

# THE BUSINESS OF Pleasure Boats

## MARINE LENDERS CELEBRATE "UP YEAR" AT CONFERENCE

Contributed by Greg Proteau

An upbeat atmosphere and best-attended meeting since the 1980's reflected the current nature of U.S. boat lenders as they gathered at the National Marine Bankers Association's 22nd Annual Conference in San Diego, August 19 – 21. Banks and financial service firms in attendance reported plus business over the past year, at odds with market conditions in most boat manufacturing and retail sectors. They attributed the disparity to their concentration in big (documentable) boats which have remained more resilient than small boats, high service to the pre-owned and brokerage boat markets, and picking up business from former lending competitors who left the market or failed over the past two years. The balance of the 120 registrants, those providing services to lenders such as liquidators, documentors, surveyors, and



NMBA Director Don Parkhurst with Bob Parks and Cassie Dyson, American Yacht Recovery, conference sponsors

lawyers, were also enjoying the positive mood with many cementing relationships and hoping that an economic recovery will come and recharge the entire boat market.

For most lenders, the bottom of the marine lending cycle came in the last quarter of 2000 or first quarter of 2001. But before that, decisions to exit the marine market by several notable participants – CIT Group, Bank One and Deere Credit – provided opportunities to those remaining to jockey for the dealer and manufacturer business left on the table. In the face of a declining small boat sales market, the surviving lenders picked up these accounts, continued enjoying relatively strong new large boat refinance business, and most rolled out dealer marketing initiatives to compete for existing business.

Challenges will continue for the marine lending sector in 2002. Most worrisome is that the overall economy will deteriorate resulting in widespread blue collar layoffs further hurting small boat sales, and cut into big boat business that thus far has been spared.



Overall Conference Sponsor KeyBank USA: (l to r) Bill Thompson, Kevin VonBush, Az Chonko, Ken Landon, Scott Zelinski, Mylene Huynh, Emily Little

Continued lowering of interest rates by the Federal Reserve will place negative pressure on loan yields. It could also ignite a round of refinancings that would open loans up to competitors and accelerate curtailments resulting in potential profit or collateral losses.

First Union Bank economist David Orr provided his annual review of the U.S. economy and prospects for the coming year. First Union's recent merger agreement with Wachovia Bank puts it squarely in the direct, indirect and boat loan servicing business, a point Orr underscored since he had been lobbied for years by lenders to join the boat loan universe. Bill McGill, chairman of major retailer MarineMax, Inc. offered his overview of the market and coached the audience in

*continued on page 4*



National Liquidators staff (Platinum Sponsors) at their sponsored BBQ during the Annual Conference left to right Matt Amata, Bob and Jane Toney, Bob and Casey McKee, Andrea Anderson, and Adam Dambrackus



Bob and Jane Toney, National Liquidators, Platinum Sponsors at the Annual Conference



# OCTOBER ECONOMIC OUTLOOK: U.S. OVERVIEW

*Reproduced with kind permission from Wachovia Bank, Jay Bryson, David Orr and Mark Vitner*

October was a split decision. While the economic reports got worse, the stock market got better – almost the exact opposite of the pattern eighteen months ago. Since the stock market is the more leading indicator (acting as a barometer rather than a thermometer), forecasts of economic recovery by spring (our view) should be gaining credibility – especially when reinforced by falling energy prices and interest rates, low inventory levels, and the promise of more fiscal stimulus.

Were the U.S. "only" in recession, that scenario would have a very high probability. All forecasters, however, (including us) hedge with the phrase, "barring further attacks". Since the Administration tells us that the probability of more attacks is very high, how relevant is a solely "economic" forecast? "Ah! There's the rub, so to speak. Extreme uncertainty is the antithesis of the recent era of soaring confidence in ever rising productivity.

It's a bit presumptuous for an economist to offer a psychological perspective, and even more dangerous to extrapolate a theory meant for individuals onto society as a whole, but Abraham Maslow's concept pictured below strikes us as a relevant insight. Instead of continuing to operate at the highest level of innovation and creativity, economic time and energy must now be diverted to ensure safety and security – the much more basic needs.

## US Outlook

Last week's report that 3Q real GDP fell by 0.4% captured the headlines, but was much less relevant for the economic outlook than four other reports that provided post-Attack information. In October, the net 415,000 job loss was the worst since the recession of 1980. Also in that report, as bad as the half point jump in unemployment to 5.4% was, it understated the damage in the private sector, where the rate spiked to 5.9% from 5.2%.

