



DES KEARNS MARINE SURVEYORS

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STANDARD LETTER TO CLIENTS FOR MARINE AND ENGINEERING CONSULTANCY AND SURVEY SERVICES

1. INTRODUCTION

This Standard Letter is formulated for potential clients to provide helpful information on what they can expect from their surveyor and what their surveyor will expect from them during the survey or consultancy process.

2. WHAT YOU SHOULD EXPECT FROM YOUR SURVEYOR?

Your surveyor should, upon demand, be able to prove his professional qualifications and experience.

The surveyor is an unprejudiced third party participant.

He should not get involved in emotional or political issues. Notwithstanding all interested parties he should not favour one party over the other, regardless of who is paying his fee. He will, to the best of his ability, represent your best interests, but it must be borne in mind his primary job is technical. He is there on your behalf to state and comment on technical fact only.

If you are considering Marine Insurance it is worth noting Underwriters have toughened up since Sept. 11 and now require a survey prior to granting Cover. Most yacht owners choose to insure their vessels. Therefore the client must realise the surveyor is wearing a second hat and looking after Underwriter's interests as well. It is a type of conflict of interest where the owner or potential purchaser is paying the surveyor to look out for someone else's interests.

It is a myth that there are different types of surveys. A survey is a survey whether it be for purchase, insurance, bank loan or as a promotion document for selling. We often get requests such as "Oh! We only need a quick and simple insurance survey." There is no such thing.

When a surveyor conducts an Insurance Survey the Underwriters want it all. The whole purpose of Marine Insurance is if the vessel sustains damage from an accident the Insured will be compensated and his vessel restored as original. If no survey exists how can the Underwriters know what they are underwriting? It goes full circle and everyone is a player.

The Insured pays a premium based on an agreed value. Underwriters agree to provide Cover on the vessel under the Terms and Conditions of the insurance contract. If a valid

claim is submitted and it falls within the terms, Underwriters pay. The Insured has a right to expect this. It is as simple as that.

The surveyor has not done his job properly if he does not provide a comprehensive report that protects the interests of all the parties.

So the second pre-requisite of your surveyor is that he should possess an in-depth knowledge of the insurance business.

If you are a purchaser by the time the surveyor becomes involved and you will already have been steered in the direction of your dream boat by your broker. Remember, the broker recommends a particular vessel based on information provided by you. Initially he is being guided by you. So it is important you research and try to have a clear idea of your particular requirements prior to visiting a broker's office. This can save all parties a lot of time and money.

Your surveyor may guide you in narrowing the process to selecting the correct vessel (or a more suitable vessel than the one currently being surveyed) if he feels that for safety reasons the vessel is unfit for its intended purpose.

During survey he will inspect and comment on the condition of all the key issues namely:

- Structural integrity
- Watertight integrity
- Underwater condition including (for GRP hulls) electronic moisture content readings
- Machinery
- Electrical and power generation systems
- Plumbing
- Tankage
- Mast, rigging and sails
- Steering systems
- Anchor equipment
- Safety and fire fighting equipment
- Electronic navigational aids.

At the end of the survey he will:

- Calculate a current market value of the vessel.
- Include a section entitled "Surveyor's Comments". These are helpful comments and observations and are usually preceded by the words "Consideration should be given to....."
- Include a "Recommendations" section. This is thunderclap. Recommendations apply to issues that could sink the vessel or are major structural or safety issues. They are not issued lightly. If a vessel was lost because of a Recommendation that was not complied with Underwriters are within their rights to deny Claim.

If problems or deficiencies are discovered in the course of the survey it does not necessarily mean it is a bad boat. There are a million reasons why boats develop problems - lack of routine maintenance, accidents, hard usage or lack of usage (this can be worse than hard usage). It simply means they have been identified. The surveyor can write up a repair specification with an estimated cost attached. Usually deficiencies are reflected in the price of the yacht or sometimes later negotiated into the price of the yacht.

