Guidelines for Writing Yacht Survey Reports

GENERAL
The intent of this document is not simply to set a "minimum standard" for what is acceptable. Our clients deserve more than the minimum. These guidelines are offered as goals for producing substantive, professional reports that seek to provoke discussion and answer questions, not raise them.

The objective of virtually any survey report is to describe the vessel (and/or system) and to provide a list of technical findings and recommendations.

As the client for whom the report is prepared may not have the same level of experience or training as the marine surveyor, care should be taken to see that the report findings and recommendations are as unambiguous as possible. This may mean further description, detail, or explanation so that the finding/recommendation stands on its own without begging further question.

WRITING STYLE
It is an unfortunate fact that many adults in the business world develop bad writing habits. As professional consultants, we as surveyors must realize that we are there not merely to *find* potential problems, but also to *convey* these findings effectively to a non-technical client. With that in mind, it is important to remember that just because a marine survey report is a formal document does not mean it has to be difficult to read. A straight-forward writing style helps the reader focus on the technical details without having to struggle through the way those ideas are presented.

If the primary purpose of the report is to communicate findings and recommendations, then good grammar and syntax are important in clearly conveying ideas. The effectiveness and impact of the report can be lost with poor verbiage or convoluted writing style.

- In the interest of clarity, it is best to consider the difference between terminology and jargon. While many specific marine terms are indispensable, others can be considered archaic and of little use in conveying the idea to the client.

- Do not use the "Royal we". Its use today is considered antiquated and pretentious. Unless the report is a joint document written and signed by several surveyors, then the statement should be written in the first person. In general, it is best to use third person omniscient as the point of view of a report.

- Avoid passive voice. Clear, active sentences tend to produce more accurate verbs, which can be critical in a technical report (especially when discussing cause of failure).

- Large, unbroken blocks of narrative may be impenetrable for a client trying to plow through a report. The best reports organize thoughts into a logical progression that is broken up into digestible chunks.

- Simple descriptors (vessel particulars, serial numbers, make/model, etc.) need not be written out longhand in a report when a simple table format is more economical easier for the reader to scan.

Use good judgment and simplify writing whenever possible.

Although the report may have been prepared for a single client (e.g. boat owner), it may in turn be provided to additional end-users (underwriters, banks, attorneys, repairers, etc.). With this in mind, the surveyor should accept that the needs of the end user ultimately affect the client. As a result, for the report to be relevant and useful to the client, the surveyor should be aware of its end use.

For example, if the report is a risk evaluation for underwriting, the surveyor should be aware of and should inspect the vessel with a thought as to how it might subject to any one of the more common causes of marine losses. The focus on the potential hazard itself, rather than looking solely for potential infractions with regulations or standards, makes for a more common sense and useful report.

Important: This is ***not*** to suggest that the surveyor should tailor their findings, recommendations, or valuation based on the desires of the client. The goal of the survey report is not to get the owner insurance, to secure financing, to find coverage, or to keep the deal together. The goal is to report findings. The thing speaks for itself and therefore conditions must be reported as they are found.

ASSIGNMENT

The report should start off by clearly stating the client and intended use of the report. While this may seem relatively clear in the case of a pre purchase or underwriters risk evaluation, it may be more important in the case of a claims investigation for an insurance carrier, a risk assessment for a bank, or a legal matter.

It would be prudent to restate the client and intended use in the conclusion of the report, especially if the report establishes a value on the vessel. The point here is to help prevent a third

party for using the conclusion out of context and in so doing misrepresenting the intentions of the report.

The surveyor should consider those cases where his assignment may conflict with the end user of the report. Specifically, there are cases where a yacht broker or yacht owner may contract a survey, yet the end use is to present the report to a prospective buyer. The potential ethical conflict or even *the appearance of an ethical conflict* in this situation should be obvious. The surveyor would be well advised to avoid these situations in the first place, rather than to write a report that that could be misinterpreted.