October's Consumer Confidence fell dramatically, with the component that measures peoples' perceptions of

their current financial situation plunging by 18 points, on top of a 19 point drop in September – making it the third largest two month drop ever recorded. In the manufacturing sector, October New Orders fell by 12 points, one of the worst monthly declines in the seventy year history of the Purchasing Managers' Survey .

Even the one report that had good news, the record level of motor vehicle sales, had its downside. The history of incentive driven spikes in sales doesn't bode well for activity when the deals disappear. As we have mentioned before, "profitless prosperity" is a false god that inevitably disappoints.

## Forecast Changes

As stated previously, making specific quarterly estimates amid such extreme uncertainty has an air of unreality about it, but must nevertheless be done. As to real GDP, the huge 0.7% drop in hours worked in October, even if only followed by 0.2% declines in the next two months (i.e., a 4.6% annual rate of decline in the 4Q) more than offsets the surge in motor vehicle sales, so we have reduced the 4Q decline to 2.3% from 2.0%. Since the October sales probably borrowed from the 1Q, and since housing activity appears to be slowing more quickly, we have lowered the 1Q GDP estimate from zero to minus 1.0%. Finally, since the stimulus package is taking longer than expected, we have lowered the 2Q estimate to 1.2% from 2.2%. The estimate for the second half of next year, however,

remains at 4%.

In terms of interest rates, as we mentioned last month, the Fed can cut to 1.5% before getting to a zero "real" fed funds rate. We now think that is the best guess due to: (1) an employment situation that will likely push unemployment to 6.5% by spring; (2) the elimination of new 30 Yr. Treasury issues that will act to restrain long term interest rates; and (3) the probability of even lower inflation in 2002.

## Signals From The Financial Markets

As bad as the recent economic news has been, the stock market is 16.0% above its September 21 low (based on Wilshire 5000 total market index). The market does not care about job losses, but about profits, and interest rates (which include inflation expectations). The bleak job picture has reversed the dramatic upward wage pressure that hurt profits in 2000. In the 3Q, private sector wages rose at a 2.8% pace vs. 4.4% in the 1Q. Lower energy, interest, travel, advertising, and capex costs also improve the potential for profit recovery by spring.

New orders of high-tech equipment fell at a 35% rate in the 3Q vs. a 47% pace in the 2Q, a classic turnaround pattern. Along with a stabilizing semi-conductor book-to-bill ratio, and less dire warnings from tech CEOs, that type of information helped drive up the NASDAQ by 30% from its low. The history of interaction between financial markets and economic activity argues very strongly that despite erratic gyrations and periodic misses, the "barometer" of market behavior is a better seer than the "thermometer" of current news headlines.

However, while a rebound from recession by spring is likely, a return to the high growth, high P/E era of the late 1990's is not. Just as the 1973 oil price shock hurt productivity growth for a decade, the time, attention, and money needed for security will constrain gains in efficiency – more input with little gain in measured output.



*(l. to r.) Kevin Von Bush and Ken Landon of KeyBank; Mike McLamb, MarineMax at the Annual Conference*



*Bryan Braley, Lab Marine congratulates Jim Stewart winner of the putting contest sponsored by Lab Marine*



*Conference chairman Bill Otto welcomes attendees at the Annual Conference*



# MARKET STATISTICS

## Rolling MSR Shipment Report Shows Sales up Seven Percent

*June/July Outlook shows decrease for dollars/units*

The wholesale dollar sales of boats were up seven percent from June 2000 through May 2001, while unit boat shipments were down eight percent, based on the May Monthly Shipment Report (MSR) just released by NMMA.

The flash reports for June and July indicate both months will be down significantly in units and dollars compared to the same time period last year. The Flash Report (shown below) is a quick read of the month(s) just completed which provide a preliminary look at wholesale shipments while NMMA awaits the balance of the control group to submit their monthly sales.

### Flash Report

Percent Change Current Month versus the same period in 2000:

