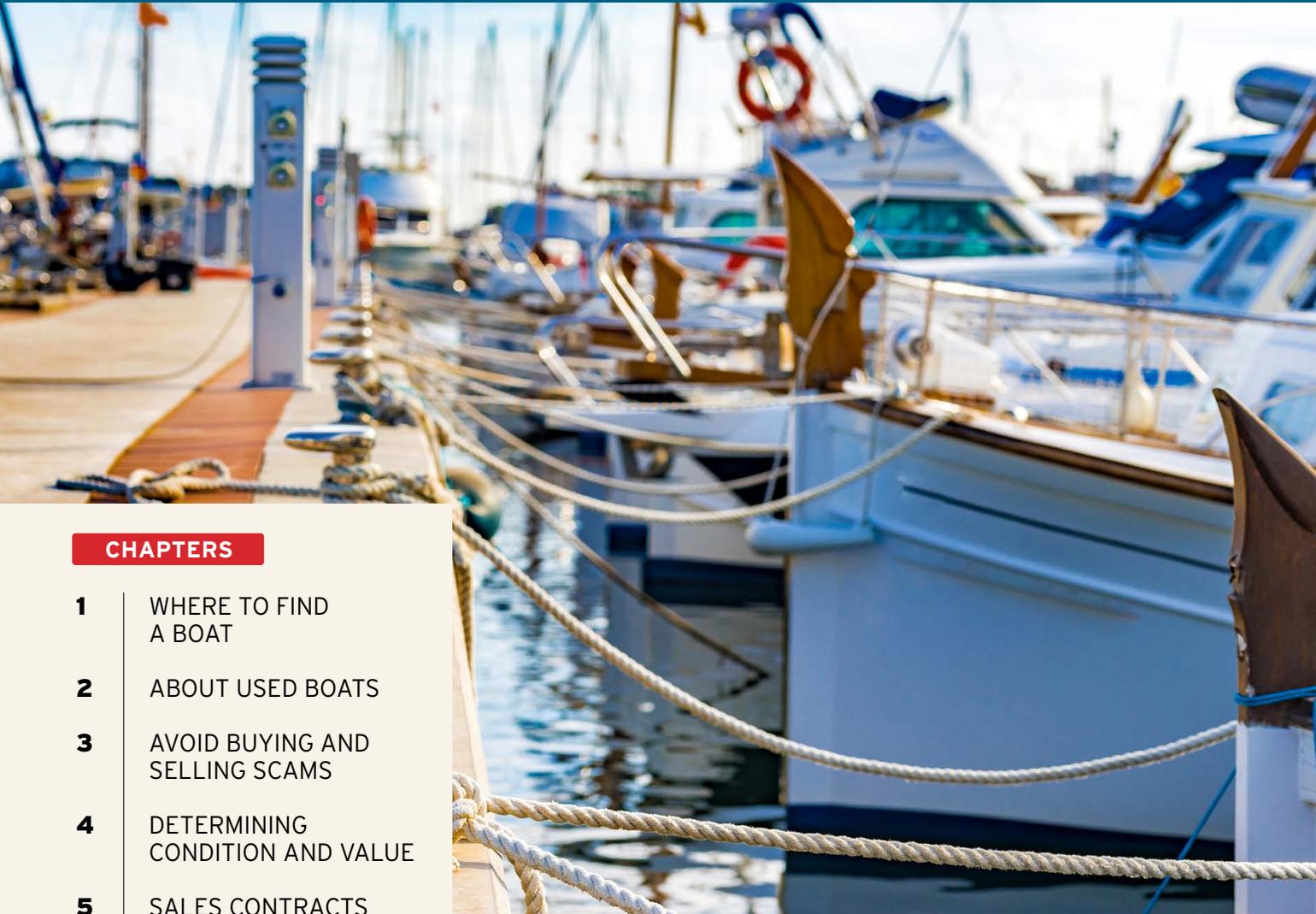


BOAT BUYER'S GUIDE



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Nearly 90 million adults in the United States participate in boating each year – that's more than a third of the adult population who enjoy getting out on the water. Every year nearly 1.5 million Americans buy a new or used boat, ranging from large yachts to small cruisers to canoes. This guide from BoatU.S. is designed to make it easier for you to buy a boat

by explaining the sometimes-confusing process and pointing out the areas that can trip up a buyer.

BoatU.S. has helped buyers make wise decisions for more than 50 years. Whether you're an old salt moving up to a bigger boat or a new boater looking to buy your first vessel, the information in this guide can help you ensure the transaction goes smoothly.

WHERE TO FIND A BOAT

This is the fun part – looking at different boats to find one that fits your needs and your budget. The internet makes it easy to research and narrow down some possibilities before you actually jump in your car.

Like new cars, new boats are typically bought through a dealer, and often dealers will take trades and assist with financing. Some dealers carry more than one line, widening the selection. Pick a dealer based on reputation. Ask around, and do some online research and look at owner reviews of boats you're considering. Check for Better Business Bureau complaints (bbb.org). Boat shows can be a great place to see a lot of new boats side by side, and dealers often offer attractive pricing. Dealers of new boats also frequently sell used boats as well.

For most people, the biggest advantage of buying a new boat is the warranty that comes with it. Simply put, the warranty is the manufacturer's promise to stand behind its products by providing service and repairs after the purchase.

