

No. 4 2007/2008 - Paperless Trading - Electronic Shipping Solutions

September 2007

Dear Sirs

Paperless Trading – Electronic Shipping Solutions

Members will recollect that the Association issued circulars dated January 1999, October 1999 and July 2002 on the subject of paperless trading. The circulars were written at the time of the development of Bolero, which is intended to replace bills of lading and other paper trade documentation by electronic messages.

As described in the circulars, all International Group Clubs introduced a Paperless Trading Endorsement in the 1999 policy year. That endorsement is now incorporated in the Association's Rules at Rule 2 section 16 proviso (n), the effect of which is to exclude liabilities which arise under paperless trading systems such as Bolero which would not arise under conventional paper documentation systems. However, 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 continued to maintain market insurance available for Members participating in Bolero, which provides cover for P&I liabilities excluded from normal Club cover by the Paperless Trading Endorsement. With effect from 13 April 2007 that cover is also available on the same terms, for Members who participate in Electronic Shipping Solutions (ESS) paperless system, which functions in a broadly similar way to Bolero.

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 or ESS. Further details of the Bolero and ESS are available from their websites at www.bolero.net and www.essdocs.com.

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

For: **West of England Insurance Services (Luxembourg) S.A.**
(As Managers)

R J B Searle
Director