

6 October 1999

TO ALL MEMBERS

Dear Sirs

CONTRACTS OF CARRIAGE

Members of the International Group Clubs have reported that, following the coming into force this year of the United States Shipping Reform Act, a number of United States shippers have sought to negotiate contracts of carriage by sea with carriers which do not incorporate the Hague Rules, the Hague-Visby Rules, or similar rights, immunities and limitations in favour of the carrier.

Club cover in respect of contracts of carriage by sea is based upon the Hague Rules and the Hague-Visby Rules because they constitute the uniform regime of rights and obligations of both carriers and cargo owners which is most widely accepted within national legislation and/or through contract terms voluntarily agreed by carriers and cargo owners themselves. The International Group Clubs recognise that such regimes of rights and obligations need review and modification from time to time to keep pace with changes and developments in international trade but they, along with many other industry organisations, believe that change is best achieved through the process of international conventions rather than by other means.

Accordingly, subject to the exercise of their Boards' discretion in accordance with their Rules, Clubs do not cover liabilities, costs and expenses arising from contracts of carriage by sea which do not incorporate the Hague Rules, the Hague-Visby Rules or similar rights and immunities in favour of the carrier.

Members are also reminded that, where contracts of carriage provide for through or combined transport or carriage partly to be performed by a Member's vessel, cover is dependent upon approval by the Managers of the terms of such contracts.

A number of the contracts currently being proposed by shippers also exclude rights and immunities in favour of both the carrier and the cargo owner which may not affect Club cover but which have over time been widely accepted and successfully implemented by carriers and cargo interests alike. Elimination of these terms from the contracts of carriage may create uncertainty and increase the risk of disputes or litigation.

If Members are concerned that the terms of proposed contracts may adversely impact their Club cover, or if they require advice on contract terms, they should contact the Managers.

Yours faithfully
A BILBROUGH & CO LTD
(MANAGERS)