Because marine warranties vary widely in their coverage, compare them before you buy. Look for multiyear warranties for hull and engines, as well as coverage for osmotic blistering – a common problem on fiberglass boats that's expensive to fix. Some manufacturers offer “bow-to-stern” warranties that cover everything,



usually for no more than a year, in addition to a longer warranty for the hull and engines. Find out whether the warranties transfer to subsequent owners – a crucial determinant of resale value.

Remember

» Written warranties must be made available to you before you buy.

» The limited warranties on most boats and engines mean that you may end up paying for some part of the repair costs. Read the fine print to avoid surprises later on.

» New boats usually come with separate

warranty coverage from the engine and boat manufacturers, as well as the makers of other major components. Buying from a dealer that services both boat and engine can save a lot of frustration down the road.

» Fill out and return warranty cards to be sure you'll get service when you need it.

Trade-ins

Dealers are often willing to apply the value of trade-in boats against the cost of a new boat. Be aware, though, that you probably won't get top dollar on the price, because dealers stick close to the maxim “buy low, sell high.” In addition, the dealer may scrutinize your old boat far more critically than will a private buyer; part of the profit margin is based on how easy a trade-in boat will be to sell. With this in mind, have your boat in top condition when you bring it to the dealer.

In some states, a benefit of a trade-in arrangement is that you pay sales tax only on the price of the new boat, less the amount of the trade-in. Check with your state's boat registration agency.



ABOUT USED BOATS

Boat brokers typically sell larger, more expensive boats. They're similar to real estate agents but with important differences: They're far less regulated, and their commission is usually 10% rather than 6%. Unlike real estate agents who must take classes, sit for an exam, and be licensed in every state, only boat brokers in Florida and California have to be licensed, and only California requires an exam.

Ask around at your marina or boatyard, and get referrals from others who have used a broker before. Talk to two or three and get a feel for them, just as you would with a real estate agent. One way to increase your chances of finding the right broker is to look for a Certified Professional Yacht Broker (CPYB). These brokers are members of the Yacht Brokers Association of America, have taken a comprehensive exam, and have pledged to abide by a code of ethics.

Brokers should have a separate bank account for holding deposits, and there should be wording in the contract specifying what the sale is contingent upon, as well as how and when the money will be returned if the sale falls through.

It's important to remember that the broker in a typical sale is getting paid by and working only for the seller, not the buyer. A broker will try to get the highest possible price (that's what his commission is paid from) and will try to sell his client's boat even if it's not necessarily the best deal for you. You're on your own with negotiations and paperwork advice.

You can, however, enter into an agreement with a broker through a buyer's broker arrangement. A buyer's broker will represent you, not the seller. Once he knows what you're looking for, he can scour his sources and suggest likely boats for you to view, assist in negotiating a price, and help with the paperwork. Typically, a buyer's broker gets a commission split from the seller's broker so



Buying a used boat? Make sure all the terms of the sale are spelled out in a sales contract, which you can download from the BoatU.S. website if the seller doesn't have one.

there's no cost to you. But read the agreement carefully before signing.

Sales between private parties

Many boats, especially smaller ones, are sold between individuals. While in the past these were often done with a handshake, a better idea is to use a sales contract (download one at the **BoatUS.com/Consumer**) so everything is spelled out and you have all the information you need to title and register your new boat.

Internet sales

The internet sales has made boat shopping much easier because you have access to listings across the country – even the world. One of the largest websites for used boats is yachtworld.com. Its content is populated exclusively by brokers who

have to pay to use it, and there are many thousands of boats listed with pictures and descriptions.

Websites like eBay and craigslist also have thousands of boats for sale all over the country, and while good deals can be found, these sites carry their own set of risks, especially between individuals. Because craigslist is free for sellers to list and there are no reviews or ratings for sellers, you must use extra caution. There are many unscrupulous “sellers” who would like to separate you from your money.

BoatU.S. members have access to BoatU.S. Classified Ads powered by vivaboats.com. Members receive a free standard ad package, which includes a 60-day listing with unlimited photos. Visit **boatus.vivaboats.com** to learn more or search for your dream boat.

AVOID BUYING AND SELLING SCAMS

Many of the scams we see today are variations on old tricks that have been around for decades. BoatU.S. has found that the three that follow are currently in wide use when it comes to buying boats. Bottom line: If anything seems unusual, proceed with caution.

1. Counterfeit cashier's check or money order

A bogus buyer will contact you with an email, offering to send a cashier's check or bank draft for the full asking price if you provide your contact information. At some point, the buyer will tell you that he/she must send you the check for significantly more than the purchase price and give you one of a number of bogus reasons why this is necessary. The buyer will then ask you to deposit the funds and send some portion of the money to someone else, often a phony shipping company. Unfortunately, the check is counterfeit, and you'll be out the money you sent.

2. PayPal variation

The phony buyer will ask for your PayPal ID in order to send you a payment, again for substantially more than the purchase price. Shortly after that, you will receive a fake confirmation from PayPal with your user ID for more than the agreed purchase price, and the buyer will contact you asking you to forward the extra money to a shipper. Again, you'll lose whatever money you've sent.

