Marine Surveying & Claims Handling for Pleasure Craft 101

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About the Speaker

- Nicole is a SAMS Accredited Marine Surveyor, past SAMS Canadian Regional Director. She is a Certified Marine Investigator with the International Association of Marine Investigators, and acted as a Mecal A3 examiner for Maritime Coastguard Agency vessels. Nicole is a graduate Chapman School of Seamanship Yacht & Small Craft Survey Program and the Fundamental Damage & Claims Survey course. Nicole surveys to Universal Standards for Professional Appraisal Practices and American Boat Yacht Council standards and is a Professional Association of Diving Instructors, Divemaster.
- She has crewed and captained in Tall Ships, Dive and Eco-Tourism charter vessels, and was a Search and Rescue volunteer.
- Nicole worked as a staff surveyor in the Caribbean; as a Loss Prevention Consultant for a yacht Underwriter in the US, and owned an independent Marine Surveying & Consulting firm in Canada.
- Nicole McLoughlin has over 25 years of marine knowledge with the past 15 years as an Accredited Marine Surveyor, adjuster & consultant. She is currently based in Toronto with Charles Taylor Adjusting.

What This Webinar Will Show

- **Types of survey assignments** and the role of a marine surveyor/adjuster in the field of Yacht & Small Craft Surveys
- **Inside the Marine Wheelhouse**: The lifecycle of a survey and damage claim; Time and Resources Involved; Essential Claim Details
- **Recommended Marine Survey Report Content**: Findings & Recommendations; Valuation Methodology; Terminology
- **Top 3 Causes of Loss:** rankings by USCG/TC and What I see in the field; Loss Prevention & Education Initiatives

Types of Surveys Typical of Yacht & Small Craft Surveys

- **Condition and Valuation Surveys:** Pre-Purchase, Insurance Renewal (In and out of water inspections)
- **Appraisals:** An appraisal is a statement of value as is where is, not operational condition or if a vessel is fit for it’s intended use.
- **Specialty Surveys:** Sails & Rigging; Engine Surveys; Electrical and Corrosion Surveys; Walk-Throughs; Non-Destructive Testing: Audio/Thickness Gauging; IR Thermography; Port Risk/ lay up warranty/ Trip and Tow; Cargo (load on/load off, refrigerator); Phase in/out of Fleet/Compliance; Stability & Tonnage Measurements; Expert Witness work/Legal consulting

What’s the difference?

- **Appraisal**: Determines the value of a vessel or equipment (as is where is); without testing equipment or providing an opinion as to whether it is operable. The methodology used to determine the value falls under USPAP (Universal Standards of Professional Appraisal Practices).
- Fair Market Value
- Comparison Method (production)
- Business Method (charter/passenger)
- Martin Scale (custom; antique)

- **Marine Survey**: Determines the Condition and Valuation of a vessel; Provides and unbiased, third party opinion as to whether the vessel is fit for its intended use; and the Fair Market Value/Replacement Cost of that Vessel based on a motivated buyer and seller.
- **Adjuster**: Determines the Nature, Cause and Extent of damages to a vessel in the event of an incident; and if that incident falls under the parameters of the policy; and if repair costs are Fair and Reasonable.

The role of the Marine Surveyor /Adjuster

- The role of the Marine Surveyor/Adjuster during a claim is to act as liaison between the client and the Insured; we ultimately report to Underwriters.
- During a survey, the surveyor acts as an advocate for the client, who is the vessel owner/representative or prospective buyer.
- The purpose is to provide a professional un-biased third party opinion as to the condition and valuation of the vessel and if it is fit for it’s intended use.
- That report is the work product that goes to the client (Insurer or Owner), then to their Insurance provider, which is ultimately the Underwriter.

