



The Managers Thomas Miller Defence Ltd, International House, 26 Creechurch Lane, London EC3A 5BA  
Tel +44 207 283 4646 Telex 885271 Mutual G Fax +44 207 283 5614 Website [www.ukdefence.com](http://www.ukdefence.com)

**TO THE MEMBERS**

**Ref: 2007/3**

**August, 2007**

Dear Sirs,

### **AMENDMENTS TO THE ASSOCIATION'S RULES**

At their June, 2007 meeting, the Directors reviewed a number of proposed amendments to the Association's Rules.

As reported in the Chairman's statement in the 2007 Report & Accounts, there have been on-going discussions with the Association's Regulator in the United Kingdom, the Financial Services Authority ("FSA"), relating to the classification of the Association's cover. Historically the cover has been classified as "marine insurance." It has however, been agreed with the FSA that the cover should be reclassified from 20th February, 2008 from "marine insurance" to "legal expenses insurance." This reflects that the cover is primarily aimed at reimbursing Members for legal and other associated costs incurred in advancing or defending disputes, albeit that the disputes themselves concern those solely arising from ship operation. The proposed Rule amendments are principally driven by this reclassification of the cover.

The reclassification of the Association's cover does result in the inclusion in the Association's Rules, of an element of cover that is not subject to a review by the Directors or the Managers. The proposal is that a defined amount of qualifying cover, not exceeding US\$10,000 would be available to Members, at the inception of any given dispute to enable investigative and other associated work to be undertaken. For costs in excess of that amount the Association's cover would operate as has historically been the case.

The proposed alteration to the classification of the Association's cover may have an impact upon certain European based Members, as the premium which is paid to the Association may be subject to insurance premium tax in those jurisdictions. The effect of such tax changes is not yet known but, as a Mutual, the Directors of the Association are committed to minimising this for those Members who may be so affected.

The Directors also propose that in conjunction with the change to the Association's cover as outlined above, a maximum single claim limit of US\$15 million be introduced into the Association's Rules. This claim limit would reflect the nature of the cover provided and is in keeping with the industry generally. The proposed maximum single claim limit of US\$15 million is set at a level in excess of or comparable with any claim limit provided by any of the Association's competitors.

Yours faithfully,

**THOMAS MILLER DEFENCE LTD**

Managers