3. Escrow scam

When you try to buy a boat, the seller will suggest using an escrow service and recommend something that sounds legitimate like escrowprotect.com or googlemoney.com. But the realistic-looking website is the center of the scam: Once you transfer your money, you won't hear anything more about the boat, or the seller, ever again.



Email fraud

Nearly all scams involve emails, and they often contain clues to alert you. Any one of the following is a warning, and two or three together should put you on high alert and make you proceed with extreme caution.

» No reference to what is being sold.

Scammers create a generic email to send to thousands of people, so they tend to use general language that could apply to anything. "Item," "merchandise," "what you are selling," and other indefinite terms are common.

» **No phone contact.** Scammers will go to great lengths not to talk to you and give reasons ranging from being out of the country to being in the military.

» **Poor grammar, spelling, punctuation, and language use.** Internet scams usually originate from outside the country, and the language often appears like it wasn't written by a native English speaker.

Many scam emails have spelling and punctuation errors. A couple in an email shouldn't worry you, but a dozen should raise a question in your mind.

» **No interest in seeing the boat or haggling over the price.** Whether buying or selling, scammers are amazingly unconcerned about the price of the boat. Who wouldn't negotiate? And if buying, they'll often say they accept the boat "as-is," won't mention a survey or inspection, and won't hold you responsi-

ble for its condition. Anyone willing to buy a boat sight unseen after a few emails should be regarded with suspicion – and if they're also not concerned about price, it's a good bet you're being scammed.

If you're considering buying a boat, scammers will price the boat cheaply, but despite a plethora of pictures and a good description (likely swiped from a real ad), the boat doesn't exist. If a boat you're seriously interested in is out of state, send a local accredited marine surveyor or

someone you trust to verify there really is a boat and that the seller has the actual title and registration. Once you're satisfied that the boat is real and paperwork legit, you can arrange for a survey and proceed from there.

» Cobbled-together email addresses.

Scammers constantly change their email addresses to avoid detection, and they may have to get ones with fairly normal-looking names but lots of numbers.

» **Demands to use a specific business** (escrow or shipper) and won't accept an alternate. If you chose to use an escrow service to settle the transaction, suggest your own after visiting the BBB site and verifying it's a legitimate one.

» **Changing names and locations in emails.** It can be difficult to keep the details straight when scammers are working multiple scams. If the person doesn't remember who or where he is supposed to be, or exactly what he's buying, you're being scammed.

» **Wants to pay a different amount from the selling price.** If any mention is made of paying you anything more than the agreed price, walk away.

» **No concern over title/documents.** If there's no interest in discussing titling the vessel or in verifying the registration information or hull-identification number, the person has no real interest in the transaction.

DETERMINING CONDITION AND VALUE

No one wants to overpay for a boat, so how can you get a good idea of its worth? For popular production boats, there are a few places that can help. Websites like nadaguides.com and bucvalu.com list values of hundreds of models.

Keep in mind that estimates from any service presume clean boats typically and appropriately equipped with everything in proper working order. For boats with limited resale activity, reliable valuations can't be developed until a model and year's production has been circulating for at least three years. And remember that no one can give you an accurate value of a boat sight unseen; that requires the knowledge of an experienced marine surveyor, who spends some hands-on time on the boat. Less popular and custom boats will also need to have a qualified marine surveyor appraise them. For boats that don't require a survey, online websites can help give you a sense of the value. And don't assume asking price – there's usually room for negotiation.

Determining condition

If you're buying a jon boat or canoe, a visual inspection is probably enough to determine the overall condition of the boat, but few of us are expert enough to know about all the systems in a larger boat. Fortunately, there are professionals called "marine surveyors" who are experts. If you're going to spend a few thousand dollars or more on a boat, you need to hire one; it could be the most important buying decision you'll make.

A marine survey, which can be a couple of dozen pages long, is a snapshot of the condition and valuation of a boat on a specific day. Think of it this way: Buyers and sellers can speak for themselves, but an independent marine survey speaks for the boat. Because of its depth of information, it has several uses: It's designed to give a potential buyer a clear



Be an educated consumer and have a surveyor look over any boat you're considering purchasing – new or used.

and to document any potentially dangerous deficiencies in the boat's systems.

A marine survey is also a useful tool for buyers when negotiating price based on what repairs or upgrades the boat needs. And finally, insurance and lending companies that need to know the true condition and fair market value of a vessel often require it. Insurance underwriters carefully read through a marine survey to determine whether the vessel is a good risk, and they may require an owner to address certain deficiencies.

Get the right surveyor

You wouldn't hire a plumber to rewire your house; the same goes for surveyors. Finding a qualified marine surveyor or a specialist is a matter of knowing where to look.

» Marine surveyors are not regulated or licensed, so virtually anyone can call him- or herself a surveyor, and many unquali-

fied people do. A good indicator of competence is a surveyor who has professional affiliations with the American Boat & Yacht Council (ABYC), plus either the National Association of Marine Surveyors (NAMS) or the Society of Accredited Marine Surveyors (SAMS).

» Choose a surveyor who is familiar with the type of boat you're interested in. Some specialize in power, some in sail, others in wooden or metal boats. Never hire a marine surveyor referred to you by the seller or broker! A surveyor should have absolutely no affiliation with boat brokers, dealers, boat-repair shops, or others whose living depends on the sale or repair of boats – especially the one you're about to buy.

