



**JULY 18, 2017**

**CIRCULAR NO. 21/17**

**TO MEMBERS OF THE ASSOCIATION**

**Dear Member:**

**AMERICAN CLUB TO PROVIDE COMPLIMENTARY CORPORATE DUE DILIGENCE INVESTIGATIONS FOR CLASS I AND CLASS II MEMBERS – *KNOWING YOUR CONTRACT PARTNER***

The shipping industry continues to endure considerable economic stress. In this difficult climate, vessel operators are sometimes exposed to the financial failure of their business counterparties. Recent examples include the OW Bunkers collapse and the bankruptcy of Hanjin Shipping. Increased sanctions regulation is also adding to the challenges facing vessel owners and operators trading worldwide. And cyber fraud in the form of bogus charterers, shippers and agents represents another growing threat to the industry.

Information which assists operators in making more insightful commercial decisions will tend to reduce the prospect of their experiencing counterparty financial failure, being exposed to sanctions penalties or suffering the consequences of cyber fraud. Indeed, knowing one's contract partner is a key imperative of modern enterprise risk management.

As a further enhancement of Club service, your Managers have recently made arrangements to assist Members entered for Class I (P & I) and/or Class II (FD & D) cover in conducting due diligence inquiries into their potential charterparty or other contract partners. Two asset investigation companies – LSR Services Limited of Hong Kong and Roxburgh Forensics of Newcastle-upon-Tyne, United Kingdom – have been appointed to provide such services at flexible – and discounted – rates.

The turnaround times for reports from these companies will be tailored to individual Members' needs, and pricing will reflect such requirements. The three categories of reports are as follows:

1. A same-day due diligence report; and
2. A next-day due diligence report; and
3. A standard corporate investigation report (non-expedited time frame; hourly rate).

For a trial period, which will extend for the remainder of this policy year (i.e. until February 20, 2018), the Club will bear the expense of reports commissioned under the parameters of items 1. and 2. above. The cost of such due diligence investigations will be charged to



the Member's Class I (P & I) or Class II (FD & D) record in broadly the same manner as precautionary surveys are treated in regard to cargo claims.

Asset and corporate investigations into third parties which are commissioned after a dispute has arisen – e.g. for enforcement or other purposes - will be treated as a traditional litigation or legal expense in accordance with a Member's Class I (P & I) or Class II (FD & D) terms of entry.

The expected benefits of undertaking such due diligence include:

- fewer and/or lower value claims;
- improved operational profile and reputation;
- meeting the compliance requirements of larger trading groups;
- using enhanced risk procedures and methods as marketing tools to attract better clients; and
- savings in management time.

LSR Services has been retained to provide investigation services covering Members' potential counterparties operating primarily in Asia, Australasia and westward to the Middle East. Roxburgh Forensics has been retained to provide investigation services for inquiries primarily involving Europe, Africa, and North and South America.

Should Members wish to commission a due diligence investigation report as described above, they should complete the linked [Request for Asset Investigation Report form](#) and send it via electronic mail to the Managers at the following address:

[ddi@american-club.com](mailto:ddi@american-club.com)

Once again, this initiative will be conducted on a trial basis for the remainder of policy year 2017, that is to say up to February 20, 2018. Thereafter, the arrangement will be revisited, reviewed and reassessed.

Your Managers look forward to working on this initiative with Members. It is hoped that the use of this new resource will be of assistance to fortify business practices and thereby minimize unforeseen credit, regulatory and related financial exposures.

Yours faithfully,

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