



## Using a Recreational Boat For Profit May Sink Your Client!

David H. Sump

WILLCOX SAVAGE

Buying, maintaining and using a recreational boat is always a pricey diversion. As inflation rises and costs mount for boat operation, owners will look for ways to reduce the overall expenses associated with this activity. Boat owners may increasingly consider “renting” their recreational boats as a means of generating income to defray operating and overhead costs. Unfortunately, if not done properly, boat renting will not only generate “income” but headaches and expenses as well. If you have clients that are considering turning their boat into “income property” there are several considerations to be addressed.

Recreational boats are used to generate income either as a “seaside hotel,” a pure vessel rental or a vessel rented (chartered) with full crew including captain. Like houses rented through the short-term rental apps with which we are all familiar, vessels can be rented as a stationary lodging that never leaves the dock. In many jurisdictions these vessels are regulated by local authorities in a manner similar to residence lodgings such as bed & breakfasts and small inns. Boat owners must obtain licenses and submit to inspections just as required from other shoreside lodgings and failure to do so may result in penalties for violating local ordinances. Insurance must be modified to permit commercial lodging as a permitted use for the vessel.

Some boat owners offer their vessels to the public like a car rental business by charging a fee for the vessel and handing the keys over without further ado. Unlike a car rental agency, however, prospective renters cannot be asked to present a valid driver’s license attesting to the qualification to operate the vessel. So other than an insurance requirement and possibly geographic limits for boat operations, there are very few controls on the boat or the operators. These “no strings attached” owners typically avoid the “passengers for hire” complications discussed below.

Many vessel owners are not willing to hand over the keys to their beloved yachts without more controls on the use of the vessel. Consequently, owners will require specific boat operators and/or crew to accompany the vessel while under charter, often including the owner as the designated operator. The U.S. Coast Guard will typically consider persons carried under this arrangement to be “passengers for hire” and therefore must be operated by a U.S. Coast Guard licensed captain and must carry specific lifesaving equipment to protect the safety of occupants. The equipment and license requirements increase as the vessel size and passenger numbers increase. Commercial operations of a recreational boat can become quite expensive under these circumstances.

Most yacht insurers require that the insured vessel be used only for private recreational purposes. Commercial activity is not typically covered by the standard yacht policy and using the vessel for commercial purposes may not only take the vessel “out of coverage” during the period of commercial use, but it also may void the policy entirely. Riders and amendments to yacht policies are available from most underwriters but must be in place prior to renting the vessel to avoid disastrous results.

In a nutshell, private boat owners that desire to use their yacht to earn money may do so, but only after meeting the requirements of the U.S. Coast Guard, local authorities and their insurance providers. Clients or friends operating recreational boats for a fee should promptly contact a maritime attorney well-versed in these requirements and obtain counsel on the best means of complying with government and insurance requirements.

**David H. Sump**  
Willcox Savage  
440 Monticello Avenue, Suite 2200  
Norfolk, Virginia 23510  
[dsump@wilsav.com](mailto:dsump@wilsav.com)  
(757) 628-5615