There are three main types of surveys done on a boat you're considering buying, and each requires special training to do them well. Sometimes one surveyor can do everything, but sometimes you may have to hire more than one.

» **Get the right survey**

Get the right survey

» A **condition and valuation survey (C&V)** covers the hull and structures as well as the boat's systems. This type of thorough survey is usually required for insurance and financing; it's sometimes referred to as a "prepurchase survey." Whether your insurance company or

lender requires it or not, BoatU.S. recommends always getting one before buying.

A proper C&V survey requires the boat to be hauled so the hull and underwater gear can be inspected. Good surveyors inspect a boat top to bottom, fore and aft. They'll look at the hull and deck and determine by sounding with a hammer and moisture meter whether there are voids or delamination, and they can identify places in the core that may eventually rot and become soft (and expensive to repair) before they're detectable by a buyer. A surveyor checks the condition of AC and DC electrical systems, plumbing and thru-hull fittings, deck hardware, propane and fuel systems, steering and controls, and safety equipment.

A proper marine survey will be an in-depth written report that evaluates the boat according to U.S. Coast Guard regulations as well as ABYC and National Fire Protection Association standards. A knowledgeable surveyor will also know if a specific make has a history of major problems. Don't rely on a survey prepared for a previous owner, even if it was done recently. A boat could have suffered damage since the last survey.

» **Engine surveys** cover the operation and condition of propulsion and generator engines. Typically they include inspection of controls, electrical, cooling, and exhaust systems, as well as engine mounts. Compression, engine, and exhaust temperatures are also checked, and engine surveys typically include tests of oil samples, too.

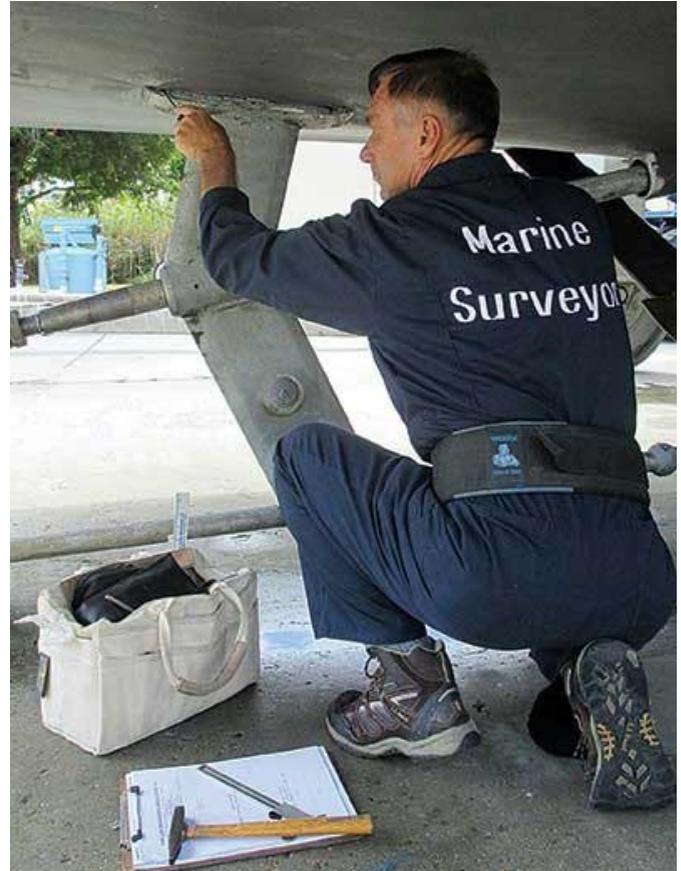
But how do you know if you need one?

Make sure the surveyor you hire is one you find yourself or through a recommendation – never one recommended by the seller or broker.

Alison Mazon, a surveyor in Portland, Oregon, is one of a handful of hull surveyors who also does engine surveys.

“An engine survey is warranted for particularly expensive or complex engines, and those with obvious lack of maintenance,” says Mazon. “Many larger engines built since about 2006 have computers that can be read by trained personnel with the right equipment. A quick scan for computer faults may be a sign a more detailed analysis is needed.”

» **A rigging survey** looks at the condition of a sailboat's mast and boom and associated rigging. Inspections are made of attachment points, welds, standing and running rigging, and the mast step. Rigging surveyors either go up the mast or inspect the rig when it's off the boat.



Whether a rigging survey is needed depends on the age, prior use of the rig, and its intended purpose.

Red flags that would signal the need for a rigging survey include a rig more than 10 years old, frayed stays, cracked swages, weeping chainplates, and turnbuckles that are bottomed out. The rig also needs to be surveyed if the boat will be used offshore or heavily raced.

Here's what a good survey provides

» **The condition of the boat and its equipment.** A marine survey determines the condition of the boat's visible components and accessible structures at the time of the inspection. A survey provides a list of deficiencies as well as needed repairs and focuses on safety. Deficiencies in a survey can be used to renegotiate the sales price or scrap the deal altogether if needed repairs are too expensive or complicated.

» **The value of the boat.** Surveyors use pricing guides along with their vast experience in valuing boats. A seller or broker may think a boat has a specific worth, but until a survey is performed,

Just about every boat will have some issues, but a good survey will help you create a budget for repairs and maintenance before you make the purchase.



those figures are only guesses. Banks and insurance companies use the survey value to determine loan and insurance hull value amounts. This is also a great tool for price negotiations and can easily pay for the cost of the survey.