Initial Contacts For Site Inspection

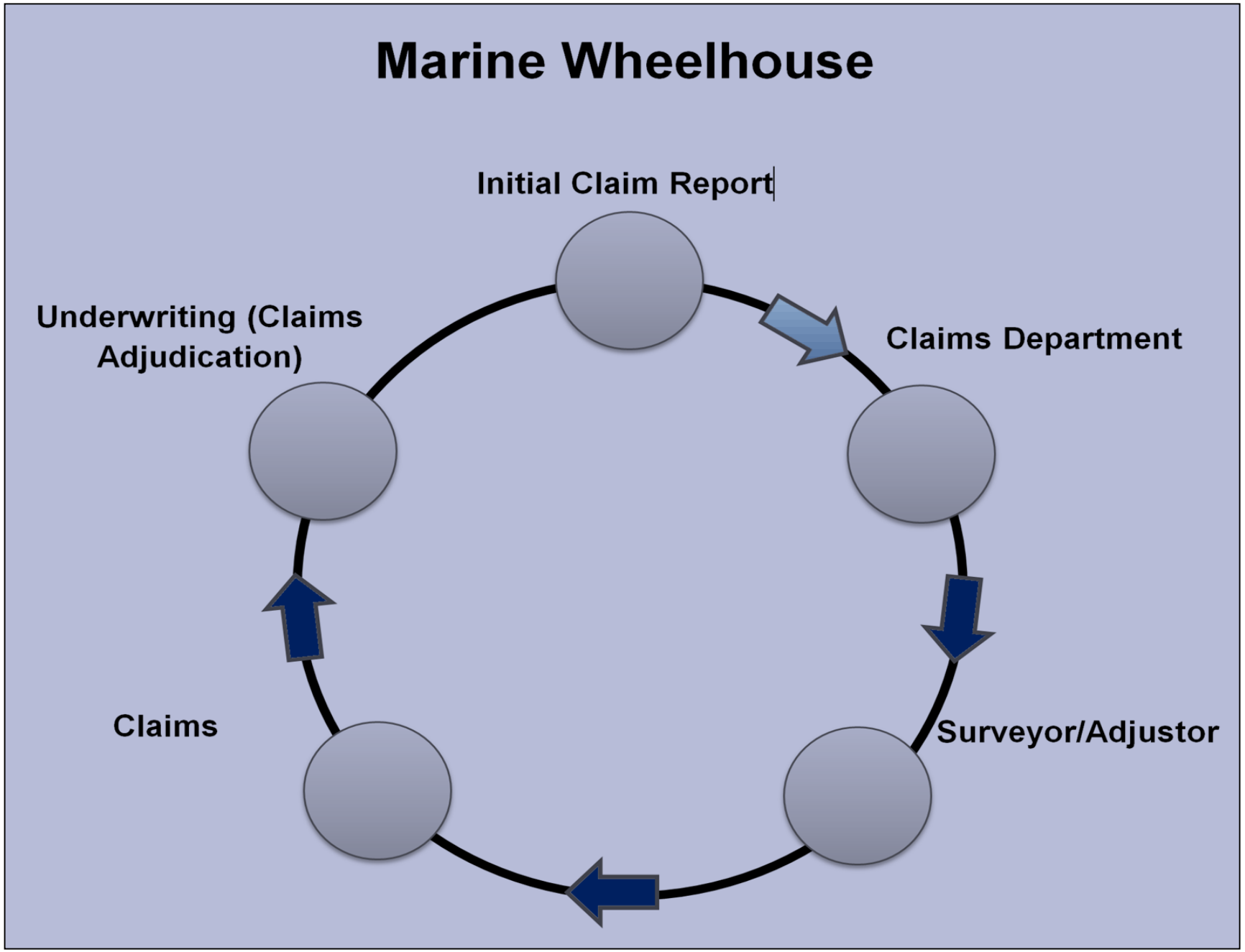
On a Survey

- Owner, broker A; Buyer, Broker B; friends/family; Captain; Mechanic; Electrician; & the Attending Surveyor
- Yard crew at haul out
- Maintenance Records
- Utilize all available resources to aid in the investigation and determine Findings & Recommendations

On a claim

- Owner/Insured or their representative (Captain); 3rd Party Insured or Uninsured; family/moral support
- Joint Survey: Insured has appointed their owner surveyor; the Attending Surveyor for the Insurance carrier (Underwriters)
- Repair vendor (FRP, Mechanic, Electrician; Yard crew at haul out
- Witnesses; Media;
- Utilize all available resources to aid in the investigation and determine the Nature, Cause and Extent of Damages

Marine Survey/Claim Cycle: Inside my Wheelhouse



Cycle of a Marine Survey or Claim:

