621,880	20,148,498	27,167,389	37,807,709	1,846,262	2,724,945	3,015,129	615,534	579,160	913,503

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C O N S U L T I N G

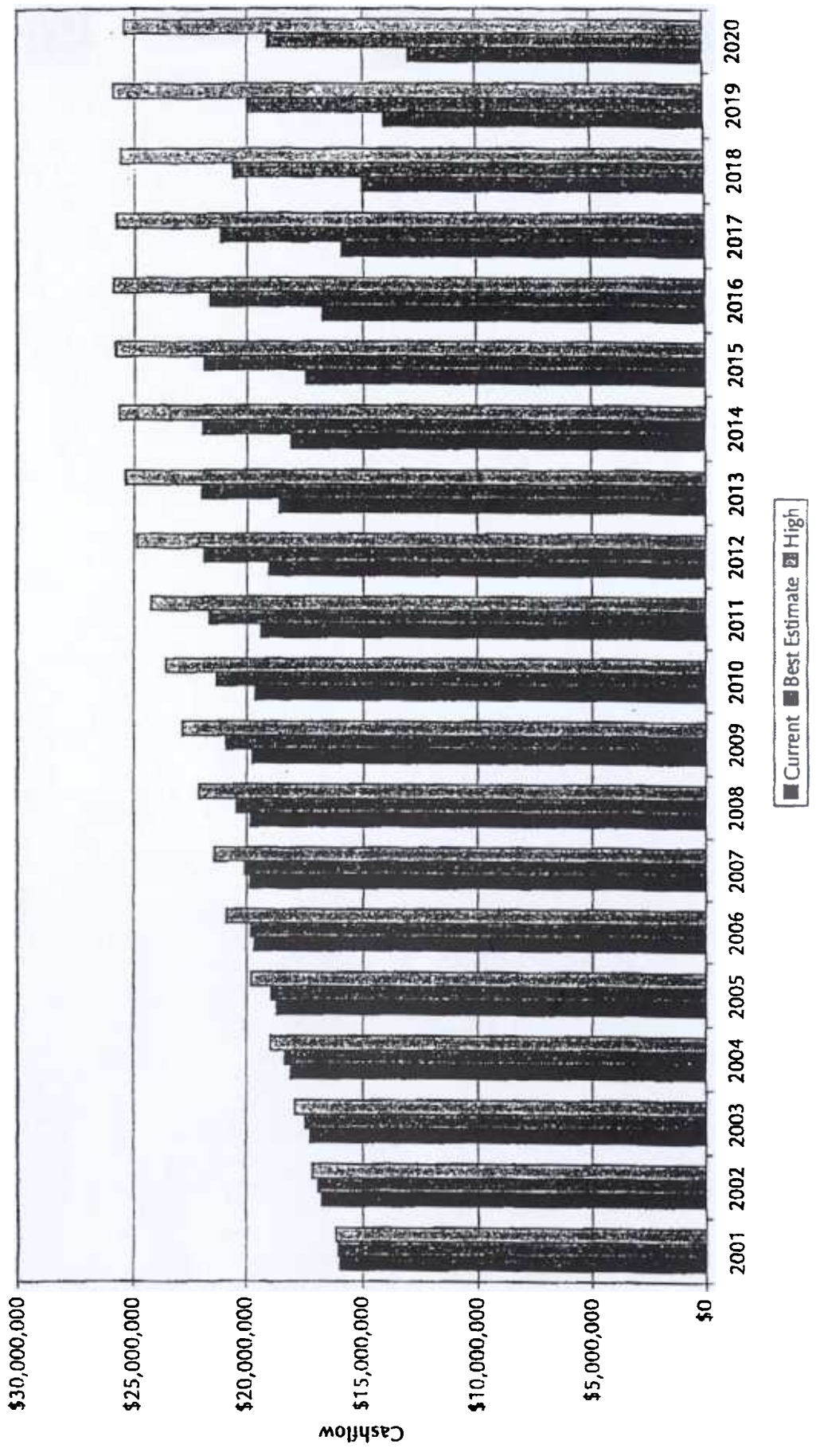
Cashflows on 3 bases for claim numbers

Amounts in A\$US

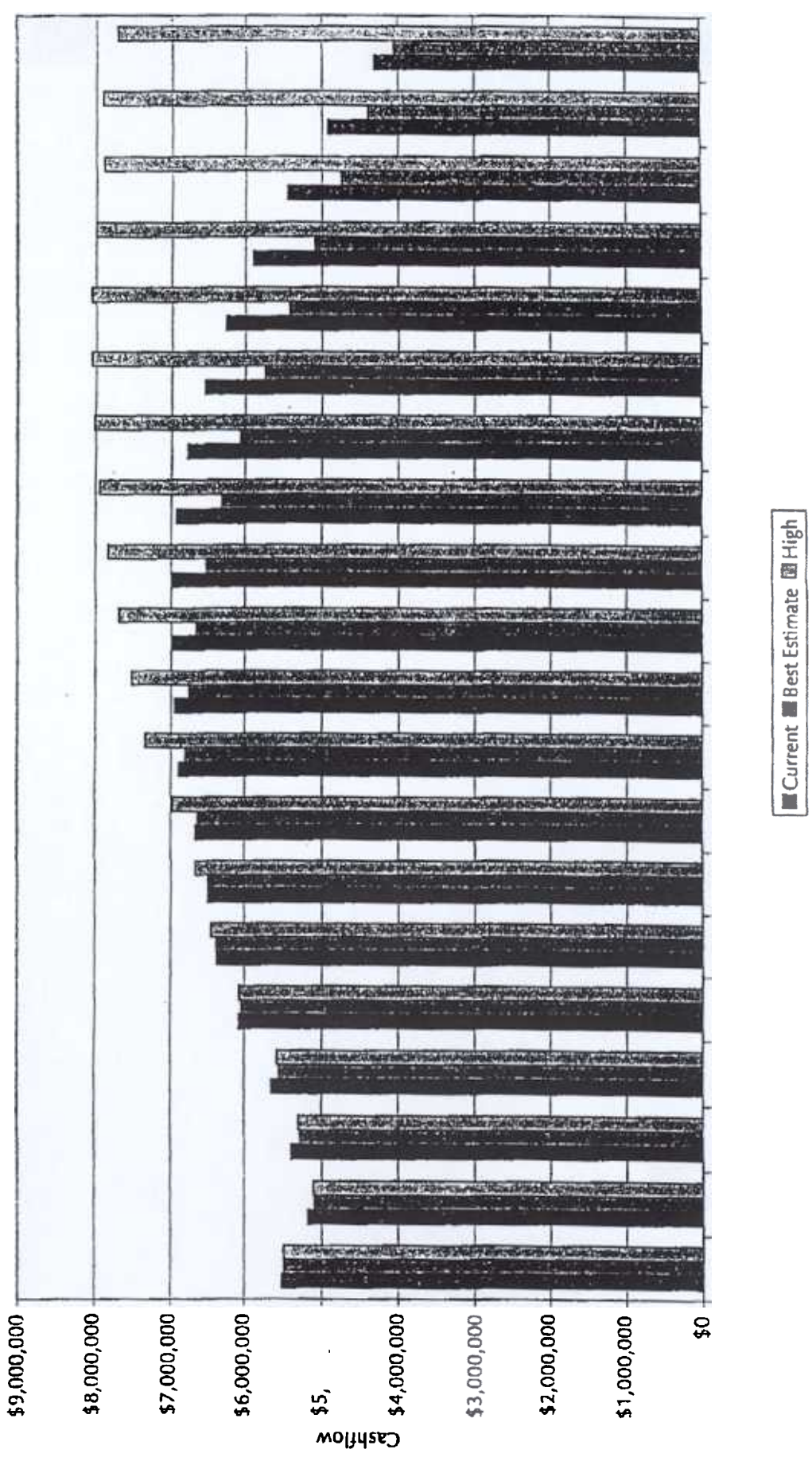
Year	Undiscounted			Total - net			Meso - net			Discouned			Total - net					
	Current	Best Estimate	High	Current	Best Estimate	High	Current	Best Estimate	High	Current	Best Estimate	High	Current	Best Estimate	High			
2001	15,981,544	16,057,398	16,154,431	5,494,001	5,473,354	5,473,165	22,251,658	22,308,311	22,406,154	15,449,942	15,523,274	15,617,078	5,311,251	5,290,324	5,291,100	21,511,490	21,566,258	21,660,847
2002	16,760,001	16,926,802	17,177,731	5,166,080	5,088,092	5,095,077	22,742,319	22,838,310	23,096,224	15,142,528	15,293,231	15,519,943	4,687,513	4,597,050	4,603,361	20,547,504	20,634,232	20,867,755
2003	17,267,338	17,491,226	17,918,606	5,379,782	5,266,442	5,283,474	23,367,693	23,493,186	23,935,598	14,580,282	14,771,019	15,130,204	4,542,608	4,446,905	4,461,287	19,731,332	19,837,296	20,210,862
2004	18,087,255	18,332,928	18,954,874	5,626,722	5,533,979	5,559,085	24,389,532	24,562,010	25,209,041	14,273,466	14,467,337	14,958,143	4,440,299	4,387,112	4,396,908	19,746,876	19,882,986	19,993,588
2005	18,714,026	18,931,719	19,774,027	6,068,234	6,037,739	6,063,520	25,474,447	25,687,837	26,555,926	13,801,943	13,952,495	14,583,713	4,475,436	4,432,945	4,471,959	18,787,880	18,945,258	19,585,490
