

UK Defence Club

Regulatory and Rule Changes from 20th February, 2008

Members will be aware that as from 20th February, 2008 the cover offered by the Association will be reclassified from Class 12 Marine insurance to Class 17 Legal Expenses insurance. This change has been the result of ongoing discussions with the Association's regulator, the FSA. A number of changes will result from this reclassification, although the intention has been that the changes should have no material impact upon the Members or the day to day operation of the business.

The following provides answers to a number of questions that have been raised about the changes;

Why has the Association's cover changed from Class 12 Marine insurance to Class 17 Legal Expenses insurance?

The change is as a result of discussions with the FSA concerning the underlying nature of the cover provided by the Association. Although the cover has been regulated as Marine insurance for a number of years, on reviewing this the FSA considered that the cover was more appropriately viewed as Legal Expenses insurance.

Will there be any Rule changes as a result of this reclassification?

Yes. As a result of this reclassification from 20th February, 2008 the Association's Rules will include an element of mandatory cover. This will be in an amount not exceeding \$10,000 and will apply to all claims that are capable of being covered.

In addition and given the nature of the cover being offered a maximum single claim limit of US\$15 million will be introduced. This is at the highest level of any limit of the Association's competitors.



UK Defence Club Regulatory and Rule Changes from 20th February, 2008

Will the mandatory element of cover change how claims are handled?

There should be no real change to the way that claims are handled. The mandatory element of cover essentially formalises current practice whereby the Managers generally commit the Association to a degree of investigative costs to enable the merits of any claim to be properly assessed.

Are there any exceptions to the mandatory element of cover?

There will be two stated exceptions; where there is evidence of fraud or a wilful non-payment of a debt by a Member. Notwithstanding the mandatory cover, claims must continue to meet the pre-requisites of cover as set out in the existing Rules.

How will the mandatory element of cover work with any applicable deductibles?

The mandatory element of cover will apply in addition to any deductible that may have been individually agreed by Members as part of their terms of entry.

Are there any other issues that Members should be aware of?

The changes to the Association's cover mean that insurance premium tax may be levied on premiums due to the Association from European Members. It has been agreed that for the 2008/9 policy year the Association will meet any IPT that may now become due. The Directors will review the position on IPT for future years in due course.