AMERICAN STEAMSHIP OWNERS MUTUAL PROTECTION AND INDEMNITY ASSOCIATION, INC.

THE AMERICAN CLUB

SHIPOWNERS CLAIMS BUREAU, INC., MANAGER
ONE BATTERY PARK PLAZA - 31ST FLOOR NEW YORK, NEW YORK 10004 USA
TEL: +1.212.847.4500 FAX: +1.212.847.4599 WEB: WWW.AMERICAN-CLUB.COM

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TO MEMBERS OF THE ASSOCIATION

Dear Member:

PAPERLESS TRADING: ELECTRONIC SHIPPING SOLUTIONS (ESS)

Paperless trading has been the subject of three Club circulars in recent years – Circular No. 21/98 of December 1, 1998, Circular No. 11/99 of September 3, 1999 and Circular No. 9/02 of May 22, 2002. These were issued in conjunction with the development of Bolero, a scheme designed to replace bills of lading and other paper documentation in international trade by electronic communications.

As a result, and as described in the circulars mentioned above, a paperless trading endorsement was introduced by all International Group clubs for the 1999 policy year. The terms of that endorsement are now incorporated in the Club's Rules as Class I, Rule 3, Section 2.19 set out on page 72 of the current Rule Book.

The effect of the Rule is to exclude liabilities which arise under paperless trading systems such as Bolero which would not arise under conventional arrangements involving paper documentation. However, the Club is able to provide cover for those liabilities which would have arisen if shipments had been made on the basis of traditional documentation.

Members should be aware that the International Group has continued to maintain market insurance, available for Members who participate in Bolero, providing cover for P & I liabilities excluded from normal Club cover by the relevant Rule. This cover is now also available, on the same terms, for Members who participate in the Electronic Shipping Solutions (ESS) paperless system which operates in a broadly similar way to the Bolero scheme. The cover is available upon declaration to the Managers. Members wishing to avail themselves of the cover should advise the Managers before commencing the use of either Bolero or ESS. Full details of Bolero and ESS are available from their websites at **www.bolero.net** and **www.essdocs.com**, respectively.

Members should also be aware that the paperless trading exclusion mentioned above is widely drafted and will, for example, apply to liabilities (other than those that would in any event have arisen under a conventional paper system) arising from a document containing or evidencing a contract of carriage (e.g. a bill of lading) which is created or transmitted under a paperless system.

The International Group has examined the practice of a carrier electronically transmitting a bill of lading to a shipper, who is then expected to print it, and felt that this practice did not constitute use of a paperless system within the scope of the paperless trading exclusion. Nevertheless, Members who are involved in the electronic transmission of bills of lading are recommended to advise the Managers so that they can check that their P & I cover is not prejudiced.

As always, your Managers will be pleased to answer any inquiries members may have both as to the above, and generally.

Yours faithfully,

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