3. PREPARATION / INFORMATION WE WOULD REQUIRE FROM THE CLIENT WHETHER HE IS BUYER, SELLER OR OTHER INTERESTED PARTY.

- The potential client will make an enquiry for a survey in writing. Email is the preferred method of communication.
- The surveyor replies with his Standard Letter and any other requested information along with an Order Acknowledgement quoting a price for the survey.
- It is important that an agreed Scope of Work is defined in writing prior to commencement of a survey.
- A time and place should then be agreed in writing.
- It is imperative that the Broker is in the communication loop as he may be directly involved in arranging for haul out and/or liaising with the seller. He may also have to arrange for the vessel to be delivered to the place of survey.
- The surveyor should be provided with as much documentation as practical prior to commencement of survey - in particular, the current Certificate of Registry, original Builder's Certificates, Construction and Equipment Specifications.

4. WHAT SHOULD THE SELLER DO TO BEST PREPARE HIS VESSEL FOR SURVEY AND SEA TRIAL?

- A well prepared ship's inventory is very helpful and saves all parties time and money. Generally it is better to remove all personal items or items that do not go with the boat before the potential buyer does his inspection.
- Cabin sole hatch boards should be made removable.
- Tanks accessible along with their contents.
- Electrical and batteries accessible.
- Engine tested and engine maintenance and service records available for inspection.
- Sails, winches and running rigging tested and ready for inspection
- List of any known deficiencies
- Certificates for all recent safety equipment inspections (Life raft, fire fighting, EPIRB's etc)
- Anchor winches and other equipment tested
- List of special instructions where required if owner is absent for sea trial.
- Appoint an owner's representative if owner cannot attend for sea trial. The broker can also fulfil this role.

5. METHOD STATEMENT

Unless otherwise specified the basis for general yacht marine surveys will be for global coverage according to the mandatory standards promulgated by the USCG under the authority of title 46 United States Code (USC); Title 33 and Title 46, Code of Federal Regulations (CFR), and the Voluntary Standards and Recommended Practices developed by the American Boat and Yacht Council (ABYC) and the National Fire Protection Association (NFPA). These Guidelines include the Propane Gas Installation Regulations as well as Category 1 World Standard for Safety Equipment.

Recognizing that modern yachts are becoming more complex every year Des Kearns Marine Surveyors have on hand consultant Electrical and Mechanical Engineers to assist in fault finding and equipment evaluation.

6. PROJECT ORGANISATION

Survey, Consultancy or Approval work will be carried out in the offices of Des Kearns Marine Surveyors by qualified in-house Master Mariners who are experienced in this type of work.

Our Statement of Capability is attached and forms part of this Standard Letter.

7. RATES, COSTS AND SCHEDULES

A full survey including the preparation of the report takes approximately 4 days. 1-2 days for the physical survey in and out of the water. 1-2 days for the report. A ½ day is allocated for meetings, discussions and other non-chargeable time.

A 48 hours notice period to allow sufficient lead time to mobilise a surveyor is appreciated. However we endeavour to be flexible and sometimes have met deadlines as short as one hour. Obviously this will always be dependant on the location of the requested survey, availability of surveyors and/or flight/ferry schedules. In some cases prior research will be required. This can take time and will be discussed with the client on a case by case basis.

Des Kearns Marine Surveyors schedule of fees for Marine Surveys is based on world standard rates. The fee schedule is sent out when an enquiry is received. Quoted figures are net of all taxes. If the envisioned work falls within an area where with-holding taxes apply such taxes will be in addition to these quoted rates.

As we are currently based in Malaysia but range between Phuket and Hong Kong, it is (sometimes) necessary to bill costs. In general we try to carry out several surveys simultaneously in each location and spread the costs. Expenses, if billed, are always discussed with the client first. Air travel will be economy class subject to seat availability and client project requirements. Hotels will be based on a fair and reasonable standard for business professionals.

Payment for surveys is upon presentation of final report. Payment for other services is discussed on a case-by-case basis. Our surveys are accepted by all Underwriters and Banks worldwide. Should you have any further questions please do not hesitate to contact this office.

For and on behalf of **Des Kearns Marine Surveyors**

A handwritten signature in black ink, appearing to read 'Des Kearns', written in a cursive style.

Capt. Des Kearns