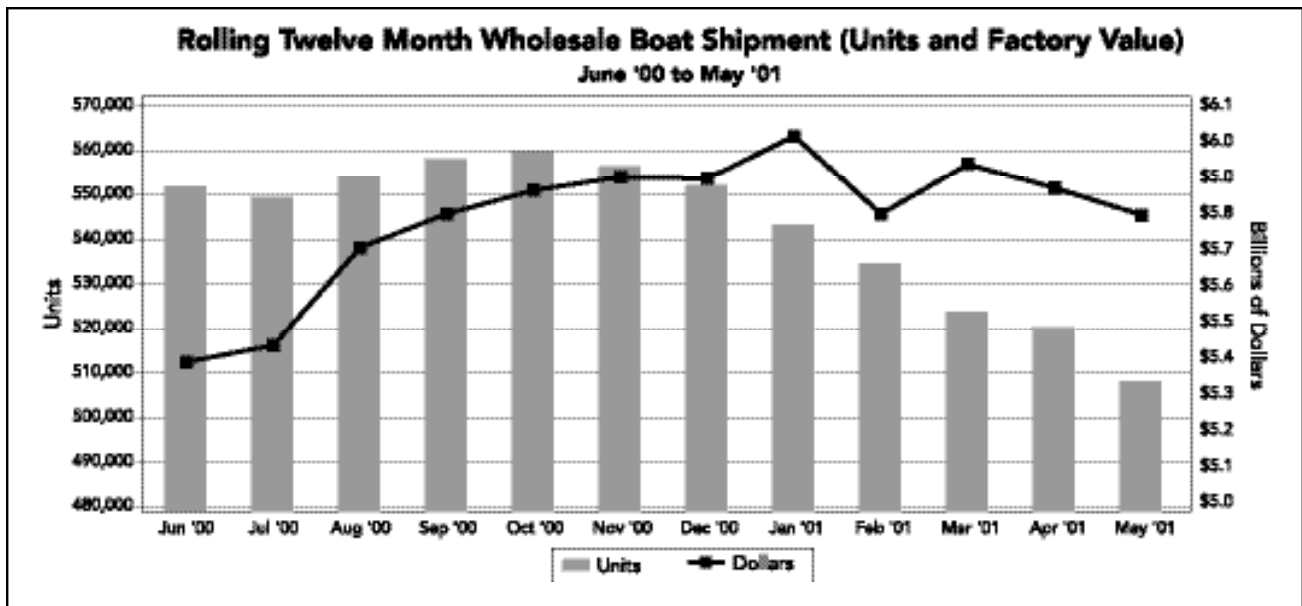
	Units	Dollars
June 2001	-47.9%	-21.0%
July 2001	-27.0%	-46.5%

The association has published its twelve-month rolling wholesale shipments report and the flash reports to provide a snapshot of the state of the industry, according to NMMA Statistical manager Jim Petru "The full MSR is a valuable tool our members use to track wholesale product trends at the category level. With it they can measure how their company sales are compared to the rest of the boat and engine manufacturers," says Petru.

NMMA's MSR tracks manufacturers shipments to dealers for both boats and outboard engines using a control group of boat and engine manufacturers. The boat control group represents about 70 percent of the overall boat marketplace while the outboard engine group represents about 95 percent of the market.

Companies participating in the control group are asked to contribute their sales figures by the twentieth of each month. The numbers referenced in the flash report reflect those that were contributed by the deadline date. Final numbers accounting for all submitted reports are usually available within the next thirty days.

For information on subscribing to NMMA's monthly statistical reports, contact Petru at (312) 946-6202; jpetru@nmma.org.



## 2Q 2001 Records Marine Trade Deficit of \$174.2 Million

According to data released by the U.S. Commerce Department, the recreational marine industry recorded a \$174.2 million trade deficit for the second quarter of 2001. The trade deficit is down from the \$287.4 million in the first quarter 2001, but has climbed 128% from the same period a year earlier.

Comparing the second quarter of 2000 with 2001, there was a 4% increase in the value of marine imports while the total value of marine exports fell 16%. Marine exports

have seen a decline in both boats and engines; most significantly, a 34% decrease in inboard boats and a 32% decrease in outboard engines. Imports on the other hand have increased in both boat and engine segments, but the most substantial shift was an increase of 38% in inboard boats. One other item of note is the emergence of hydrojet engine imports, which have not been tracked in the Commerce Department data in the past decade.

NMMA's Statistics Department ques-

tioned the import unit data statistics reported by the Commerce Department in the categories of sterndrive engines, gas inboard engines greater than 2488 HP, and diesel inboard engines 200-499 HP. Upon further investigation, a Commerce Department spokesperson has suggested the possibility of a problem with the classification of engine parts vs. whole engines.

For more information, contact Melanie Beke of NMMA's Statistics department at (312)946-6261; mbeke@nmma.org.