Before writing the report, it's may be wise to discuss with the client the scope of the assignment. In the case of a damage report, the insurance claims department may want you simply to provide cause, nature, and extent of loss. However, some cases may require a detailed damage appraisal with the surveyor's opinion as to the estimated cost of repair as well as loss/non loss related captions for line items.

TYPE OF SURVEY

The type of inspection should be stated clearly in the title and in the introduction of the report. It would be prudent to note the type of survey in the conclusion and on page headers. This identification could prevent potential misrepresentations should pages of the report be copied out of context.

Pre Purchase Surveys are a comprehensive inspection of the vessel hull, machinery, rig, and systems. These inspections should be titled and referred to as "Pre Purchase Surveys".

Insurance underwriting inspections involve reviewing the vessel and its systems to aid an underwriter in evaluating the vessel as a potential risk. In addition, this type of inspection should establish the fair market value (used) of the boat at the time of inspection. It is accepted in the industry that these inspections are less comprehensive than a Pre Purchase Survey. Care must be taken to title and refer to these insurance inspections so that they cannot be misconstrued as the more thorough Pre Purchase Survey. It is recommended that these reports are titled and referred to as, "Underwriters Marine Risk Evaluation".

The term "Condition and Valuation Survey" can be considered somewhat arcane. Both Pre Purchase Surveys as well as Underwriters Risk Evaluations involve assessment of the condition as well as the valuation of the subject vessel. As a result, this title does nothing to help differentiate between the two different types of inspections and would best be avoided.

Damage Surveys typically are conducted at the request of an underwriter subsequent to a claim against a policy of insurance. In most cases, the inspection revolves around damage claimed to be the result of a specific event. For this reason, damage reports often times must involve not only an inspection of the damage itself, but also an investigation of the event in question and its relationship to the damage.

GOAL OF THE SURVEY

The surveyor should try to keep in mind the goal of the inspection and how the report serves the client.

Pre Purchase Survey

The buyer of a vessel expects that a survey will confirm the structure, machinery, and equipment is as represented in the original listing. However, it's very important to understand that the goal of a pre purchase survey is not simply to list an unending inventory of the vessels systems and equipment. While listing these technical details is necessary, it is their interpretation into a series of meaningful, substantive recommendations that elevates the report from a laundry list to a true technical assessment of the vessel by a marine professional.

For example, reporting that the vessel is equipped with four bilge pumps may be of little importance to the reader. How are the pumps installed? Are they of adequate capacity? What is the condition of the pump hoses and wiring? Answering these additional questions tells the reader that the surveyor is not merely submitting an inventory of the boat, but has completed a thorough evaluation of the systems.

With this in mind, canned comments or copied recommendations from standards may not offer adequate explanation for the layman reader. A good report not only *presents* the regulation/guideline, but also *discusses* its implications when necessary.

The surveyor should be able to put standards/regulations into context in order to help the reader understand their importance and validity. For example, it's not enough to merely note that the vessel has eight PFDs. If half the life preservers are type III and the vessel is a sailboat intended for offshore service, then the boat is underequipped.

This in turn brings up the point that the surveyor should keep in mind that they must consider not only what is on the vessel for equipment, but also *what is not and should be*. If the vessel is intended for passage making, is it equipped with the appropriate safety gear (life raft, survival suits, AIS, EPIRB, advanced First Aid, SOLAS gear)? Is the tankage adequate? Is the cabin designed with handholds and gear stowage for extended legs while heeled?

It is somewhat rare for a pre purchase report to reveal a gross structural defect. More often than not, and especially with older, tired boats, the report may uncover a long list of smaller items that require repair or upgrading. It is quite possible that this long list of minor items could cumulatively represent a substantial further investment in the boat (reinforcing the old chestnut about a boat being "a hole in the water into which one pours money").

The point here is that the pre purchase report has the duty to uncover many items that do not show up in the ABYC guidelines, NFPA 302, or the CFRs. In these cases, the report can serve as valuable perspective for the client and may actually prevent him from sinking money into a losing cause. The report indirectly may convince the client to pay more money up front for

another vessel that is in better condition. In this way, the pre purchase report not only lists gear, but imparts the surveyor's wisdom and experience.

