

TO THE MEMBERS

Ref: 2008/6

February, 2009

Dear Sirs,

CLAIMS REPORTING REQUIREMENTS

From time to time the Managers have issued circulars highlighting certain obligations set out in the Association's Rules with regard to claims and the notification of such claims to the Managers. In the current claims environment it is appropriate to summarise some of these requirements for future reference.

The Managers wish to emphasise that the purpose of these requirements is to achieve the most appropriate outcomes for Members' claims and to ensure the effective use of the Association's resources.

Notification of Claims

Rule 4 (I) (i) requires Members to give prompt notification to the Managers of any matter which may give rise to a claim on the Association. This obligation applies even if it is anticipated that a dispute may be settled amicably. Not only does prompt notice ensure compliance with the Rules, it also affords the Managers the opportunity to offer advice on any claim.

Appointment of Lawyers

Under Rule 26 of the Association's Rules Members should consult the Managers before a lawyer or surveyor or other professional advisor is instructed in any matter which may form a claim on the Association. The Managers recognise that on occasion this may not be possible and in these circumstances notification should be made to the Managers as soon as possible after any such appointment. In many cases the Managers can offer their considerable experience in claims matters by providing advice and assistance in resolving claims, without the need for external advice.

The Managers' Value for Money programme ('VfM') is also an integral part of the Association's strategy to achieve greater levels of value from service providers. As part of this VfM programme a number of UK based law firms have been appointed Preferred Legal Partners and Approved Suppliers. Details of these appointments and the VfM programme can be found on the Association's website; www.ukdefence.com or by speaking to your Account Manager or Area Group contact.

Where the involvement of lawyers is unavoidable, the Managers will, wherever possible, respect a Member's choice of lawyer, provided that lawyer is suitably qualified for the matter in question.

Information and Consultation

Under Rule 4 (I) (ii) of the Association's Rules, Members should ensure that the Managers are kept closely involved in the progress of a matter, whether or not lawyers have been instructed. In particular, the Managers should receive, contemporaneously with developments in the case, copies of all documentation and correspondence which is relevant to the conduct of the matter. Where lawyers have been appointed, this is often best achieved by ensuring that the Managers are copied into all correspondence with those lawyers.

The Managers should also always be consulted before any decisions are taken which are likely to impact on the future conduct or the costs of a case.

Settlement

Under Rule 4 (I) (iv) Members are required to seek prior approval from the Managers before settling or compromising any claim or dispute which has been pursued or defended with the support of the Association. In particular, Members should ensure that any requirement of the Managers to make provision in any settlement agreement for costs or expenses which have been incurred by the Association is complied with.

In some cases, the terms of any settlement or compromise will include a specific provision for the recovery of costs. However, where a settlement is proposed which contemplates the payment of an "inclusive" sum, without specific reference to the recovery of costs, and a costs recovery might otherwise have been expected, then the Managers should be consulted over the proportion of the settlement which may properly be attributable to costs before the settlement is concluded.

Payment of Fees

In most cases, where a claim has the support of the Association, fees will be met by the Association directly. However, where this is not the case, Members should seek the Managers' approval before paying any fees which may subsequently form a claim on the Association.

Yours faithfully,

THOMAS MILLER DEFENCE LTD

Managers