*Jim Meere and Susan Landon at the golf tournament*



*Jim Coburn, NMBA President and Ken Landon, KeyBank at the NMBA's Annual Conference*



*Robin Cottmeyer and Greg Proteau share a social moment at the Annual Conference*



*David Orr at the NMBA's Annual Conference*



*NMBA Board of Directors with Ken Landon, KeyBank — Overall Sponsor at the Annual Conference (l. to r.) Jim Meere, Bill Otto, Robin Cottmeyer, Jackie Forese, Bernice McArdle (Association Manager), Jim Coburn (President), Peggy Bodenreider (Vice President), Jay Kiley*



*Bill Perry, Bombardier, Nikki Tompkins, Wachovia*

## MARINE LENDERS CELEBRATE

*continued from page 1*

providing exceptional service to the boating consumer (see separate story). Author Hal Becker offered all attending a refresher course in customer service and salesmanship.

Business sessions addressed topics of concern to the lending community. These included changing requirements of boat registration, notably in Uniform Commercial Code filings and in the growing number of

transactions involving estates and trusts and those occurring offshore. Electronic commerce and use of the Internet was addressed by a panel of lenders establishing such disciplines within their own institutions and for possible industry partnering or sharing. The NMBA's new website ([www.marinebankers.org](http://www.marinebankers.org)) was unveiled, with benefits to members and boat loan prospects highlighted.

A changing landscape is expected in the marine lending arena for at least the short term. Mergers and acquisitions will alter the

competitive mix and provide disruptions for lending personnel, but likely improve the climate for loan customers. Advances in electronic programs and services will speed the lending process and reduce internal costs over time supporting competition in the marketplace. As lenders anticipate an improving economy, they are banking on boating getting its fair share of consumer's discretionary spending encouraging a return to business as usual.

**CORRECTION:** In the NMBA's conference program, Jack Allinson represented the organization of SAMS. Inadvertently we printed Mr. Allinson's company address, instead of SAMS international office address which is as follows. Apologies are extended for any inconvenience this may have caused.

Society of Accredited Marine Surveyors, SAMS, International Office, 4605 Cardinal Boulevard, Jacksonville, FL 32210. Tel: 800-344-9077 • Fax: 904-388-3958



# The 1999 Annual Marine Lending Survey Summary

## EXECUTIVE SUMMARY

*Distributed with the NMBA's  
1999 Marine Lending Survey*

In 1999, marine lenders shared in the gains of boating's biggest growth year in over a decade. With brisk activity in both entry-level and big ticket categories, retail boat sales surged 20 percent to \$23 billion in 1999.

Boat loan business exceeded that pace, increasing 26 percent to \$4.6 in dollar volume – the eighth consecutive year of growth. Marine unit volume grew even faster at 45 percent, suggesting more lending activity in smaller boats. This is reflected in the smaller average size of originated loans in 1999, down to \$37,221 from \$42,841 a year earlier. Competition on high-end loans and declining yields may have helped spur the shift in 1999 to loans on smaller and lower priced boats as well.

The frenzy in buying did not result in over-extension for boat owners. Other than a continuing decline in marine portfolio yields, delinquencies and charge-offs improved and continued to show that boat owners are blue-chip borrowers (and that lenders remain savvy in surveying collateral and securitization of loans).

Marine loan delinquencies declined to 0.88 percent, the lowest level in 10 years. That compares to 1.62 percent for all loans, which were also at ten-year lows for reporting companies. Charge-offs as a percentage of outstanding loans were down to 0.24 percent, another ten-year historical low. Marine portfolio yields declined 1% 8.59%, continuing a steady slide throughout the '90s. Yields on consumer loan portfolios held steady at 9.29% for the year.

The increased loan activity in smaller boats mirrored renewed interest in entry-level boats in 1999. This scenario signaled new participants entering the market as established boaters continued trading-up. The boating industry has not exhibited growth at both ends of the market since the late 1980s when it set all time records in unit production.

In the highest volume boat segments, manufacturers had a very good year in 1999, with outboard sales up 16% in units, sterndrives up 6% to 96,000 units or \$2.5 billion, and inboard cruisers up 3% to 6,800 units or \$2.0 billion. New sailboat sales gained 12% and water ski boats grew by 19%. New outboard motors saw sales up 6% with an accompanying rise of average horsepower to an all-time high of 80.5hp. These gains enlarged the overall recreational fleet in the U.S. to 16.8 million boats and the number of participants to 77.8 million.

Pre-owned boats continued to represent a major part of the action in the boating market, and helped fill demand where some boat manufacturers of high-end products had production backlogs exceeding two years. Lenders took greater advantage of the pre-owned market in 1999, with 53% of marine loan financing by reporting companies going to used boats, up from 46% in 1998. The portion of loans for new boats declined 7% as a percentage of total

loan volume.

