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Warranties and New Boat Sales: Five Tips Brokers Need to Know

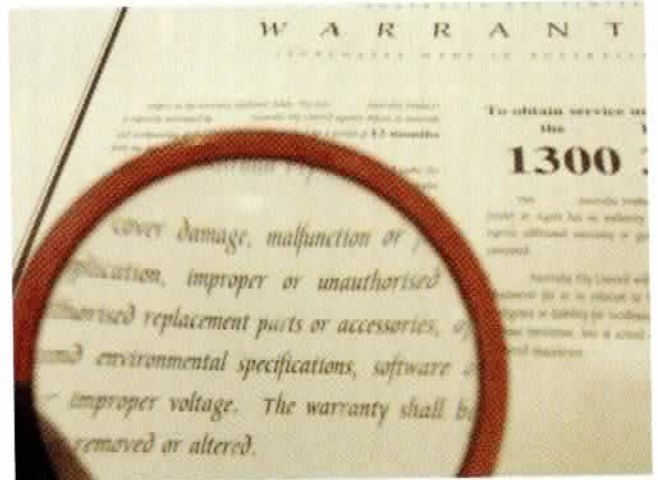
Rules governing yacht and boat warranties arise from state and federal law, government regulations and rulings in lawsuits where warranty issues have been litigated. The five tips below will help brokers advise their customers regarding what is – after a purchase is completed – the single most important legal document related to the yacht.

1. Make sure your customer fills out the warranty registration card. Advise customers to fill out the registration card and get a receipt because many warranties are not valid without one. Make sure to read the requirements in the warranty regarding completing, signing and returning the warranty registration card. Have the customer send it via certified mail or a courier that keeps a record of the delivery. Keep a copy of the return receipt on file.

2. Review the fine print with the customer and have them determine if the existing warranty covers subsequent owners. If a warranty provides a five- or ten-year warranty on the hull, it is possible that the term of the warranty extends to subsequent purchasers of the boat. Make sure to read the warranty to determine if it extends to new buyers. There may be conditions to the extension to the new owner. If your customer knows them in advance, he or she won't be surprised when selling the yacht.

3. Know what is and what is not covered by the manufacturer's warranty. Manufacturers generally only warrant what they make, usually all fiberglass and other components made by the manufacturer. All other component parts of the yacht – engines, electronics, etc., are excluded from the manufacturer's warranty. This doesn't mean the other items don't have a warranty – they do. But those warranties come from the manufacturer of each of those items. Here again, the owner needs to fill out all the warranty registration cards that come in the "Owner's Packet" and make sure all the warranties are properly registered according to the instructions. If possible, the broker should keep a copy of the registration cards and the proof of delivery in his/her files. It's also important to review what the warranty excludes.

4. Review all the warranties included in the "Owner's Packet." It's important to look at all the warranties individually – particularly the engine warranty.



Be sure to read the fine print to determine if the warranty extends to new buyers.

Some engine warranties run from the date the boat is sold, others run from the date the engine was placed on the boat. Imagine a situation where the boat manufacturer purchased and placed an engine on a boat many months before the boat was finished or sold. In this type of situation, it is possible that a new boat may have an expired engine warranty. It's good to make sure your customer understands this.

5. Advise your customers to get pre-approval of all alterations to the yacht in writing from the manufacturer. Boat warranties generally become invalid when the owner alters or modifies the boat. This includes repairs made to the boat by unauthorized service providers. To make sure the customer does not void a warranty, advise the owner to obtain written authorization from the manufacturer of any changes are made to the boat – including, for example, before changes are made to the electrical system, before any holes are drilled into the hull or before a swim platform is installed.

Robert Allen Law is a full-service boutique international law firm, practicing in the area of yacht distribution, manufacturing, purchases and sales – as well as many other areas of law. Its lawyers are fluent in eight languages. For more information about this article or the law firm, please contact Laura Ross at lross@robertallenlaw.com or Bob Allen at ballen@robertallenlaw.com, or by phone at 305.372.3300.



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