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TO THE MEMBERS

Ref: 2009/04

11th November, 2009

Dear Member,

THE ASSOCIATION'S CALL FOR THE YEAR 20TH FEBRUARY, 2010/11

The Directors of the Association met on 5th November to consider, amongst other matters, the Association's premium requirements for the 2010/11 policy year.

The Directors recognise that the effects of the financial crisis in 2008 continue to have a significant impact on Members and their business activities. Freight rates remain adversely affected as is business confidence. From the Association's perspective there has been a significant rise in maritime litigation and the cost of that litigation in the past two years. It is clear that Members are increasingly involved in complex litigation arising from a wide variety of disputes, including early redeliveries, off-hire and sale and purchase disputes. At the same time, disputes concerning newbuilding contracts and refund guarantees are becoming more prevalent. It is at a time such as this that the benefits of FD&D cover of the Association become ever more relevant.

The Directors place great store in the advice and assistance provided to Members by legal and other suppliers. The costs of maritime litigation has however increased significantly over the past few years and the Directors remain committed to the goals that underpin the Managers' Value for Money programme.

The Association continues to remain well placed to deal with this increase in claims. As the leading independent provider of FD&D cover to the maritime industry, the Association has consolidated its financial position over a number of years in order to withstand a significant rise in claims and in order to continue to meet solvency and regulatory requirements going into the future.

Having taken all of the above into account, the Board decided that there should be a General Increase of 5% in the coming year. As in previous years the Association's

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General Increase will be applied to each Member's current rating and, if appropriate, a further underwriting adjustment will be made to take account of the individual Member's loss record and other relevant underwriting factors.

It will also be recalled that, following the changes in the Association's cover which took effect from 20th February, 2008, the Directors agreed that, for those EEA based Members who might be affected the Association would meet any costs of Insurance Premium Tax ("IPT"). Given the current market conditions, the Directors have agreed that for the 2010/11 policy year the Association will continue to meet this IPT cost. However, the Directors have agreed that they will review at a future meeting of the Board whether it remains mutually appropriate to meet this cost beyond the 2010 policy year.

Yours faithfully

THOMAS MILLER DEFENCE LTD

Managers