Consumers continued to buy "more boat" in 1999, meaning larger and more completely equipped boats, with more creature comforts, options and power. That trend was reflected in rising average prices for new boats and motors. Sterndrive models in 1999 averaged \$25,660, increasing from \$23,167 a year earlier. Big inboard cruisers advanced to \$291,375 from \$254,375.

Higher spending on boating in 1999 was tied to the eight-year long economic expansion fueled by wage increases, low interest rates and widespread participation in a buoyant stock market. The vast majority of boat owners are also homeowners, so mortgage refinancings at lower interest rates also contributed to higher spendable income in 1999. The typical loan customer in 1999 was 48 years old, had household income of \$128,700. 88% were homeowners, 51% had children, and 62% had a working spouse.

## MAJOR TRENDS AND NOTABLE CHANGES

- 1999 marked the eighth consecutive increase and another record for dollar amount of marine loans booked by 42 reporting NMBA members. Loan volume grew 26% -- a 900 million increase -- to \$4.6 billion. Unit volume for reporting members increased 45% to 124,323 from 85,930.
- With only three less members reporting in 1999 vs. 1998, the average size of originated loans decreased from \$42,841 to \$37,221. This suggests that fewer larger size boat loans were financed and/or more marine lenders focused on the financing of slightly smaller production boats. Despite the dip in boat loan size in 1999, the average size of boat loans have been trending upward for the past decade from about \$24,000 in 1992.
- The gains in marine finance activity contrasted a decline in total consumer loan activity for reporting members, with total consumer unit volume down by 21% and dollar volume down 16%. Marine loans represented a higher percentage of total consumer loans in 1999, 8.1% in unit volume vs. 4.8% a year earlier, and 10.5% in dollar volume vs. 8.4% in 1998.
- Marine loans held in 1999 decreased 3% to \$6.5 billion while the number of units held increased by 26%. This suggests that larger loans were packaged in portfolio sales or securitized.
- Delinquencies dropped a huge 41 basis point from the previous year's numbers to 0.88%. This is the lowest average (mean) marine loan delinquency reported by NMBA members since 1984. Charge-offs also decreased a healthy 13 basis points representing a similar percentage decrease to delinquencies.
- Marine loan yields continued their downward trend to 8.59%. This marks the fourth consecutive year and nine of the last ten years for

this trend. Total consumer loan portfolio yield reported by members was 9.29%, or 70 basis points higher.

- Marine loan terms increased to 147 months in 1999, the highest recorded performance from NMBA members. This averages 12.25 years per contract. Marine loan turnover, or payoff, remained within historical averages at 43 months or 3.6 years. The trends remained similar between both direct and indirect portfolios.
- Floorplan loans increased in both committed lines and outstanding dollars in 1999, with committed lines tripling to \$2.9 billion and outstanding nearly twice last year's level at \$1.7 billion. The percentage of lenders offering floorplanning for used boat inventory grew from 78% to 92%.

## COMMENTARY

Even as the marine market heads into its first decline in nine years, the demographic underpinnings of boating's success continue to point to a strong future. A refocusing on family activity and values, especially by dual-working parents with younger children is bringing new participants to boating. According to the Roper Starch report, "Outdoor Recreation in America 1999," outdoor participation soared to 65 percent for family households with one or more children age seven and under. They believe recreation promotes good health, creates bonds among family members and friends, teaches appreciation of nature and encourages self-esteem, physical and interpersonal skills.

Add to that the burgeoning class of baby boomers entering their retirement years, together with grandparents who are living longer and healthier lives -- both groups with more time and money for boating and the opportunity to transfer the on-water lifestyle to the next two generations.

Efforts to grow the professionalism of the industry are also accelerating with an aim of retaining today's customers as well as attracting future entrants. Marine Industry Certification programs launched in 1998 moved into the field in 1999 to improve the buying and service experience of current customers and prospects and, more recently, the launch of a new Marine Industry Customer Satisfaction Index (CSI) will address product quality and performance. These behind-the-scenes efforts will remain a continued focus for the boating industry and will help make for sustainable growth well into the future.

### The 2000 Annual Survey has already been distributed to NMBA members.

Your participation in this initiative is crucial to the accuracy and success of the report. Please give this your immediate attention and return it to:  
Irwin Broh & Associates  
1011 E Touhy Avenue, Suite 450  
Des Plaines, IL 60018  
tel: 847-297-7515



## YOUR SURVEYS REALLY DO COUNT

Conference participant surveys are vital to the future success of the NMBA conferences. They tell us what we are doing right, and where we need to improve!