» A budget for repairs and maintenance.

Nearly any boat will have some defects and deficiencies. Knowing what they are beforehand makes it easier to know how much to budget for the future. Surveys typically provide a prioritized list of recommended repairs. The most important ones are critical to safety, and usually your insurance company will require them to be completed. The rest are things that can be done as you find time and money.

Survey recommendations

Recommendations are just that – issues the surveyor found on the boat that may need to be addressed. It's the “may” part that's important here. Typically, a surveyor will list recommendations in order of importance, often as A, B, or C.

A-list examples

A-list recommendations (more properly called “must-dos”) are the most important ones. You can be sure your insurance company will require them – not just for your boat, but for the safety of you and your crew. These are issues that, unaddressed, can cause your boat to sink, burn, become involved in an accident, or cause serious injury. Even if you're not financing or insuring a boat, these recommendations need to be addressed before the boat is used:

» Worn or damaged below-waterline hoses, seacocks, and thru-hull fittings that pose a sinking hazard

» AC or DC wiring deficiencies that could cause a fire

» Lack of or nonfunctioning Coast Guard-required equipment, such as fire extinguishers, flares, or navigation lights

» Propane system deficiencies that could cause an explosion

» A vessel with too much horsepower that could make it unstable

» Lack of operable carbon-monoxide alarms

» Unsecured batteries or fuel tanks that could break loose and damage the hull, or cause a fire

» Missing oil-spill and waste-management placards. These are required by law and will be checked during a Coast Guard inspection

B-list recommendations

These tend to include either (1) items that are not an immediate risk but will pose an unacceptable hazard if left uncorrected for too long or (2) things that may enhance the safety, value, and enjoyment of your boat. Some of these may cross over into A-list recommendations as far as underwriters are concerned and may also need to be addressed before your boat can be insured. For the most part, they're things you'll want to do, anyway. Here are some examples:

» Hoses and wires that are chafing or not installed to ABYC standards

» Worn cutless or rudder bearings

» Stiff or corroded steering or control cables

» Engine maintenance needed to forestall a larger problem

» Cleats or stanchions that need to be rebedded to prevent deck-core rot

» Heavy corrosion on fuel or water tanks

C-list recommendations

The C-list generally includes normal upkeep items that should be addressed as

you can. Examples include

» water leaks through ports or hatches,

» anodes in need of replacement,

» loose or worn engine belts, hoses, and engine mounts,

» cosmetic issues, and

» winches in need of service.

Keep in mind that while surveyors inspect a boat with an eye toward industry safety standards, such as those written by ABYC, they recognize that newer standards were not in place when older boats were built. But some of those standards, like the need for carbon-monoxide alarms or proper wiring, are critical enough that insurance underwriters may still require boats to comply with them.

All of the recommendations can be used as negotiation points for buyers. Any purchase contract should specify that a sale may be voided if the survey results are unacceptable to the buyer. In some cases, a seller may choose to do the required repairs before a sale, but make sure the boat is reinspected before the sale is finalized. Typically, surveyors will reinspect specific items for a fee once the sale is made and sign off that they have been properly done.

If, after the sale, the buyer chooses to make the repairs him- or herself, insurance coverage can begin immediately while the repairs are in progress. But either way, the insurance company will usually require proof – a written statement from the owner or yard bills – to confirm the recommendations have been completed correctly.

Attend the survey inspection

A good surveyor welcomes prospective buyers to be present at the survey. There's no better way to learn about your new boat than watching a professional methodically dig through it. The surveyor's notes will be more meaningful if he's able to discuss with you what he's examining. He'll also answer questions that might not be significant enough to be included in the written report, and can tell you about problems he's seen on similar boats that you can watch out for.

SALES CONTRACTS

Whether you buy a new boat from a dealer or a used boat directly from the owner, the best way to protect your interests is to outline the terms of the sale in writing. A written agreement will eliminate or minimize questions and problems that could later turn a sweet deal at the dock into a sour one in court. By spelling out the obligations of the buyer and the seller, as well as the time frame in which the sale is to take place, you have a legally binding, written document of the parties' intentions.

It's not necessary to have a lawyer write the contract, although this should be considered, especially if you're buying a high-ticket boat or are having one custom-built for you. Most dealers use contracts printed with their name and address, but "fill-in-the-blanks" contract forms found in stationery stores or online will suffice for private sales. (Or visit BoatUS.com/Consumer to download one.) A handwritten agreement will also serve the purpose. Regardless of the form, both parties must sign the contract. If the sales agreement requires the signature of both the salesperson and an officer of the dealership, make sure both spaces are signed.

If you're buying from a broker, the sales contract will usually be standardized. But that doesn't mean you shouldn't carefully go through it and make sure that such items as tankage and engine hours are filled out accurately. The broker's information is only as good as what the seller provides.

Basic contract terms

Sales agreements or contracts should include the following minimum information:

- » Complete names and addresses of buyer and seller
- » Complete description of boat and engine, including make, model, year,



hull-identification number (HIN) and engine serial number(s). New boats will come with a Manufacturer's Statement of Origin, something you will need to register the boat. A complete equipment list is a must. If there's a trailer, include its serial number, as well.