- Report of Incident/Occurrence (Claim) or Request for Survey
- Surveyor Receives & Accepts Assignment
- Verify reported claim/vessel details
- Contact Insured and all involved parties

Within 24 Hours of Notice

Site Inspection

1. **Verify Vessel Documents:** HIN; Take photos of exterior, interior, all systems and equipment, safety gear and rigging and record all findings. Confirm maintenance log or any structural modifications or repairs/lightning strikes; reports from other technicians

2. Hull Structure: Through Hulls; Underwater Machinery, Keel; Sails, Spars & Rigging

3. Non-Destructive Testing: Moisture Meter Readings and Percussive Soundings of the hull & decks and interior stringers and bulkheads

4. Systems & Equipment: Mechanical Electrical; Plumbing; Navigation

5. Findings & Recommendations: /Nature Cause and Extent of damages: Does all the equipment power up? is it compliant with current standards?

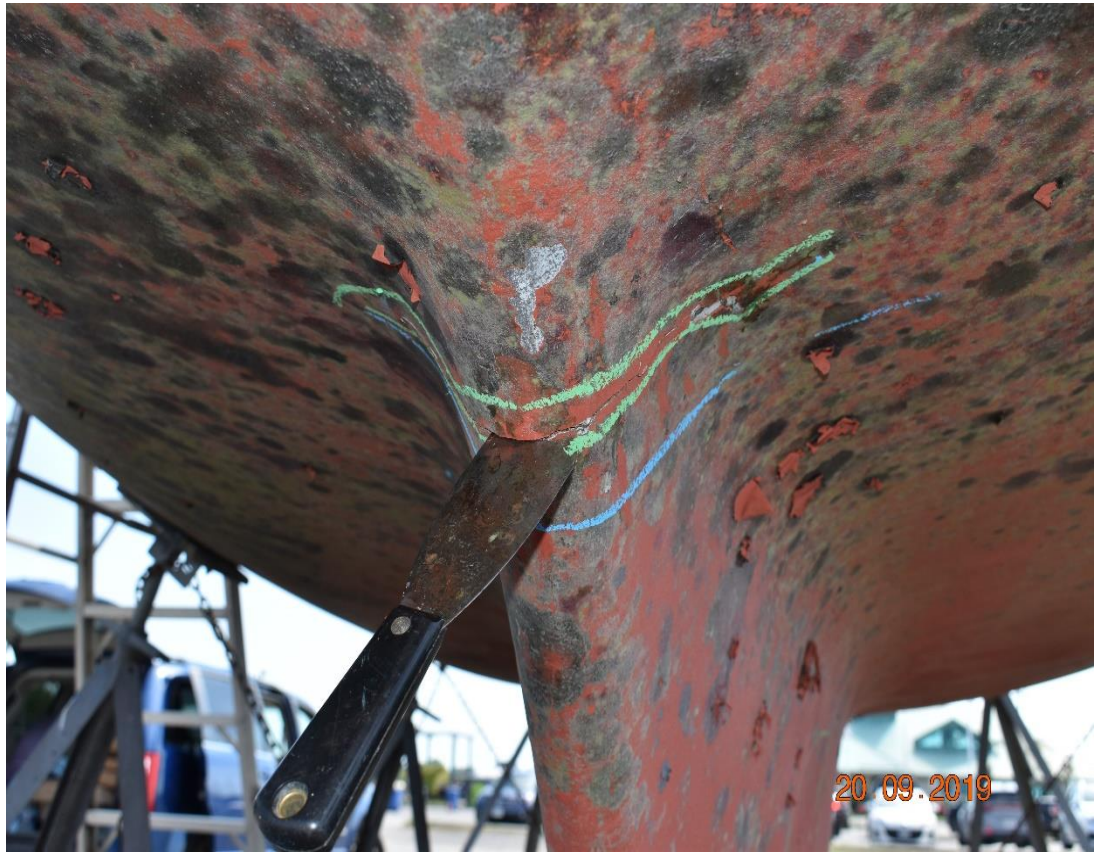
6. Valuation: What's it worth?

7. **Research & Report**

Back to Claims Team: Examiner/Underwriting

- Report(s) Complete
- Claim Adjudication
- SIU/Subrogation Or Settlement Agreed
- Repairs Complete; Claim Settled; File Closed.