2006	19,660,180	19,788,821	20,872,484	6,374,372	6,380,123	6,450,262	26,667,465	26,834,497	27,988,299	13,551,168	13,639,836	14,386,772	4,393,662	4,445,970	4,445,970	18,381,077	18,496,207	19,291,488
2007	19,846,334	20,063,875	21,411,346	6,493,026	6,492,333	6,671,674	26,897,751	27,153,493	28,682,305	12,784,559	12,924,694	13,792,704	4,183,660	4,182,214	4,297,741	17,326,922	17,492,953	18,476,491
2008	19,809,596	20,440,744	22,073,334	6,669,503	6,638,776	6,975,763	27,048,858	27,704,082	29,673,661	11,976,062	12,306,041	13,288,977	4,015,273	3,996,775	4,199,653	16,284,357	16,678,825	17,864,579
2009	19,745,075	20,909,665	22,849,905	6,896,439	6,803,655	7,330,281	27,216,602	28,361,866	30,828,732	11,109,555	11,764,811	12,856,486	3,880,278	3,828,073	4,124,378	15,313,406	15,957,708	17,145,769
2010	19,611,936	21,324,389	23,590,628	6,946,183	6,757,623	7,507,549	27,133,297	28,753,010	31,769,175	10,312,752	11,213,229	12,404,910	3,652,585	3,533,433	3,947,774	14,267,789	15,119,500	16,705,522
2011	19,378,400	21,652,389	24,263,838	6,947,551	6,666,519	7,683,565	26,931,199	29,010,566	32,639,061	9,523,317	10,640,846	11,924,216	3,431,304	3,276,193	3,776,010	13,235,084	14,256,947	16,040,134
2012	19,046,366	21,883,593	24,859,256	6,987,879	6,522,067	7,830,862	26,594,630	29,114,904	33,400,361	8,747,797	10,050,446	11,417,596	3,209,368	2,995,517	3,596,633	12,214,635	13,372,171	15,940,514