- » The purchase price, including a description of any deposits paid by buyer and how the balance will be paid (for example, certified check). It should also describe the trade-in boat, if any, and its exact value. Most states require the trailer to be registered with the motor vehicle agency, and usually require tax to be paid, just as it would with a car. It's wise to separate the trailer value from the boat on the contract to make this easier.

- » A firm delivery date describing when and where the boat will be delivered and the deal finalized

- » The boat's condition at the time of delivery, including a complete list of the accessories and items that convey with the boat

- » A full description of any warranty from the dealer or manufacturer. When boats are sold in "as is" condition, recourse may be impossible if problems arise.

- » Buyer's contingencies: Spell out that the sale hinges on a satisfactory survey and sea trial and the ability to obtain acceptable financing and marine insurance.

- » A statement that the boat is free of all liens and encumbrances

Finance

Financial institutions often consider boats to be luxury items, so the application process is more like buying a house than buying a car. As part of the underwriting process, many lenders will ask for a personal financial statement along with tax returns. For used boats, a tax return is often required. Terms up to 20 years with down payments between 10% and 20% are common, but rates and terms can vary depending on the age, size, type, and use of the boat. It's a good idea to talk with prospective lenders before filling out a loan application.

On a new boat, lenders need the Manufacturer's Statement of Origin. It certifies that it has had no other retail owner. With used boats, lenders check for a clear title or record of ownership. For larger boats, lenders usually require marine-insurance coverage and federal documentations as conditions for loans.

Manufacturer's Statement of Origin

The Manufacturer's Statement of Origin (MSO), or Certificate of Origin (MCO), that comes with each new boat contains the boat's hull identification number (HIN) and engine serial number(s). The MSO or MCO shows when the boat was built and transferred to the retail dealer for resale purposes. You will need the MSO when you register or document a new boat. If the boat is financed with a loan, the MSO will be transferred to the lender; otherwise, it will be included in the boat's papers given to you at the time of purchase. You or your loan company should receive the MSO when you take delivery. If not, contact the boat manufacturer at once. Without the MSO you may be unable to register the boat or meet insurance requirements.

EXTENDED SERVICE CONTRACTS

Here are some facts from BoatU.S. to help you decide if buying a service contract, sometimes referred to as an “extended warranty,” makes sense for you.

FACT 1. Extended “warranties” aren’t really warranties; they’re service contracts. A true warranty offers broad coverage and has the weight of state and federal warranty laws behind it. Service contracts, on the other hand, are really insurance policies generally underwritten by third parties, not manufacturers, and are regulated as such in most states.

FACT 2. Service contracts have limitations that true warranties don’t. A service contract may cover a broken alternator (\$650), but it probably won’t cover consequential damage (when one part causes another to be damaged). So, for example, it won’t pay if the alternator damages the engine control unit (\$1,300), leaving an owner to pay the difference.

FACT 3. Having a service contract won’t protect you from out-of-pocket expenses. Service contracts, like health-insurance policies, usually come with deductibles, often between \$25 and \$50 per incident. Many contracts don’t pay to remove the engine from the boat or have the boat hauled if it’s required for repairs, so there may be additional expenses for that.

FACT 4. Most service contracts aren’t backed up by manufacturers. Third-party insurance companies usually write the contracts, and manufacturers and dealers typically won’t step in to help if there’s a problem. On the other hand, factory-backed programs have agreements with their dealers; the factory is ultimately responsible, so you should expect better service when there’s a problem.



Extended service contracts may or may not be a good value depending on your situation and who is underwriting it.

FACT 5. You may be paying for coverage you don’t need. If you buy a third-party service contract when you buy a new boat, it won’t apply during the manufacturer’s warranty. That means that if you buy a three-year contract on a boat with a one-year warranty, the contract may cover only the last two years. Many service contracts offer a nine-month to one-year window for signing on.

FACT 6. Service contracts are money-makers for dealers. Some contract plans administered by independent companies allow retailers to mark up contracts more than 100% over the actual cost they pay to the service-contract company. Don’t forget, though, that service-contract prices are a negotiable part of the sale.

FACT 7. Independent service contracts require preauthorization before starting repairs. While that’s fair, some companies may require you to use their network of shops, just like healthcare PPOs, and there may not be a facility in your area. Manufacturer-backed service contracts usually perform more like warranties –

simply bring in your engine for service, and the dealer takes care of all the paperwork and billing.

FACT 8. Most service contracts are transferable, for a fee. A new owner may need to pay a prorated amount of the contract. In that case, the seller may get a refund of the same amount, which can be used as part of the negotiations.

FACT 9. You may be able to cancel the contract within 30 days of buying a boat. Typically, you’ll pay a prorated amount plus a fee. Some companies apply the “rule of 78s,” which is a complicated formula that ends up costing consumers big bucks. Review the company’s contract to see how it works.

Most defects in new boats and engines show up within the warranty period, so spending money up front on a service contract may not make sense. Consumers also need to look into the reliability history of their vessels and engines. Some models with higher-than-average problems might necessitate an extended warranty.



CHAPTER 7

DO I NEED BOAT INSURANCE?

You're probably not required by law to carry boat insurance, but that doesn't mean you don't need it.

