



MAY 22, 2002

CIRCULAR NO. 9/02

TO MEMBERS OF THE ASSOCIATION

Dear Member:

PAPERLESS TRADING – THE BOLERO PROJECT AND SIMILAR SYSTEMS

Reference is made to Circular No. 21/98 of December 1, 1998 and Circular No. 11/99 of September 3, 1999 in regard to the Bolero Project. Copies of these Circulars, together with the International Group's standard Paperless Trading Endorsement which has been affixed to all Certificates of Entry since the 1999 policy year, are attached for Members' ready reference.

The effect of the Paperless Trading Endorsement is to exclude liabilities which arise under trading systems such as Bolero. However, the Club is able to provide cover for those liabilities which would have arisen if shipments had been made on the basis of conventional documentation.

By way of up-date in regard to this subject generally, Members should note that the International Group has renewed the market insurance to which reference is made above and which is available for Members participating in the Bolero scheme. Members are reminded that cover is available upon declaration to the Managers. Those who may be contemplating the commencement of participation in Bolero are asked to advise the Managers accordingly.

As a matter of general policy, the International Group supports the aims of electronic trading projects. These have the potential to improve upon traditional paper transactions. The Managers understand that other electronic trading systems are under development and further reports of progress in this area will be made in due course.

However, only the Bolero scheme has so far been fully reviewed by the International Group and it should be remembered that the underwriters of the International Group's market cover have restricted their protection to Bolero transactions alone.

Although it is probable that cover will be available for other electronic networks, it is equally likely that market underwriters will require any such systems to be reviewed first by the International Group. It is therefore important that Members planning to participate in electronic trading within the scope of the Paperless Trading Endorsement should advise the Managers promptly.

Members are asked to be aware that the Paperless Trading Endorsement as attached to this Circular is widely drafted. It will, for example, apply to liabilities – other than those which would, in any event, have arisen under a conventional paper system – arising

from a document containing or evidencing a contract of carriage (for instance, a bill of lading) which has been created or transmitted under a paperless system.

The International Group has reviewed the electronic transmission by a carrier of a bill of lading to a shipper who is then expected to print it, and has taken the view that this practice does not constitute the use of a paperless system within the ambit of the Paperless Trading Endorsement.

However, and as a matter of paramount importance, Members who are involved in the electronic transmission of bills of lading are urged to advise the Managers so that they can ensure that P&I cover is not prejudiced or, where the risk arises that it might be, that appropriate protection can be arranged in the commercial market.

As always, the Managers will be pleased to respond to any questions Members may have in respect of this subject, or generally.

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