We do take great note of what you say. Thank you for taking the time to give us your feedback. The following is a synopsis of what you said this year:

### What were your expectations from the conference?

It came as no surprise to hear that networking with customers and colleagues is still at the top of attendees' expectations. Updating and keeping abreast of industry knowledge, and discussing new product development continues to rate as a high priority.

### Did the conference meet these expectations and what did you like best about the conference?

Overall 80% of attendees said the conference exceeded or greatly exceeded their expectations. Our participants this year liked the diversity of presentations, the opportunity to strengthen existing relationships, catch up with colleagues and friends, the relaxed atmosphere that La Costa offered, and key speakers David Orr and Bill McGill.

### What did you like least about the conference?

It is becoming evident that attendees have a preference for starting the morning sessions a little later! We will address this issue next year, and respond accordingly. We also received some comments about "overpriced" hotel services at La Costa. We appreciate that corporate America is tightening its belt in terms of travel budgets and would like to play our part in helping. In this regard we have chosen Chicago as the venue for our 2002 conference. Chicago is an easy city (financial and otherwise) to get in and out of, and we are working on securing a

property that will offer comfortable facilities, great golf and other leisure activities for a lower cost. Another goal of the Board of Directors is to entice more NMBA members to attend the conference and feel the central location of Chicago will help.

### Future Conferences:

Over 70% of attendees like our current format, so we will be staying with a Sunday Night Opening Reception, Business Sessions Monday and Tuesday, Golf Tuesday afternoon, and closing Gala Dinner Tuesday evening.

### Suggested topics for future presentations/business sessions:

We received a wonderful response to this question, and as the year unfolds we will be examining closely what topics you want covered at future conferences. As always we welcome your ideas and comments, and like to hear from you. If you are interested in putting together a session for our 2002 event, please contact Bernice McArdle at 312-946-6280 or by e-mail at [bmcardle@nmma.org](mailto:bmcardle@nmma.org). The following is a flavor of the ideas put forward for consideration:

- Changes in OCC, State, Federal Laws
- Do's and Don'ts on Repos, warning signs of fraud, and what a service company can do to help protect the lenders and/or themselves.
- Forecasting
- Internet/E-Commerce
- Documentation and Titling
- Backend products

**\*NOTE:** Some of the above topics are covered in great detail at our Annual Marine Lending Workshop (e.g. Repossessions, Forecasting, Credit, Documentation and Titling) — held each year in December,

Overall the feedback was great and positive, but we should never assume that we can't

get better... we can, and your comments help us move onwards and upwards. We received many accolades for our sponsors' generosity. They really outdid themselves in terms of hospitality, giveaways, and raffles, and we are acutely aware that this event could not be staged without their enormous support. On behalf of the Board of Directors and the attendees....

Thank You Very Much.

### OVERALL CONFERENCE SPONSOR

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Roe Wallace  
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Adorno & Zeder • AVDA • boats.com  
Bombardier • C & J Marine Surveyors  
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Filose Marine  
First American Transportation  
Global Marine  
Gulfwind Marine Brokerage  
Intercoastal • Lasas Technologies  
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Peter Kehoe & Assoc.  
Provident Bank • Robert Burguières  
SAMS • Terre Verde Yacht Brokerage  
Tradewind Services • Trident Funding  
Woolley & Russell

## Golf Tournament Winners

Jim Foley - Trident Funding • Tim Sullivan - Bank of America  
James Kelaita - MarineMax • Robert Crawley - American Bank of Texas



Golf winners receive their prize from golf tournament sponsors Cassie Dyson and Bob Parks American Yacht Recovery & Delivery and Howard Haskin, Essex Credit Corporation.



Jackie Forese



## MARINE INSURANCE PRICE, AVAILABILITY BEING TESTED

### *Lenders, others in trade affected by consumer & commercial coverage costs, availability*

On September 11 the insurance world, along with everyone else's, was turned upside down. The first estimates of losses from the New York, Washington and related tragedies were \$20 billion, then \$40 billion, now perhaps \$100 billion in insured losses. No one knows for sure. In comparison, Hurricane Andrew was the largest ever at \$19 billion causing financial distress for some insurance companies.

Even before the World Trade Center disaster, commercial insurance was experiencing price increases, some as high as 30% to 50%, due to poor underwriting results and lower returns in the stock market.