A few states require that you have liability coverage on certain types of boats – powerboats with more than 50 horsepower or personal watercrafts (PWCs), for example – or on boats used in state parks or kept in state-run marinas. To find out if you are legally required to have insurance on your boat, search online for state and “boat insurance requirements.”

Even if your state does not require you to carry boat insurance, your bank will if you have a loan on the boat, and your marina might. You won't be able to get a loan on your boat without providing the bank with proof of insurance that covers the full value of the boat in the event of a loss. The bank gets listed as the lien holder on the policy so that if any loss payments are made it will be listed as a co-payee on the check. Most marinas

require proof of liability insurance before it will accept a contract for a slip or a mooring, and some will want to be listed as an additional insured on the policy.

If your state, bank, or marina requires you to carry boat insurance, your homeowner's policy will generally not be acceptable. That's because homeowner's policies are usually limited to boats under a certain size or value, and they don't have the necessary provisions to cover the types of losses that may occur with a boat. Boat insurance is designed to address the specific needs of boaters. Policies out in the market give you the option to insure the boat for its current market value in the event of a total loss – often called Actual Cash Value (ACV) – or for an “agreed value,” also known as “stated value.”

Most boat policies are “all risk” policies, which provide coverage for a broad array of calamities that could befall your boat, including theft, vandalism, lightning, fire, grounding or sinking, and lost or stolen belongings. Look for options that will protect your personal items such as watersports equipment and fishing gear, as well as provide towing coverage in the unfortunate event of a breakdown or soft grounding. Many companies also give you the option for a policy that does not insure physical damage to your

boat at all, but only provides a specified amount of coverage for your liability to others in the event of an accident or protection from uninsured boaters.

The more your boat is worth, the more important insurance becomes to protect yourself from financial loss. If you have an umbrella policy, it will require your boat policy to have certain limits; make sure there is no coverage gap. Many umbrella or excess liability policies require the underlying policy (such as your boat policy) have liability limits of at least \$300,000 to \$500,000.

Even if you are not otherwise required to have insurance and your boat is not worth very much, you should still consider insuring it. A collision with a small powerboat can cause serious injuries, and even if you are not found liable for those injuries, you could end up spending a significant amount of money in legal fees to defend yourself. Policies that cover liability only are not that expensive. At the very least, get a quote on several different policies so you can make an informed decision based on the coverages versus the cost.

Visit [BoatUS.com/Insurance](https://www.boatus.com/insurance) to learn more about GEICO | BoatU.S. Marine Insurance or request a quote.

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CHAPTER 8

AVOIDING THE BOAT INSURANCE BLUES

Insurance is one of those things you buy hoping never to use. If you do have to use it, though, you expect your boat insurance to pay “to fix the boat,” whatever that means to you. If you haven’t taken a close look at a potential policy, you could end up blindsided by clauses that exclude coverage for certain types of damage. You don’t want to wait until you make a claim



to find out if you’re getting what you think you’re paying for.

BoatU.S. has taken a look at the most common claims in our GEICO | BoatU.S. Marine Insurance program. Digging down into what lies behind that list highlights five ways that some boat insurance policies fail to live up to expectations.

1. Consequential damage

Hurricanes head our list of total claims payouts over most five-year periods.

But hurricane activity varies greatly from year to year, and in 2009 and 2010, hurricanes didn’t make it into the top 10 at all, though in 2018, it reappeared as No. 2. Take hurricanes out, and sinking tops the list.

Keeping the water out is a constant battle. Half of all sinkings that occur at the dock



happen when some small part below the waterline gives up the fight. The most common culprits include stuffing boxes, outdrive bellows, hoses or hose clamps, and sea strainers. But those parts most often fail due to what insurers call “wear, tear, and corrosion,” meaning that the part succumbed to general aging and deterioration. Most insurers exclude losses from “wear, tear, and corrosion,” so they won’t pay for the failed stuffing box.

But what about your boat that’s now sitting on the bottom? Some policies won’t cover that, either, because they exclude any “consequential” damage that



results from wear, tear, and corrosion. Others will cover the resulting damage as long as it falls into very specific categories, most often fire or sinking. The most generous policies would cover your boat that just sank, plus the other losses likely to result from a failed part: fire, explosion, collision, dismasting, and stranding.

2. Salvage

In every hurricane, boats get scattered hither and yon, and after the storm they need to be salvaged – rounded up and returned to where they belong. That takes Travelifts, cranes, flatbed trucks, and other heavy equipment to accomplish, and it can cost hundreds of dollars per foot of boat length.

In some insurance policies, the money to pay for salvage is deducted from what you get to fix the boat. Other policies pay salvage in addition to the money to fix the boat, but will only cover salvage up to 25% or 50% of the insured value. The most generous policies provide separate salvage coverage up to the insured value of the boat, in addition to payments made for the boat and its equipment.

Not in a hurricane area? Everyday events can still result in such salvage claims as a serious grounding, hitting an



The time to ensure you have the right boat insurance coverage – and understand what it does and doesn't cover – is before you need it.

underwater rock or floating log, or running into another boat. In fact, the first seven items on the GEICO | BoatU.S. Marine Insurance list can involve salvage. Reason enough to be sure you understand how that would be handled under your policy.

