

The Association of Average Adjusters of Canada and the United States

Chairman's 2026 Address October 1, 2026

**Crawling out of my Smokestack and Discovering the Wisdom of the Ages is
Hidden in the Cocktail Hour**



Good morning, everybody.

During the past year as your chairman, I was fortunate to be invited to and attend, the following events representing this Association:

In November 2025 I attended the AIMU annual dinner in New York City.

That same month I attended the Canadian Board of Marine Underwriters annual meeting in Toronto.

In May I attended the Association of Average Adjusters annual meeting in London.

In June I attended the American Club Annual meeting in New York City.

And this September I attended the International Association of Average Adjusters annual meeting in Budapest.

I would like to thank all my hosts at each of these events for their hospitality, friendship and the wisdom they imparted on me.

I very much enjoyed Chris Kilbee's address, which to me can only be defined as great mind think alike.

Next, I would particularly like to refer to the extremely interesting and complex discussions that took place at the Budapest meeting, where as a surveyor I both listened in awe and with a significant level of terror to analyses on:

- Longchamps/Antares decisions (where there appeared to be agreement that the court was wrong, I think)
- New proposed GA absorption clauses where I hope that this Association can assist in the further dissemination of these proposed clauses
- The adjustment of bottom cleaning
- And the adjustment of cooling water connections during repair.

The latter two subjects directly affect me as a surveyor, although at this time I think as surveyors, we will simply break down the various cost components and hope that there are not too many follow-up questions by the adjusters.

My attendance at these events reinforces my belief that maritime is hard. Then again, if it were easy, everybody would be doing it, which means those who actually do it are a special breed.

I would like to add that despite the irrational and counterproductive behavior of the President of the United States, the relationship between US and Canadian members within the Association is unaffected, and I hope that at the national level a return to normalcy will occur soon. Regardless of what takes place at the federal level, at the floorplate level we continue to be friends, and there is no reason to think otherwise.

As Chairman I will now submit you to my address.

I am sure I went through the same subject selection struggle as prior Chairs of the Association did. There is simply too much to talk about. The Association has a truly remarkable tradition of rotating the Chair between adjusters, attorneys and surveyors. This is the core of the maritime adventure. The adventure succeeds by crossing boundaries and fails from stove piping, or rather smoke stacking.

As such, I decided to crawl out of my smokestack and report on what I see when I encounter insurance issues as a surveyor.

I see a lot, and the first part of the address will actually be more like a laundry list of issues that may or may not require mutual resolution.

I understand sharp objects have been removed from the room, but to prevent suicidal tendencies, I will end with a short salvage story that continues to reassure me to this day and

hopefully will help us all realize that the world as we know it is not ending and that in the end our ancient concepts will succeed as long as we all focus on the traditions and practices in our industry.

Allow me to share my laundry list.

Artificial Intelligence:

Artificial intelligence is incredibly good at working the established middle, but it stinks at working the complex edges. That means simple casualties will be quickly resolved using AI, but when it becomes complicated, we need real humans that assess, cooperate, and communicate.

Lack of Professional Skills in our Industry:

Too often, as a surveyor, I am required to use my pathetic adjusting knowledge, absorbed from interaction with the best average adjusters, to train very much below-average insurance adjusters in how to handle very standard claims.

Will AI make this better or worse?

This brings us into a very complex and new game that I am also dealing with in training junior engineers and surveyors.

I force junior engineers to scour our massive digital project database for examples. I will add that I do not know how to do that. When I want to refer to something that I remember from the grey past, I will ask the junior engineers to use AI to find it for me.

That is a beneficial mechanism; I don't have to waste time struggling with AI, and they learn whenever I tell them they did a crappy job taking advantage of AI. What I have to insist on is that they read all examples and pick the one that makes most sense; not the first one that seems to answer their questions at first glance.

Sometimes junior engineers ask me for help on issues that they should have learned in school. In that case, I tell them not to bother me and to use AI to find an answer and then to check with me to determine if they found the right answer.

This opens a weird concept.

Would it be appropriate to ask the following question at an average adjuster's exam:

"Find the solution to complex adjustment problem XYZ using AI, provide the first pass AI answer, and discuss where it is correct and where it is not."

Or maybe a question like:

"AI returned this solution to this problem, discuss its accuracy."

Bottom line: We have to use AI to make the next generation as smart as possible so they can become powerful operators at the edge of knowledge. A space that is, and will be, profitably occupied by skilled surveyors, skilled average adjusters, skilled attorneys, skilled underwriters, and skilled engineers.

I do use AI for graphics. I think it is hilariously effective, but worry about spending too much time creating cartoons. Although it is incredibly quick using Gemini.

I am not claiming great ability in the art of cartooning, but these relate to adjusters and insurance:





There is an interesting question here. Who made those cartoons? Rik or AI? If take a photo. who made the photo? Rik or the camera?