Keel Damage: Partial sinking at the dock; water ingress due to heavy weather and keel failure



In the field: Modified Stability

Vessel Verification: Pre-Incident Condition

Where’s My Boat?

Fire Investigation: Proving Cause of Loss and Positive Identification

Fire Damage: Origin & Cause
Nature, Cause and Extent of Damages

What's Wrong With This Picture?

Recommended Marine Survey Report Content

- **Vessel Particulars/Assignment Details**: Dates; Purpose of survey/who it's for; Surveyor's Certification signature, Voluntary/mandatory standards used; Through hulls; Photos

- **Findings & Recommendations**: The good, the bad and the ugly: Safety Requirements, Recommendations for Insurance; Surveyor's Recommendations

- **Nature, Cause and Extent of damages** (claims reporting)

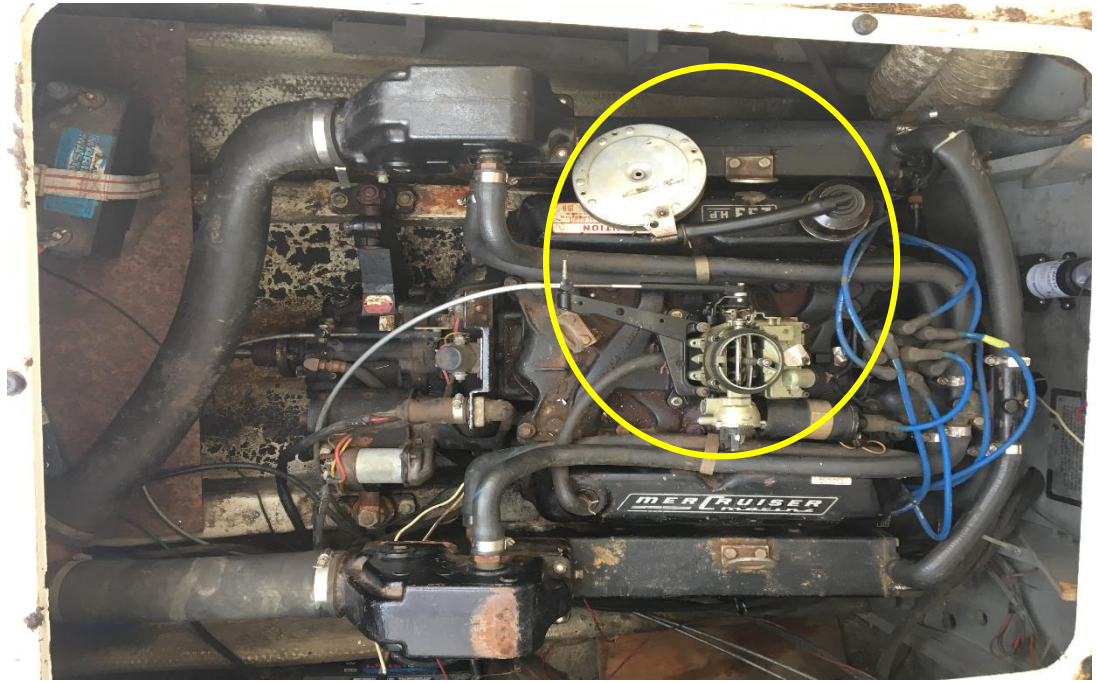
- **Valuation: Methodology**: Business/Comparison/Martin Scale

Findings & Recommendations

- Findings
- Photos
- Referenced safety/standards
- Make recommendation to repair/remediate

MACHINERY
ENGINE TYPE & MODEL One (1) Mercruiser 233hp inboard gasoline engine; m/n R233, s/n 4300697, Velvet Drive transmission, m/n AS1, 71C, ratio 1:1 s/n 110530, by Borg Warner. The flame arrestor is disconnected and partly disassembled from the engine, and was reportedly undergoing recent service that was left incomplete; The engine space shows general dirt and dislodged insulation, reportedly from squirrels nesting, and long-term use that is in need of thorough cleaning and full service.

TEST TIME RUN & RPM The engine was not started and is a safety hazard without the Flame Arrestor and working blower and MUST NOT BE TURNED ON OR RUN UNTIL ALL REPAIRS ARE COMPLETED BY A CERTIFIED MARINE MECHANIC AND IN COMPLIANCE WITH TP1332E REQUIREMENTS AND ABYC H24 RECOMMENDATIONS.