3. Wreck removal

Hurricanes, other wind and weather events, fire, explosions, and sinking could also destroy the boat beyond repair, leaving behind only a wreck. Most people assume their insurance company will cover the cost of cleaning up what's left. But some insurance companies will give you a check for the insured value plus a specified percentage (5% to 10% of the insured value is typical) and walk away, leaving you to pay for the wreck removal and to arrange it. If removal is required by law or governmental authority, the most generous policies cover wreck removal out of the liability coverage and will pay up to the liability limit (usually \$100,000 or more) to clean up the mess.

Boats don't just get wrecked on shoals. They can also be destroyed by sinking, fire, and extreme weather. So four out of the top five items on our list could involve wreck removal.

4. Fuel-spill liability

Again, it pays to read the fine print to understand what you are – or are not – getting. Some policies pay the cost of cleaning up a fuel spill only if it occurs due to a “covered loss.” So if your sunken boat wasn't covered because the stuffing box failed due to wear, tear, and corrosion, the resulting fuel spill wouldn't be, either.

Some policies pay fuel-spill liability out of the overall liability limit for the

policy, and it is lumped together with other liability payments. So if you have a collision that injures someone and the contents of your gas tank end up in an environmentally sensitive area, the payment for both the injury and the spill will come out of the same pool of money.

The most generous policies separate out fuel-spill liability and provide coverage up to \$939,800, the maximum amount for which you can be held liable under federal law.

5. Liability

Injury comes in at No. 8 on the BoatU.S. Marine Insurance payout list, not because there are that many injury claims, but because the settlements tend to be very expensive. If you're already insured, it costs very little to increase your limits, so it's worth checking how much liability coverage you have and comparing it to your auto and homeowner's policies.

Uninsured because your boat isn't worth that much? You're leaving yourself open to a six-figure settlement if someone gets injured in a collision or while skiing off your boat. Shop around for a liability-only policy just to see what it would cost; you might be pleasantly surprised. But make sure you're comparing apples to apples by taking a good look at the policy language before purchasing. The most comprehensive liability-only policies cover not just personal injury but also medical payments, uninsured boaters coverage, salvage, wreck removal, and fuel-spill liability.

When it comes to insurance, you get what you pay for. If you compare only the premium rates when you're shopping for boat insurance, you may feel let down if you ever have to file a claim.

AFTER-THE-SALE DETAILS

You've found the boat of your dreams, the price is right, and you've paid the seller. So the boat is yours free and clear – or is it? Well, it isn't until the seller signs over the title or provides other legal proof of ownership.

In states that don't require titling, ask to see the seller's bill of sale from his seller. Other documents that help confirm ownership are insurance policies and boat registration cards. Crosscheck the boat's hull identification number (HIN) against the numbers listed on the seller's records to make sure it's the same boat. Search the boat's title and registration with the state in which the boat is registered. If the boat is federally documented (see right), call the U.S. Coast Guard's documentation division, 800-799-8362, to see if any liens have been recorded.

Most states require titling, and all states have some form of registration for most boats. Federally documented boats don't get registered with the state,

Don't forget the trailer

Most states require boat trailers to be titled and registered separately from boats – which usually means going to two different agencies. Some states may require safety inspections. Each state has its own trailering laws, too.

Boat safely & competently

With your new boat comes a lot of fun, adventure ... and responsibility. Most states require anyone skipping a boat to complete a boating safety course, and there are many groups that offer courses that meet state requirements. The BoatU.S. Foundation offers online state-recognized courses in 36 states for free (BoatUS.org/Free). Additional courses on a wide variety of boating topics are also available (BoatUS.org/Courses).

You'll also need to learn how to properly handle your boat. *BoatU.S. Magazine* offers a comprehensive library of boat handling and seamanship videos and articles. Visit BoatUS.com/Expert-Advice to search the archives. Prefer hands-on training? Go to BoatUS.org/On-Water to search for a nearby BoatU.S. Foundation On-Water Training course, taught by Coast Guard-licensed captains.

though most states still require some form of use decal and require sales tax to be paid.

What is documentation?

Vessel documentation is a national form of titling. Your bank may require your new boat to be documented. If you plan to travel internationally, documentation typically makes customs entry and clearance easier in foreign ports; the document is treated as a form of national registration that clearly identifies the nationality of the vessel.

To be documented, a boat must measure at least 5 net tons — most boats over 27 feet long will meet this criterion — and must be owned by a U.S. citizen. If the boat you want to buy is documented, ask the seller to complete a U.S. Coast Guard Bill of Sale (CG-1340), a copy of which must be submitted with your application for documentation (CG-1258). Information about documentation and copies of forms are available at the Coast Guard's website (uscg-boating.org) or by calling 800-799-8362.

Be aware of third-party documentation services that look like the official Coast Guard documentation site. They operate legally but could cost you many times more than what it does to send in the documentation yourself.



Required paperwork

» **TITLE:** Required in most states if the boat is not federally documented. Trailers often require their own titles.

» **DOCUMENTATION:** A national titling system for larger boats that may be required by lenders

» **REGISTRATION:** Required in all states for most boats, except for federally documented boats

» **USE DECAL:** Required in most states for boats that are federally documented

Now that you've navigated the world of boat buying, there's one important thing left to do: Get out on the water and enjoy your new purchase!

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