2013	18,618,876	22,003,065	25,365,826	6,927,560	6,321,951	7,945,627	26,093,895	29,031,468	34,037,905	7,992,014	9,444,652	10,888,092	2,973,604	2,713,650	3,410,601	11,200,610	12,470,127	14,610,514
2014	18,093,818	21,935,956	25,630,366	6,783,446	6,063,973	8,017,097	25,409,650	28,737,886	34,385,420	7,258,539	8,799,856	10,281,910	2,721,256	2,432,631	3,216,149	10,193,368	11,528,527	13,794,099
2015	17,469,586	21,887,458	25,793,952	6,555,420	5,742,513	8,057,640	24,540,237	26,375,511	34,597,131	6,549,646	8,205,982	9,670,593	2,457,739	2,132,968	3,020,947	9,200,554	10,638,463	12,971,055
2016	16,572,220	21,632,713	25,873,444	6,263,970	5,410,999	8,056,958	23,512,043	27,793,551	34,680,241	5,869,807	7,579,882	9,065,791	2,194,831	1,895,959	2,823,076	8,238,380	9,738,576	12,151,603
2017	15,949,388	21,169,878	25,765,305	5,895,359	5,085,174	8,002,646	22,318,846	27,004,330	34,517,228	5,222,900	6,932,439	8,437,190	1,930,536	1,665,227	2,620,603	7,308,688	8,843,079	11,303,257
2018	15,055,383	20,615,001	25,600,364	5,439,493	4,755,916	7,896,479	20,944,691	26,116,517	34,242,443	4,607,610	6,309,098	7,834,638	1,664,725	1,455,520	2,416,670	6,409,997	7,992,604	10,479,695
2019	14,064,276	19,994,447	25,890,047	4,918,427	4,413,517	7,911,745	19,405,527	25,145,846	34,540,874	4,022,699	5,718,861	7,405,135	1,406,781	1,262,079	2,262,937	5,550,416	7,192,276	9,879,408
2020	12,969,711	19,079,808	25,442,447	4,324,034	4,055,223	7,708,377	17,686,701	23,863,284	33,879,077	3,466,942	5,100,237	6,801,038	1,153,861	1,084,005	2,060,532	4,727,844	6,378,911	9,056,240