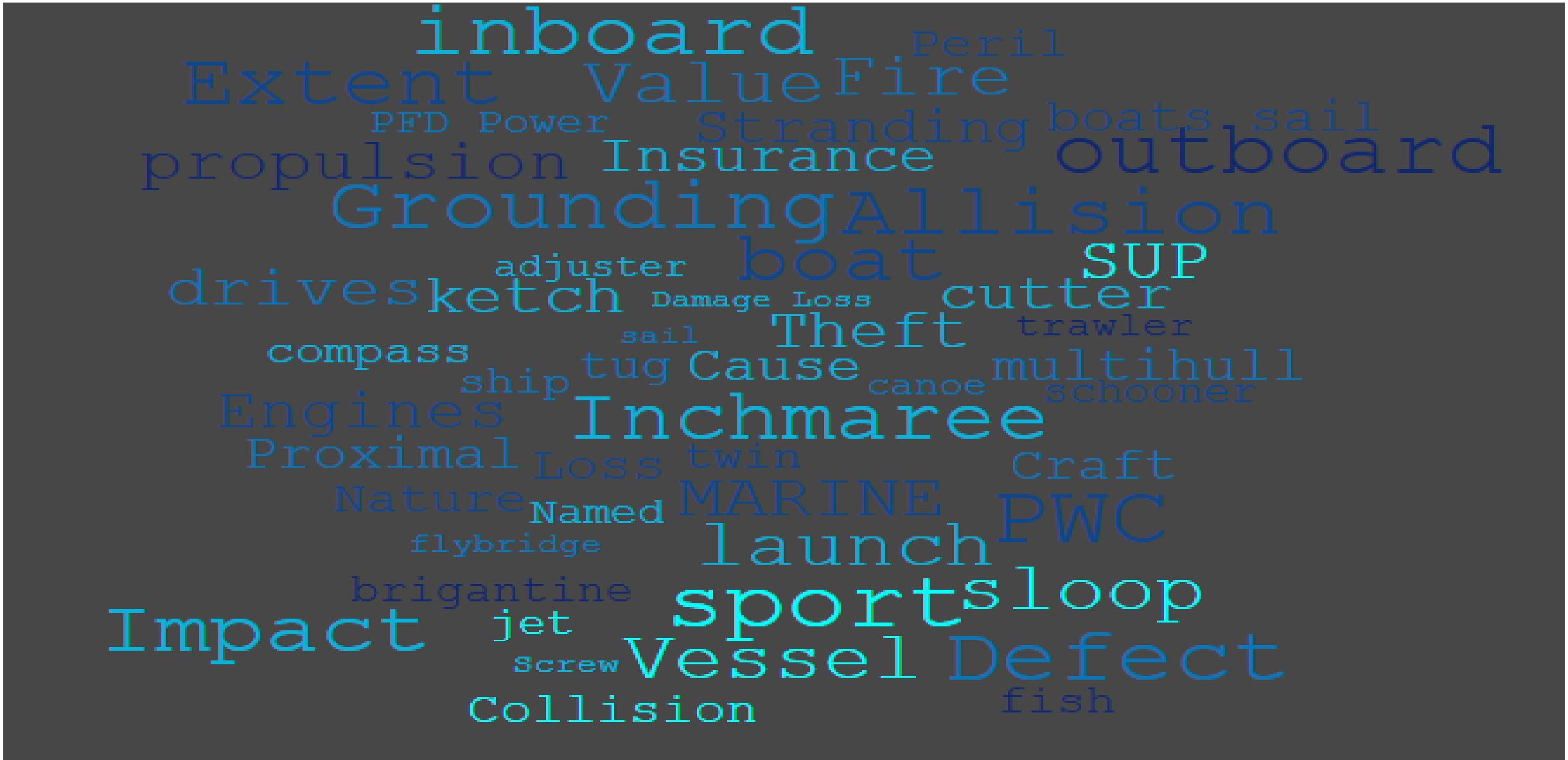


DC BATTERIES Batteries are sealed type, 675CCA Trojan, in boxes and strapped; located to port below the quarter berth. Ventilation is limited and the terminals are fitted with wing nuts and more than 4 connections and no boots at the positive posts; the terminals should be made closed captive spade type, limited not only 4 connections and with adequate ventilation per ABYC E10 7.7.7.1 and TP1332E 8.6 requirements