The effect on the marine market could be dramatic. If companies are forced to drop what may have been marginally unprofitable lines this will tighten availability and increase price. Underwriters also may restrict coverage for places like the Caribbean, Cuba, etc. Already one Lloyds syndicate has closed its yacht department and left a large book of business seeking a new home. The insurance capacity glut that existed for the past 8 to 10 years has evaporated. There is unsubstantiated word of a large performance boat program losing its underwriter.

According to Mike Smith, president of Global Marine Insurance, a national marine insurance agency based in Traverse City, MI, "The companies I've talked to are talking about rate increases for boat and yacht insurance in the 5% to 10% range. However, with

the renewal of many reinsurance treaties due at the end of the year that could change and drive rates even higher. Based on what was already happening in the commercial arena, marina and boat dealers insurance could see rates increase 40% to 50%."

From a marine lender's perspective portfolios will be exposed to greater risk of cancelled coverage, unavailability, higher deductibles (customers trying to save premium), and increased fraud and moral hazard such as intentional sinkings and fires which occur more often whenever the economy softens. "Agreed value" coverage of a yacht policy can actually create a profit motive based on the difference between a boat's current market value or what is owed and the agreed value of the policy. "This moral hazard is difficult to prove unless the boat can be salvaged and it dramatically increases the time it takes to adjust the claim," Smith cautions. "Remember, insurance companies work real hard not to pay those claims that are suspect and that will affect your collateral. It's time to check Lender's Single Interest coverage and watch portfolios closely."

This catastrophe will touch everyone who buys insurance. There are 39 reinsurers in the world that control 75% of the market. They all insure each other and have all been hit hard by this loss. As these reinsurers pay their losses to the primary companies, they must replenish their reserves as quickly as possible in order to be prepared for any other catastro-

phe that might occur, terrorism, hurricane or others. The price policyholders pay for homeowners, auto, life, workers compensation, property & casualty and marine (meaning "yacht") insurance are all going up. Airlines have already experienced large increases on their terrorism coverage, if it's available at all.

Some of the marine companies and their respective estimated losses are:

Lloyds . . . . .	\$2.2 Billion
Chubb . . . . .	\$550 Million
ACE . . . . .	\$786 Million
Zurich . . . . .	\$400 Million
Travelers . . . . .	\$714 Million
Royal & Sunalliance . . . . .	\$220 Million
St Paul . . . . .	\$700 Million
C.N.A. . . . .	\$275 Million

Some of the larger reinsurers are:

Munich Re . . . . .	\$1.9 Billion
Swiss Re . . . . .	\$1.6 Billion
Allianz . . . . .	\$975 Million
XL Capital . . . . .	\$650 Million

Source: *National Underwriter*, October 1, 2001

"If the numbers are borne out, this one catastrophe could test the very foundation of an industry that protects our country's investments in buildings, equipment, boats and, most of all, its people. Marine lenders and others in the marine trade should anticipate and prepare for the new exposures that world instability is forcing on everyone," Smith concludes.

## COBURN, BODENREIDER REELECTED TO NMBA BOARD

The National Marine Bankers Association is pleased to announce that National City Bank's Jim Coburn was reelected to its board of directors. Coburn is currently serving as NMBA president. Peggy Bodenreider with Deutsche Financial Services was also re-elected to the board, and is the association's vice president.

Coburn says that as the association's president, his goals are to strengthen and support the core benefits NMBA provides its members:

- Annual Conference
- Website
- Annual Workshop
- Annual Survey

"Marine finance industry profitability is the most important issue facing marine lenders today. Our conference, workshop, website and survey assure that the marine finance community has the information, networks and tools to make sound business-line

decisions within their respective companies," says Coburn.

"I am a strong proponent of co-opetition, and believe the NMBA can create an increased awareness of the benefits our membership brings to boaters" says Bodenreider. "When it comes to paying for their purchase, the boating public needs to be aware of the options and the advantages of working with a lender who is a member of the NMBA."



NMBA President  
Jim Coburn



NMBA Vice President  
Peggy Bodenreider

### NMBA Board of Directors - 2001-2002

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Jim Coburn, National City Bank

#### Vice President:

Peggy Bodenreider,  
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Jim Stewart, Peter Theut, Butzel Long

#### Association Manager:

Bernice McArdle



## LENDERS ENCOURAGED TO DELIVER BOATING "DREAM"

### *MarineMax's McGill explains benefits of providing exceptional treatment*

Major marine retailer Bill McGill, chairman of the 53-store MarineMax, Inc. chain, encouraged lenders attending the National Marine Bankers Association annual conference on August 21 to join his organization's efforts to "change our industry for the better." He led the group through a quick tour of the state of the market, its opportunities and inhibitors, and his vision of the future for his firm and boating overall.