Remember, good or bad, you and I recognize what these jokes are about. Most of the world does not. That makes us special, AI or not.

It may also lead to an additional average adjuster exam question. We could ask: “Explain the jokes and errors contained in these cartoons.”

Occasionally I take a photograph that I considered to be beautiful. Something like this:



My brother who is a Pulitzer Prize winning photo journalism editor would say: “Nice Snapshot”.

Ok, I’ll also accept that assessment for my AI cartoons. I was not all skill. I saw something, pushed the button and I got something that I think is pretty cool. It is certainly better (and I mean more effective) than I could have ever done without AI or without a camera.

Cartoons, photos, and storytelling are very effective training devices and we have to make sure we continue to engage these devices.

Storytelling also argues for two martini lunches and cocktail hours, since relaxing over a drink, alcoholic or not, tends to release the stories for younger ears.

My dear departed Episcopalian Mother-in-Law always said:

“Young people should be seen but not heard at cocktail hour”.

That also makes perfect sense in training young engineers, average adjusters, attorneys and everybody else engaged in commercial maritime.

Ponder this for a minute:

“The wisdom of the ages is hidden in cocktail hour”.

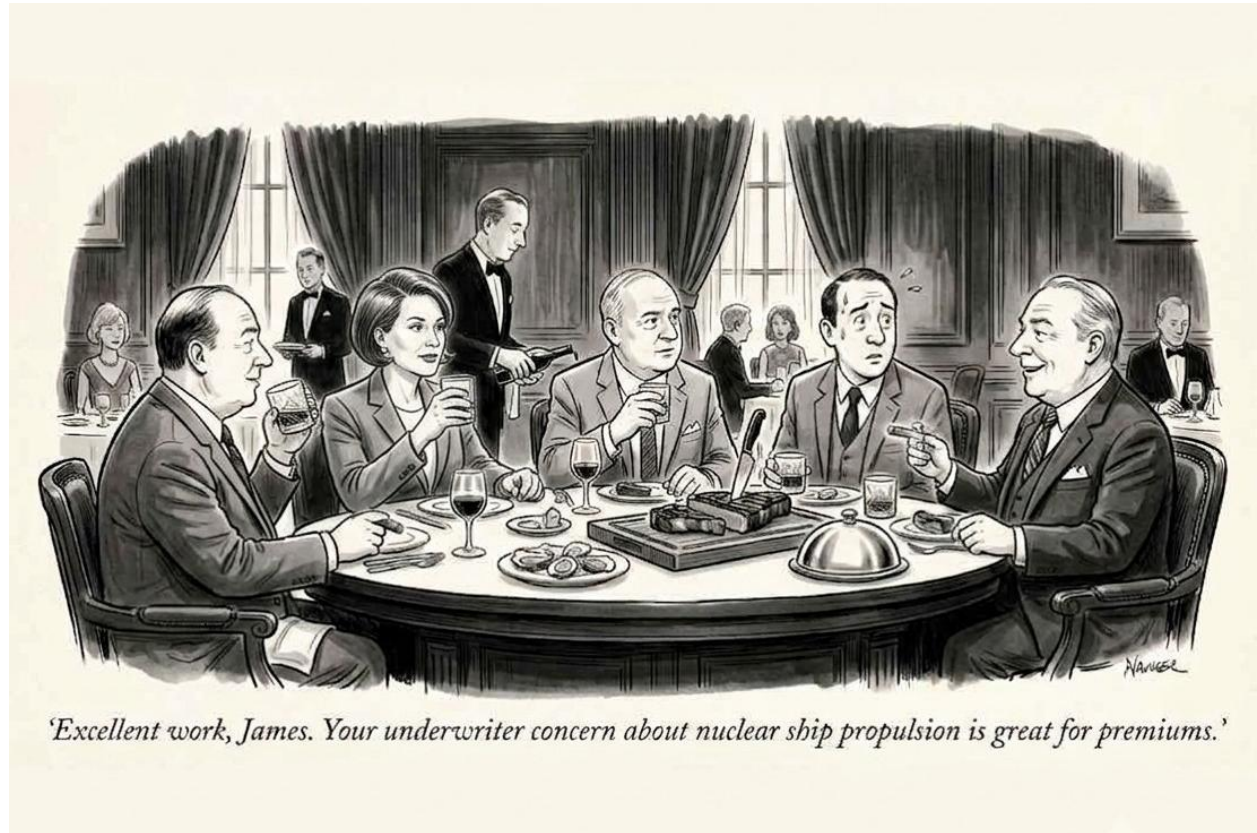
Meanwhile, this dry story time continues.

Nuclear Power

At the American Club dinner in June, Maritime Administrator Steve Carmel implored the attending insurance industry to prepare for nuclear propulsion. To me that was a weird cart before the horse argument. Underwriters deal with risks, but only with real risks. An underwriter will not insure a cargo to Mars unless they know what the cargo and the spaceship look like. To compel underwriters to think about ships that don't exist is pointless.