Valuation Components

- Maintenance? Previous claim (structural repair) or lightning strike?
- The cycle of surveys is every 5 or10-20 years (Canada); 2-5 US/Charter
- Rigging inspections: 5-7yrs. multihulls in saltwater; 10-15 mono in fresh
- When is the policy updated? (pre 2008?) Depreciation schedule?
- Actual Cash vs. Agreed Value?
- CANADIAN resources: Computer Boat Values; Outboard Blue Book
- US resources: Power Boat Guide; Soldboats
- Outboards, tenders and trailers separate from vessel (hull)
- The engine(s) is 1/3 of the value of the vessel; $1,000/ft to fix

Marine Terminology



Stranding/Grounding

2019 Top 5 Marine Losses

USCG Boating Safety Statistics https://www.uscgboating.org/library/accident-statistics/Recreational-Boating-Statistics-2019.pdf

NATURE of LOSS

1. Collision with a recreational vessel
2. Collision with a fixed object (allision)
3. Grounding
4. Flooding/Swamping (foundered)
5. Falls Overboard

CAUSE of LOSS

1. Operator inattention
2. Improper lookout
3. Operator inexperience
4. Excessive speed
5. Alcohol use

2019 Executive Summary

- In 2019, the Coast Guard counted 4,168 accidents that involved 613 deaths injuries and approximately $55 million dollars of damage to property as a result of recreational boating accidents.
    - The fatality rate was 5.2 deaths per 100,000 registered recreational vessels. This rate represents a 1.9% decrease from the 2018 fatality rate of 5.3 deaths per 100,000 registered recreational vessels.
    - Compared to 2018, the number of accidents increased 0.6%, the number of deaths decreased 3.2%, and the number of injuries increased 1.9%.
- Where cause of death was known, 79% of fatal boating accident victims drowned. Of those drowning victims with reported life jacket usage, 86% were not wearing a life jacket.
- Where length was known, eight out of every ten boaters who drowned were using vessels less than 21 feet in length.
- Alcohol use is the leading known contributing factor in fatal boating accidents; where the primary cause was known, it was listed as the leading factor in 23% of deaths.

2019 Executive Summary

- Where instruction was known, 70% of deaths occurred on boats where the did not receive boating safety instruction. Only 20% percent of deaths occurred on vessels where the operator had received a nationally-approved boating safety education certificate.
- There were 171 accidents in which at least one person was struck by a propeller. Collectively, these accidents resulted in 35 deaths and 155 injuries.
- Operator inattention, improper lookout, operator inexperience, excessive speed, and alcohol use rank as the top five primary contributing factors in accidents.
- Where data was known, the most common vessel types involved in reported accidents were open motorboats (45%), personal watercraft (19%), and cabin motorboats (16%).
- Where data was known, the vessel types with the highest percentage of deaths were open motorboats (48%), kayaks (14%), and personal watercraft (8%).
- The 11,878,542 recreational vessels registered by the states in 2019 represent a 0.22% increase from last year when 11,852,969 recreational vessels were registered.

Transportation Safety Board (Transport Canada) Boating Fatality Statistics 2016 (commercial involving recreational vessel)

- https://www.bst-tsb.gc.ca/eng/stats/marine/2016/ssem-ssmo-2016.html#2.5

- *Mechanical failure
- Collision
- Grounding
- Fire
- Unfit Vessel
- Sinking

*Approximately 100 marine incidents annually

The recreational boating population in Canada is large. In 2012, 11.8 million adult Canadians boated at least occasionally and the average number of fatalities was between 121 and 127. The National Marine Manufacturers of Canada estimates based on a 2011 survey of 2,000 adult respondents, that 38% of Canadian adults, or 10.5 million, went boating at least once in the past twelve months. The CSBC estimates, based on a 2012 survey of 1,016 Canadians, that 43% of adult Canadians, or 11.8 million, participate in recreational boating at least occasionally. These numbers provide an indication of the size of the population at risk of a boating injury or fatality. Recent (2013) Canadian data reveals that of the 15,186 hospitalizations for major injuries in 2010-20111, only 39, or 0.26%, were caused by water transport and only 26, or 0.17%, were caused by drowning.