The goal of the pre purchase survey is *not* to instruct the buyer/client to buy the boat or not to buy the boat. The report "leads the horse to water, but it can't make it drink." Nevertheless, if the boat is a "clam", the surveyor has a duty to convey this to their client in the report.

Insurance Underwriting Inspection

The goal of an underwriting inspection is to evaluate the vessel as a potential risk as well as to offer market and replacement cost (new) for the vessel. Underwriters are looking for conditions that, if not corrected, could result in a potential claim.

The report should consider that a recommendation that cites a standard or regulation infraction without context may not help the underwriter prioritize the potential risk. Therefore, a substantive recommendation that not only describes the problem, but also suggests the potential hazard if the condition is not corrected and also recommends a means of correction truly serves both the vessel owner as well as the underwriter.

The underwriting inspection should never comment on whether or not the subject vessel is a good risk. The assessment and acceptance of risk is the province of the underwriter alone.

If the findings reveal a condition that makes the vessel inherently unseaworthy or a condition that could pose an immediate hazard, then the report should have a bold statement recommending that the vessel be placed on Port Risk (either afloat or ashore). If the surveyor discovers any condition that could result in personal injury, submersion, dismasting, or fire/explosion, they would be well advised to issue an emergency notification to the vessel owner and any responsible parties (repairer, marina) who can take immediate action to stabilize the condition. This is one case where waiting to issue the formal completed report would be the wrong approach.

Damage Survey

The surveyor is hired as a technical expert to determine the Cause, Nature, and Extent of Loss. The surveyor is not merely a facilitator to help push a claim down the pipeline. The report must focus on facts and findings, not hearsay. Basically, the surveyor's duty in the report is to the facts, even if that information may result in complications with the file.

Although the surveyor's fiduciary responsibility is to the insurance carrier who issued the assignment, this does not mean that the surveyor should be an *advocate* for the company or the insured. If the surveyor's investigation reveals facts/findings that may commit the carrier to coverage or liability on the part of the insured, then the surveyor's report has a duty to record these findings. Twisting findings in a report could expose the carrier to substantial penalties for acting in bad faith.

In cases where coverage or liability may be in question, the determination of the Cause of Loss may be the most critical element of the Damage Survey. The report must seek to discover the

proximate cause of loss. For example, if a boat is dismasted due to a failed headstay, the report should answer *why* the headstay failed. If the loss involves a submersion, the cause of loss cannot be listed as "failure of the bilge pump". The proximate cause of loss is a leak in the boat that the surveyor must hunt down. If there was rain the day the boat sank, was the rain the root cause of loss, or was it merely "the straw that broke the camel's back" with a boat that had a long term slow leak?

If the surveyor feels that they do not have the experience or training to determine the cause of loss, they should not accept the assignment. This does not mean that the surveyor cannot seek expert advice or conduct further research in order to determine the cause. It merely recognizes that a report that in essence states, "I don't know" at best does no service to the client.

The surveyor should strive to produce a report that in itself is an expert resource on failure analysis – not simply a vague opinion and a recommendation that the client hire another expert who might be better suited to determine the cause.

If the surveyor does not have the evidence or experience to determine the cause of loss, *they should not guess*. It is always preferable to speak to a claims department directly if you run into a brick wall before writing it in stone. A report based on supposition or hypothesis does nothing other than commit the carrier to coverage as well as to discredit the surveyor.

The typical claims assignment often asks the surveyor to comment on the "extent of damages". This often involves more than writing a basic "Found and Recommend" list. Materially, the assignment usually involves reviewing repair estimates and providing a damage appraisal.

The report should seek to take this critical look at the cost of repairs. In other words, the surveyor is expected to do more than simply rubber stamp every estimate as "fair and reasonable." This doesn't mean that the surveyor is a "hired gun" to cut down repair estimates arbitrarily.