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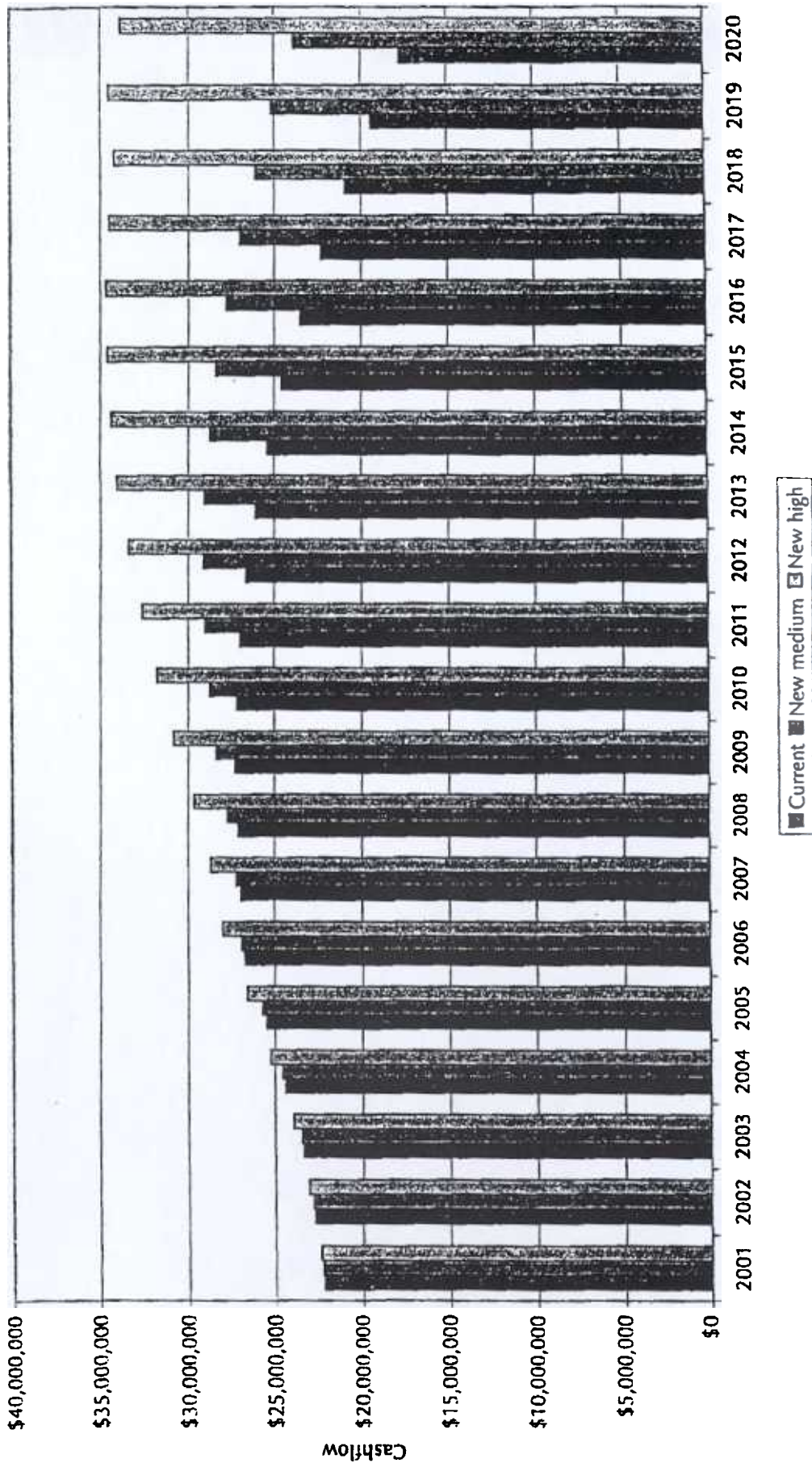
Projected undiscounted net cashflows to 30 June 2020 - mesothelioma general liability claims



