

No. 4 - Paperless Trading

July 2002

Dear Sirs

PAPERLESS TRADING

Members will recollect that the Club issued two circulars dated January 1999 and October 1999 on this subject. The 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, the Clubs within the International Group introduced a Paperless Trading Endorsement in the 1999 policy year. That endorsement is now incorporated in the Club's Rules at Rule 2 section 16 proviso (n). 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 shipments had been made on the basis of conventional documentation.

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.

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 (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 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

**The West of England Ship Owners
Insurance Services Limited**
(As Managers)

R J B Searle
Director