

7 June 2002

TO ALL MEMBERS

Dear Sirs

PAPERLESS TRADING

Members will recollect that the International Group of P&I Clubs issued two Circulars, dated December 1998 (5:263) and October 1999 (5:284), on this subject. These Circulars were written at the time of the development of Bolero, which aims to replace Bills of Lading and other trade documentation by electronic messages.

As described in the Circulars, Clubs within the International Group introduced a Paperless Trading Endorsement in the 1999 Policy Year. The effect of this endorsement is to exclude liabilities which arise under paperless trading systems such as Bolero, although the Association is able to provide cover for those liabilities which would have arisen if shipment had been made on the basis of conventional documentation. For ease of reference a copy of the Endorsement is attached.

The International Group has renewed the market insurance, available for Members participating in Bolero, for P&I liabilities excluded from normal Club cover by the Paperless Trading Endorsement. Members are reminded that this cover is available upon declaration to the Managers. It continues to be important therefore that Members who wish to benefit from the cover advise the Managers before commencing use of Bolero.

The International Group is supportive of the aims of electronic projects, which offer the prospect of improvements on traditional paper commerce and are aware that other electronic trading projects are under development. However, only Bolero so far has been fully reviewed by the International Group of P&I Clubs and the underwriters of the International Group's market cover have restricted their cover to Bolero transactions. Whilst there is an expectation that cover can be provided for other electronic systems, the underwriters will require any such system to be reviewed first by the International Group. It is important that Members advise the Managers if they plan to participate in an electronic trading system which will fall within the scope of the Paperless Trading Endorsement.

P.T.O.

Members should be aware that the Paperless Trading Endorsement is widely drafted and will, for instance, 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 example, 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 the Bill of Lading, and felt that this practice did not constitute use of a paperless system within the scope of the Paperless Trading Endorsement. Nonetheless, Members who are involved in the electronic transmission of Bills of Lading are recommended to advise the Managers so that the Managers can ensure that P&I cover is not prejudiced.

Yours faithfully
A BILBROUGH & CO LTD
(MANAGERS)

PAPERLESS TRADING ENDORSEMENT

- 1 There shall be no recovery from the Association in respect of any liability, costs or expenses whatsoever or howsoever arising, whether directly or indirectly, out of or in consequence of:
 - (a) the Member's participation in or use of any system or contractual arrangement the predominant purpose of which is to replace paper-based documentation in shipping and/or international trade with electronic messages, including, without limitation, the Bolero system (any such system or arrangement being referred to in this endorsement as a *Apaperless system*), or
 - (b) a document which is created or transmitted under a paperless system which document contains or evidences a contract of carriage, or
 - (c) the carriage of goods pursuant to such a contract of carriage,save to the extent that the Association in its sole discretion may determine that such liability, costs or expenses would have arisen and would have been covered by the Association if the Member had not participated in or used a paperless system and any contract of carriage had been contained in or evidenced by a paper document.
- 2 For the purpose of this endorsement a *Adocument* shall mean anything in which information of any description is recorded, including, but not limited to, computer or other electronically generated information.