Projected general liability claims



Projected undiscounted net cashflows to 30 June 2020 - Total claims



Current
 New medium
 New high

James Hardies Industries Limited

Discounted asbestos liabilities over next 10, 15 and 20 years

Discount Rate	7%			Net non-meso - general liability			Total - net (inc WC)		
	Net meso - general liability	Net non-meso - general liability		Current	Medium	High	Current	Medium	High
10 years	132,932,258	135,865,969	142,538,871	43,561,565	43,112,455	44,230,141	181,398,631	184,111,303	191,901,091
15 years	173,003,570	183,007,751	196,721,279	58,355,034	56,683,414	61,250,481	237,442,862	246,377,538	264,658,133
20 years	196,193,528	214,648,266	236,265,370	66,707,768	64,046,202	73,434,298	269,678,188	286,523,135	317,528,334

Undiscounted asbestos liabilities over next 10, 15 and 20 years

Period	Net meso - general liability			Net non-meso - general liability			Total - net (inc WC)		
	Current	Medium	High	Current	Medium	High	Current	Medium	High
10 years	211,889,833	217,365,387	229,374,642	69,814,806	69,082,562	71,298,922	288,296,642	293,405,868	307,631,484
15 years	317,668,190	342,313,443	373,220,565	108,920,861	104,862,897	116,464,296	435,906,966	457,746,109	500,254,629
20 years	403,099,279	459,434,965	518,891,553	139,580,660	131,968,416	161,308,230	554,233,398	605,685,002	694,481,404

James Hardies Industries Limited

Discounted asbestos liabilities over next 10, 15 and 20 years

Discount Rate	8%			Net non-meso - general liability			Total - net (inc WC)		
	Period	Current	Medium	High	Current	Medium	High	Current	Medium
10 years	127,345,943	130,099,011	136,382,055	41,703,023	42,313,031	43,771,490	173,771,921	177,349,134	185,090,637
15 years	163,083,148	172,129,731	184,673,187	54,893,861	57,484,116	60,781,009	223,751,837	235,935,270	251,775,618
20 years	182,838,424	199,122,779	218,375,550	62,012,930	67,797,168	73,240,311	251,216,169	274,213,482	298,909,398

Undiscounted asbestos liabilities over next 10, 15 and 20 years

Period	Net meso - general liability			Net non-meso - general liability			Total - net (inc WC)		
	Current	Medium	High	Current	Medium	High	Current	Medium	High
10 years	211,889,833	217,365,387	229,374,642	69,814,806	71,298,922	74,164,314	288,296,642	295,622,229	310,496,876
15 years	317,668,190	342,313,443	373,220,565	108,920,861	116,464,296	124,902,475	435,906,966	469,347,507	508,692,808
20 years	403,099,279	459,434,965	518,891,553	139,580,660	161,308,230	178,827,688	554,233,398	635,024,815	712,000,862

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James Hardies Industries Limited

Discounted asbestos liabilities over next 10, 15 and 20 years

Discount Rate	9%			Net non-meso - general liability			Total - net (inc WC)		
	Current	Medium	High	Current	Medium	High	Current	Medium	High
10 years	122,125,448	124,709,226	130,630,170	39,967,761	40,522,305	41,891,752	166,645,651	169,985,245	177,275,637
15 years	154,036,315	162,220,522	173,718,556	51,743,995	54,059,769	57,066,174	211,271,997	222,269,113	236,773,551
20 years	170,893,290	185,239,178	202,445,167	57,821,535	62,852,054	67,684,154	234,709,891	254,908,712	276,946,800