As recreational spending has consistently increased over the past 20 years, boating's share has not kept pace. At MarineMax, however, annual growth has been 27.5 percent since going public in 1998, reaching \$551 million in sales in 2000. Though sales are down seven percent this year, McGill expects higher performance in the years ahead, driven by strategies developed for the chain being implemented now and planned for the next five years.

The plan in place for MarineMax to outperform is multifaceted. It's designed to build on lifestyle trends that support recreation: individuals in all age groups are growing spending on recreation; spending is growing faster than the overall economy, now representing 9.5 percent of total personal consumption expenditures; and the leading edge of baby-boomers with higher income levels are driving growth expected to

peak in 2008.

It won't just come to boating McGill points out, noting challenges in selling and servicing, a disorganized pre-owned market and strong competition from other recreation industries. McGill points to statistics provided by Co-Knowledge, Inc., that indicate 12.5% of US households own boats. If the boating industry can improve the customer experience, however, there are another 24.5% of households that are not boating but have an attraction to boating, with approximately 4 million that are strong considerers.

MarineMax has created a number of strategies to get its share of these potential customers. It begins with a focus promoting the boating "experience" and minimizes the historical emphasis on "price." Customers and prospects begin the purchase process with a gentle "welcome" and interview to introduce the lifestyle and determine the right boat for their needs. Then every customer enjoys an on-water demonstration, followed by a purchase consultation to identify and solve ownership details (financing, insurance, dockage, etc.).

If the process results in a sale, the boat is delivered by a "dedicated captain" who is also responsible for training the new owner in use of the boat. A full year of follow-up service (including mobile

service at the owner's home dock) is provided, as are invitations to join local rendezvous and or more adventurous "Getaways" where destinations might be across the country. Customer contact continues with educational programs to keep owners up to date on electronic equipment and general boating advances. Special offerings include MarineMax's trademarked "Women on Water" and "Kids in Boating" programs to keep them involved and growing their involvement in family boating.

On the corporate side, the major retailer will focus on continued training of personnel to raise the level of customer care at MarineMax University, a \$4 million investment. The firm also plans to leverage business between northern and southern locations (e.g., winter cruising in the south for northerners), expansion into operations, and opening new store location in existing markets.

Looking out five years, McGill indicates goals are to drive up shareholder value by growing sales to the \$1 billion level with 10 percent pretax profit margins. Appealing to the lenders he said, "You can be our partners in delivering the boating dream and making boating America's recreation of choice. Together, we will change our industry."

## MARINE BANKERS WEBSITE PRODUCING RESULTS

The recently launched NMBA Website ([www.marinebankers.org](http://www.marinebankers.org)) is getting some action! Jim Coburn, President of NMBA, reports that National City has funded its first boat loan as a direct result of the Website. Press releases have been featured in various industry publications and a link from Boating Industry International Online has been established.

Links will soon appear on the [www.discoverboating.com](http://www.discoverboating.com) "Afford a Boat" page and the [www.discoversailing.com](http://www.discoversailing.com) "Buying Advice" page, which will increase visibility and traffic to our site.

Twenty-three NMBA members now appear in the "Member Lenders" section of the consumer site, categorized by product size and geographic location. We appreciate the support of Sterling Acceptance, Offshore Financial, and Ganis Credit Corp, who purchased direct links to their sites.

Mike Smith of Global Marine is our first sponsor to purchase a link from our site. As we continue our marketing efforts we expect others will sign up too.

The NMBA Website has been submitted to a dozen search engines, and we will continue with the remaining 140 others. This should result in our site appearing more frequently when a consumer initiates a search containing words and phrases such as "boat", "yacht", "marine", "boat financing", "yacht financing", and "marine loans".

The consumer site will soon be updated, as the Communication Committee is working on an article that compares the cost of a weekend of boating with other leisure activities such as Disney World, a golf and spa weekend, or attending a NASCAR racing event. This will help the consumer further realize how truly

affordable boating can be. NMMA will feature this article in their boat show directories and other Discover Boating literature.

The Promotion Committee is researching various boating portals for the opportunity to drive traffic to our site, and we welcome any suggestions you may have. The more exposure we can bring to our members, the greater the benefit to the industry.

Our Website focus has been on educating the consumer about the boating experience, and we will continue to work toward that goal. Please share with any of the board members your thoughts on how we can better meet this objective.

And don't forget to use the site as a communication tool with your associates. Post items on the Bulletin Board! Begin a Discussion! Sign up for a committee!

We value your feedback!

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