The damage survey report should be able to provide specifics as to the precise limit of damage, the scope and process of repair, and the labor and materials necessary to complete the job. If the surveyor has no direct experience or training with the repair process, they have no business taking on the assignment.

Unless the surveyor is a licensed adjustor and has been tasked to apply the policy language to settle the claim, the survey report should not pass over into the realm of adjustment.

The survey report should *not* comment whether the loss should be covered or should be denied.

There are times when a factual, technical claims investigation can result in conflicts. The surveyor should have the courage of conviction to do the right thing and state the facts, whether it makes any parties happy or not.

SCOPE OF INSPECTION

Some clear definition of what the inspection entailed is a prudent way to demonstrate the process that the report is based upon. What did you cover in your inspection? Did you clear all the lockers and enter every compartment? What tests were performed? Did you use any specific tools (multimeter, sure test, moisture meter, etc) to inspect the hull and systems? A detailed Scope of Inspection shows the reader that the inspection was thorough.

The scope of inspection should be combined with a list of **Survey Limitations**. This is the best way of indicating to a client what can or cannot be expected from the inspection. It would be best to provide this scope as well as expected limitations to a client *before the survey is to be conducted* so that they are forewarned of what they can and cannot expect from the contracted work.

If the survey limitations prevent the surveyor from completing the assignment, the surveyor must decide whether or not to simply state the limitations or if it is better to not title the report as a *survey*. For example, if a boat is covered, the engines and systems laid up, and the electrical system cannot be run- could any inspection with such limitations be considered a "survey"? Titling this inspection as a survey may belie the considerable shortcomings and in an extreme case might be construed as misleading to the client.

VALUATION

Pre Purchase Surveys and Insurance Underwriting Inspections typically provide an opinion as to market value of the subject vessel. A surveyor may be asked to provide a report specifically to determine value (be it for a lender, as part of a legal settlement, or donation). In such cases, the surveyor should be aware that the determination of fair market value of a recreational vessel generally is more involved than simply pulling numbers out of a set of books.

If the goal is to determine the Fair Market Value (used), then the surveyor must make attempts to research the actual market. Oftentimes, valuation includes some manner of discussion in order to lay the groundwork for the methodology used in determining the value. Factors such as the current economy, desirability of the vessel design/equipment in a given area, and market trends for the geographical area must be factored in along with the vessel general condition in order to present a fair picture of value.

There are a number of online markets listing vessels for sale. The surveyor should note that the listed asking price for a vessel should not be taken at face value as the market value. Obviously, if a vessel has been on the market for over one year, then the listed asking price is unrealistically high. At the same time, if a listed "selling" price for a vessel shows that it had been on the market for an extended period of time and yet still managed to sell for the asking price, one might look a bit askance at the source of the selling price. In short, if the source of the market data is not a confirmed document (purchase and sales agreement or confirmed auction accepted bid), then the surveyor should consider the impartiality of the source and adjust the most probable market value accordingly.

With respect to recreational vessels, one method of determining value typically can be considered flawed. The Cost Approach to valuation, or basically a list of money spent on the boat be it maintenance, repair, or upgrades should not be used as the sole means of upgrading the value of a vessel. Simply put, just because an owner may have spent a considerable amount of money for the storage, care, and upkeep of a vessel does not mean that this investment will reflect in the market value of the vessel.

When determining the Fair Market Value for a vessel in the case of an Underwriting Inspection, the value should not be any higher just because the number is used as the agreed hull value in a contract for insurance. If the surveyor lists a value that is substantially higher than the realistic actual market value of the boat, he is unwittingly creating a moral hazard.

In the case of donations, the surveyor must be aware that their duty in establishing value is no different than it would be in any other case where the goal is to determine Fair Market Value. If the vessel is being donated because it cannot be marketed otherwise due to poor general condition or some gross structural problem, it is the duty of the surveyor to recognize this and adjust value accordingly.

It is very often the case that the vessel owner seeking to donate a vessel takes this approach as a means of "dumping" a vessel that otherwise is not marketable. If the surveyor comes up with a value for such a vessel that is even the expected market value of a similar vessel without the gross problem(s), the surveyor is an active party to felony tax fraud.

