

**AUGUST 24, 2001**

**CIRCULAR NO. 10/01**

**TO MEMBERS OF THE ASSOCIATION**

**Dear Member:**

**THE PROVISION OF CLUB GUARANTEES AND OTHER FORMS  
OF SECURITY: COUNTER-SECURITY FROM MEMBERS**

A valuable element of Club service is the provision of security to obtain the release, or prevent the arrest, of entered vessels. This service is not provided as of right, but rather as a discretionary power which the Club may exercise in favor of a Member subject to certain conditions.

The most important condition is that the claim giving rise to the security demand is one which properly falls within the scope of cover. Another important condition is that no delinquencies should exist in the Member's financial obligations to the Club.

In addition, most Clubs have a Rule making the provision of security subject to the supply of counter-security from the Member or such other party as the Club may in its absolute discretion require. It is ordinary practice to seek the Member's own undertaking to the Club where it is being asked to provide security to a third party on its Member's behalf. Such counter-security from the Member is designed to hold the Club harmless in respect of payments for any uninsured claims it may be obliged to make including, but not limited to, deductibles or liabilities not covered under Club Rules.

In order to streamline the provision of Club letters of undertaking and other forms of guarantee on behalf of Members, the attached standard letter of counter-security has been devised to provide a 'blanket' wording capable of being used in multiple cases. Possession by the Club of this general document will obviate the need to seek specific letters from Members in individual cases.

Members are therefore requested to have the attached wording typed on their official headed paper, signed by an appropriately authorized person, and returned to the Managers for safe keeping. It should be noted, however, that submission of this document does not limit the Club's prerogative to provide security purely as a matter of its own discretion, or its right to refuse to do so where other conditions have not been fulfilled (for example, the payment of premium). Moreover, the Club retains the right to demand that additional counter-security be made available from such other parties as it may require in individual cases – for example, from hull underwriters or their brokers in cases of collision where part of the liability may be covered under the hull policies.

Should Members require further explanation or assistance in regard to the above, the Managers will, as always, be pleased to respond.

Yours faithfully,

Joseph E.M. Hughes, Chairman & CEO  
Shipowners Claims Bureau, Inc., Managers for  
**THE AMERICAN CLUB**

Attachment  
IGA/CIRCULAR10.01

**(MEMBER'S OFFICIAL HEADED NOTEPAPER)**

**To: American Steamship Owners Mutual Protection  
& Indemnity Association, Inc.  
c/o Shipowners Claims Bureau, Inc., Managers  
60 Broad Street – 37<sup>th</sup> Floor  
New York, New York 10004  
U.S.A.**

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Dear Sirs:

**In consideration of** your providing from time to time, in your absolute discretion, security to obtain the release of vessels owned and/or operated and/or managed by ourselves from arrest, or from the threat of arrest, in respect of claims falling within the scope of the cover afforded by the entry of such vessel or vessels in the Association, **we hereby undertake** to indemnify you and to hold you harmless against all costs, expenses and liabilities which you may incur as a result of providing such guarantees and/or bail and/or other security, as may be in excess of the amounts which the Association, under its Rules, may be liable to pay, or to contribute in respect of, the claims for which the guarantees and/or bail and/or other security may have been given, including, but not limited to, the deductibles applicable under the terms or entry of such vessel or vessels in the Association at the relevant time.

**And, furthermore,** we hereby irrevocably grant you authority to act on our behalf and to prosecute, defend and/or settle any claim or proceedings against us (and to bring any claim or proceedings in our name and on our behalf against any third party) in your absolute discretion in respect of the claim for which security of any kind, including, but not limited to, letters of indemnity, bank guarantees, bonds or cash deposits, has been provided on our behalf.

Yours faithfully,

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**(AUTHORIZED SIGNATORY – Person & Officer Title)**