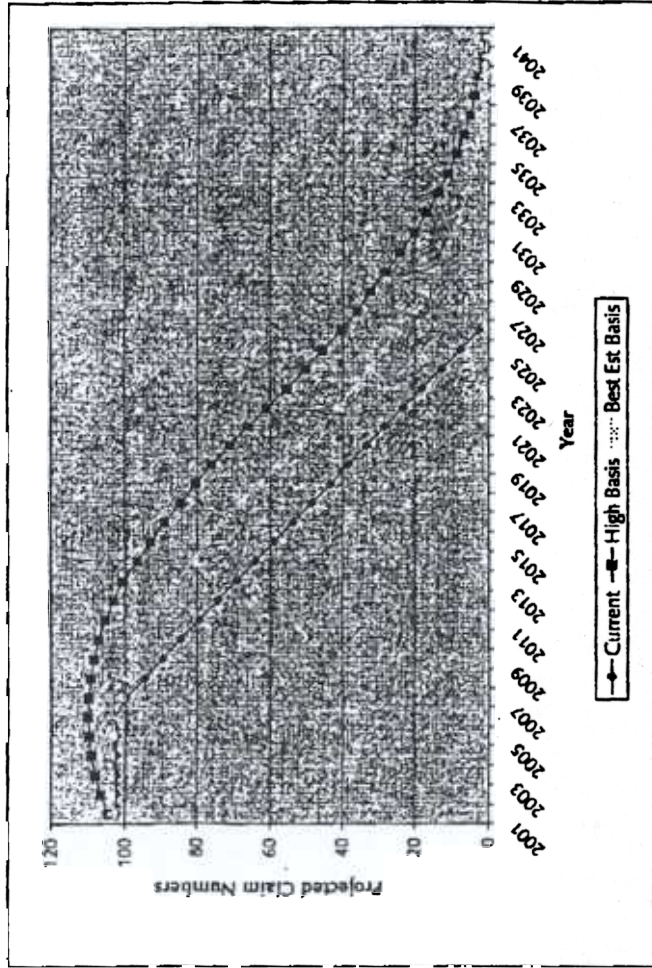
Undiscounted asbestos liabilities over next 10, 15 and 20 years

Period	Net meso - general liability			Net non-meso - general liability			Total - net (inc WC)		
	Current	Medium	High	Current	Medium	High	Current	Medium	High
10 years	211,889,833	217,365,387	229,374,642	69,814,806	71,298,922	74,164,314	288,296,642	295,622,229	310,496,876
15 years	317,668,190	342,313,443	373,220,565	108,920,861	116,464,296	124,902,475	435,906,966	469,347,507	508,692,808
20 years	403,099,279	459,434,965	518,891,553	139,580,660	161,308,230	178,827,688	554,233,398	635,024,815	712,000,862

Projected mean numbers

Year	Current	Estimate B	High Basis
2001	102	103	105
2002	102	104	106
2003	102	104	108
2004	102	104	109
2005	102	103	110
2006	102	103	110
2007	100	101	110
2008	95	100	109
2009	90	98	108
2010	84	95	107
2011	79	92	105
2012	74	89	103
2013	69	86	101
2014	64	81	97
2015	59	76	93
2016	54	73	89
2017	49	68	84
2018	43	63	80
2019	38	58	76
2020	33	52	71
2021	28	47	66
2022	23	41	61
2023	18	37	56
2024	13	32	50
2025	8	26	46
2026	3	25	41
2027		21	36
2028		17	32
2029		14	28
2030		12	24
2031		9	20
2032		8	17
2033		6	14
2034		5	11
2035		3	9
2036		3	7
2037		2	5
2038		1	4
2039		1	3
2040		1	2
2041		0	1

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Projected non-mesa numbers

Year	Current	Best Est	High Basis
2001	72	70	70
2002	74	70	71
2003	72	70	71
2004	70	70	71
2005	67	70	70
2006	65	66	70
2007	63	63	69
2008	60	59	68
2009	58	55	66
2010	56	51	65
2011	53	47	63
2012	51	42	61
2013	46	38	58
2014	41	34	55
2015	36	29	53
2016	31	26	50
2017	26	24	46
2018	20	21	43
2019	15	18	39
2020	10	15	35
2021	5	13	32
2022	0	12	28
2023	0	10	25
2024	0	8	22
2025	0	6	19
2026	0	6	17
2027		5	14
2028		4	12
2029		4	10
2030		3	8
2031		3	6
2032		2	5
2033		1	4
2034		1	3
2035		0	2
2036		0	2
2037		0	1
2038		0	1
2039		0	1
2040		0	0
2041		0	0

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