A surveyor does not need to be a credentialed professional appraiser in order to determine the value of a vessel. However, the surveyor should be aware of the USPAP[1] guidelines that define sound appraisal practice. Above all, the surveyor must consider that their determination of value should be a logical and defensible methodology that may be subject to scrutiny.

VESSEL DESCRIPTION

A brief description of the vessel make and type may be illuminating in some reports. In the case of a pre purchase report, the client (buyer) is well aware of the vessel, so an in depth description is not really necessary. A prospective underwriter may be interested in some description, yet the photos and data gives them the basics to classify the boat.

The pre purchase survey report, once again, is a presentation of findings. The surveyor should refrain from writing flowery vessel descriptions full of hyperbole. This is a technical report, not a brokerage listing. At its worst, overly effusive phrasing can suggest bias. At best, it is pandering.

[1] Uniform Standards of Professional Appraisal Practice. http://uspap.org/

There should be no need to write a long narrative about the interior arrangements. A long drone about how the salon leads to the head on port and the hanging locker opposite, etc. is of little or no service to anyone and just wastes space. The photographs tell this story.

On the other hand, a detailed description of the type of vessel, peculiarities of the design or construction, history, and condition may be very illustrative for the end user in a valuation. Whereas the vessel buyer may be well aware of the vessel details and background, a lender or underwriter may not. In cases of unusual, unique, or antique vessels, an informed and factual background could prove critical in how the surveyor arrived at the desirability or market factors which in turn led to an opinion as to market value.

LIABILITY

Damage reports, especially involving third party claims, can involve the client seeking the surveyor's opinion in regards to liability. In all cases, the surveyor is asked to opine based upon their experience as to the standard of vessel operation/maintenance by the reasonably prudent mariner or else the standard of care expected from a professional builder/operator/repairer. The surveyor should never offer opinions or recommend subrogation in a report. Once again, the surveyor is a technical consultant, not legal counsel. By recommending or directing legal action on the part of his client, the surveyor is asking to be named as a codefendant in the event of a countersuit.

DISCLAIMERS

A surveyor cannot limit or disclaim their professional responsibility. The standard of care and reasonably professional performance are determined by the accepted practice of surveyors as a group, not by the individual. For example, if a marine surveyor chooses not to use a moisture meter in the inspection of a hull laminate, they can be held negligent if the same tool is in common use by most surveyors and if the use of that tool would have detected a defect or damage in the laminate.

The use of disclaimers and hold harmless agreements in a report, especially at the end of a report in conjunction with a conditional phrase such as "acceptance of this report means an agreement to hold harmless.." is often interpreted as disingenuous. Such wording, especially at the conclusion of a report and after the service has been performed hold little legal weight and only serve to cast doubt on the part of the client.

"WITHOUT PREJUDICE"

The phrase "this report is offered without prejudice" is an archaic concept whereby the surveyor intimates that the client need not be bound by the findings and/or opinions in the report. The reality of the matter is that the client most certainly is bound by the findings in a survey report. The surveyor must realize that their findings may have a profound influence as far as committing

a carrier to coverage, the outcome of a legal case, or the financial decisions of a lender. As a result, the phrase is meaningless and would be best avoided.

BOILERPLATE

Canned phrases and clauses are an unavoidable part of modern business. However, a good survey report should be judged by its substance, not the weight of printed paper it generates. The surveyor is advised to be merciful to the reader and minimize this verbal white noise. No survey report was ever criticized by a client for not having enough boilerplate.

Disclaimer

The above recommendations are voluntary. The National Association of Marine Surveyors cannot accept liability for the guidelines recommended in this document. Neither the adherence nor the failure to follow the guidelines outlined herein shall be considered in and of itself an act of negligence. Each surveyor must accept responsibility for their own work product. The National Association of Marine Surveyors cannot be named joint party to a claim of negligence solely because of an issue that is discussed in these voluntary guidelines.