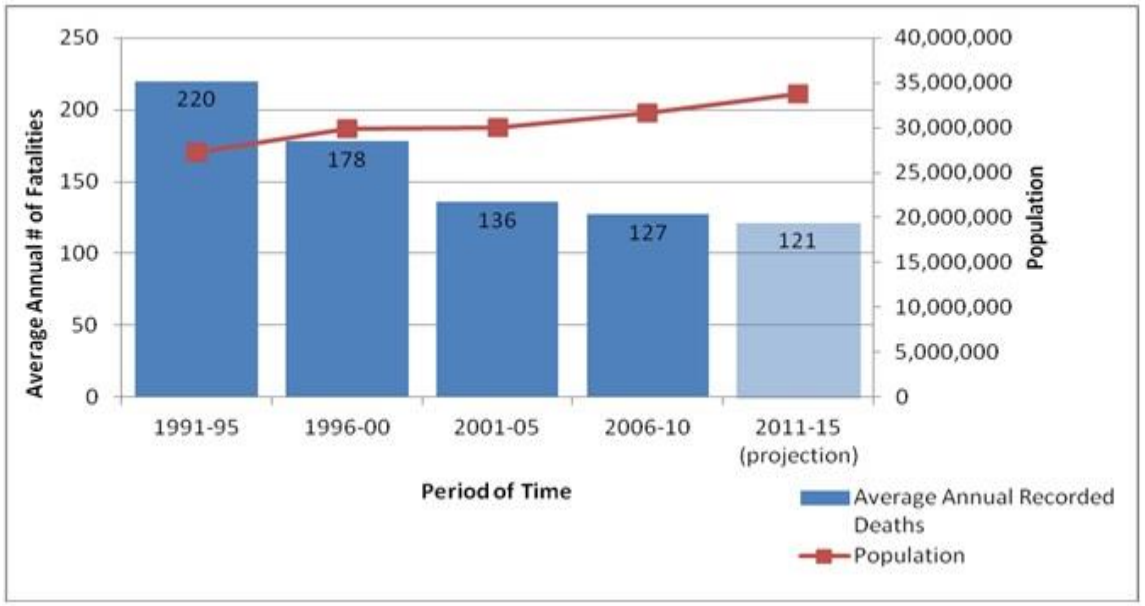


Figure 1: Recreational and Other Boating Fatalities in Canada, 1991 to 2015

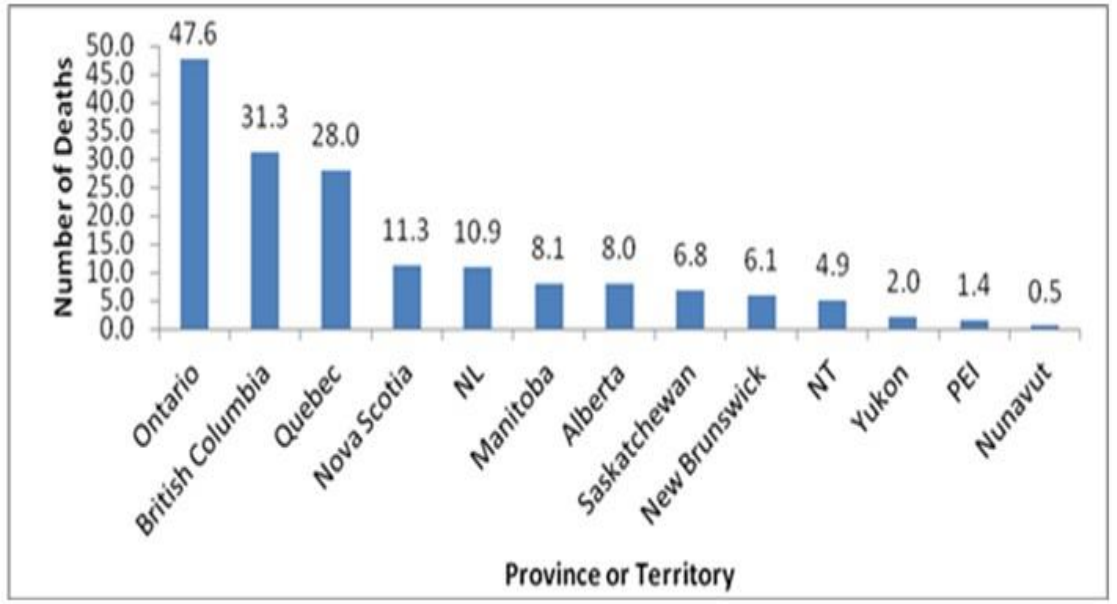


Figure2:Average Annual Number of Boating Fatalities by Province, 1991 to 2008

Loss Prevention Initiatives

- **Education & Awareness:** Boating Seminars, formal licensing
- Pleasure Craft Operator's Card, PCOC (required for vessels with a 9.9hp+ motor)
- Electric Shock Drowning; Basic Diesel Maintenance
- Canadian Power & Sail Squadrons (VHF licensing, boat handling)
- Marine Trades; Georgian College, CCG school; (Navigation, MED's)
- RYA/ CYA/ASA: Yachtmaster's offshore; Basic Coastal Navigation; under 60ton; 150 ton license; 6 pak
- Monitoring & Tracking/ Security Systems; Vessel Management
- Storm Planning; Vessel /Applicant screening?

Are there incentive programs available /applicable for policy discounts?

Marine Liability Act Canada (2001)

- A marine surveyor is not required to be licensed to adjust marine claims in Ontario.
- Marine Surveying is an unregulated industry in Canada…
- Most are independents; we all have particular specialties and are prepared to attend on short notice and produce results; Part of our strength is our rolodex of resources; not only regionally, but nationally and abroad.
- Anyone can call themselves a surveyor; it’s up to the insurance industry, claims and Underwriting to accept that work, or not.
- The organizations that represent members in a professional capacity have continuing membership screening processes, continuing education requirements, a code of ethics, and recommended survey report content

How to qualify a Marine Surveyor/Adjuster

- Qualified? (professionally credentialled & accepted by the certifying authority?)
- Educated, Experienced, Enthusiastic? *Do they want the job?
- Reasonable rates? Regional Knowledge? Capable to Travel?
- Talk to them!
- Ask for a CV
- Get a referral
- Give them a try!
- The best surveyors are the ones having fun; the ones who know a good idea can come from anywhere, and they are still eager to learn.

Useful Links

- **Safety**: *16 on your cell phone will connect you to the Coast Guard
- **Loss Prevention/Theft**: IAMI International Association of Marine Investigators: Fraudfighter www.iamimarine.org; NICB National Insurance Crime Bureau
- **Standards** to Live By: ABYC American Boat Yacht Council www.abyc.org; National Fire Protection Association NFPA 302, ISO 9000; MGN280 Yellow and Blue Codes
- **REQUIREMENTS**: Construction Standards for Small Vessels: Transport Canada: TP1332E and 511: Canada Safe Boating Guide
- **Vessel Documentation**: Transport Canada small vessel query system
  Experts to Rely On: Society of Accredited Marine Surveyors SAMS® www.marinesurvey.org; NAMS Global; IIMS; MCA; MECAL; RYA; BV; Lloyds
- **Valuations:** USPAP; Computer Boat Values; Yachtworld; NADA; Sold Boats
- **Weather/Industry**: NOAA; windguru; environment Canada; Gcaptain; women who sail;

In Closing

- 11.8 Million Canadians boat every year. There are 44 SAMS® surveyors in Canada; 2 are women.
- There is no formal training for marine surveying or requirement for adjusting marine claims in Ontario
- Qualify the Surveyor/Adjuster; Clearly define the Scope of Survey/Assignment and know the value of your expert
- Be aware of TIME
- An *average Condition and Valuation Survey takes 4—8hrs. A good report will take an equal amount of time to write
- Read the full report! Know the BANG ‘em ups, BURN ‘em ups, and the SINK ‘ems!
- The boat will tell her story; You just have to know where to look!

Thank You!

- Danielle at INTACT for nominating me to present,
- CBMU for hosting;
- To CBMU staff: Halyna, Victoria and Amanda, for their support
- MAT team at CTA and MacMillan R&D.

Fair Winds, Nicole