An attending shipowner felt the disconnect immediately and said, “Forget underwriters; tell me where I can buy these ships, and I will deal with the underwriters one way or another.”

Meanwhile underwriters have their own approach:



Next, I read a MARAD sponsored study that tried to identify the biggest obstacles to nuclear propulsion. One major obstacle was identified as public resistance against nuclear propulsion. I will not go into the details, but knowing that the public does not care at all about commercial maritime and that nuclear Navy ships have been moving in and out of US ports for over a half century, I strongly suspect that MARAD is engaging in a Yossarian.

That is a Catch 22 reference where the main character obsesses over his mistake in putting a band-aid on a small wound on his bomber crew mate's stomach before discovering that his back had been completely blown away by anti-air fire.



'You mean to tell me that ship is nuclear?'

Allow me to provide you with one more nuclear power footnote. At present MARAD is beginning to scrap eight perfect nuclear power convertible ships that can very quickly become our nuclear vessel backbone. These are the 33-knot SL-7 container vessels that were converted into the Fast Sealift Ships. These ships are still in excellent shape, and their steam plants can be quickly configured for nuclear power. Oddly, MARAD is scrapping these vessels because they cannot find enough steam engineers. Meanwhile, MARAD is ignoring the fact that nuclear ships inevitably are steam ships and they will need these platforms to train steam engineers.

The bottom line is that from a commercial maritime point of view, once these modular reactors show up, things can be much easier than we think as long as we stop the talking and start the doing.

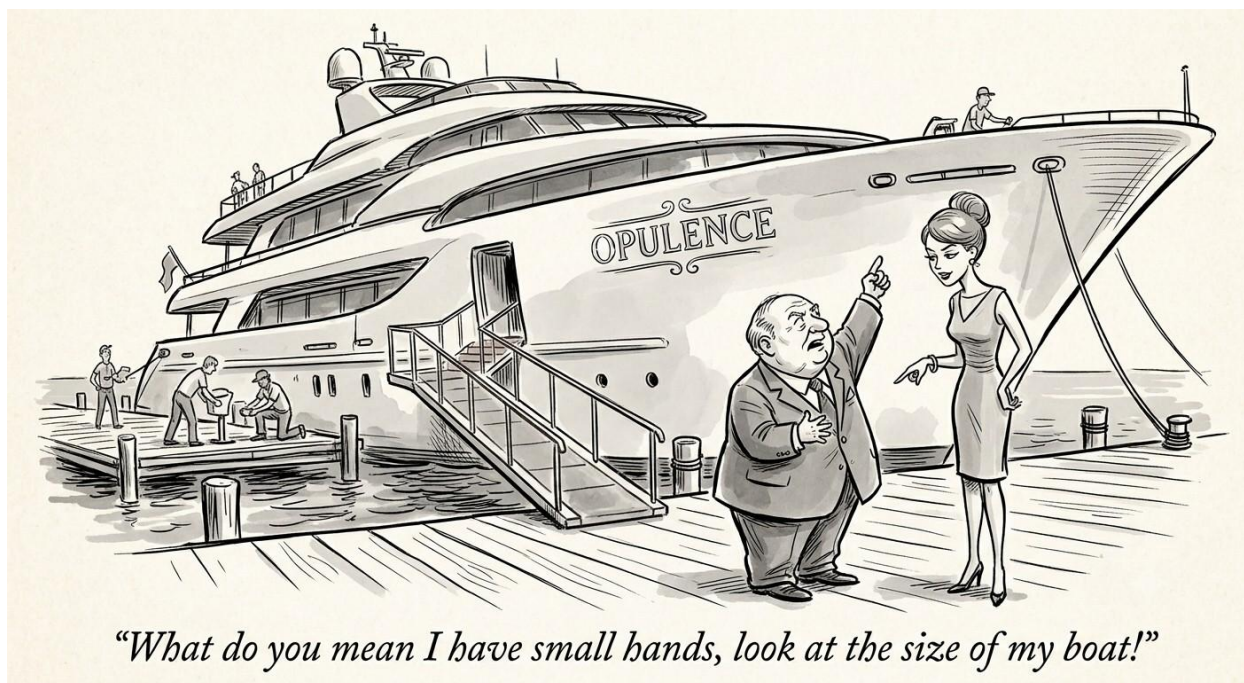
Yacht Policies

One of the previous cartoons may paint underwriters as heartless money grubbers. Surveyors are no different. My children thank the yacht insurance industry for the total mess they have made of yacht policies. It has paid for their college educations and if I don't get the chance to cocktail hour it all away, maybe a bit of an inheritance too.

Yacht policies are a mess. Every policy is different and has weird exemptions, poorly defined concepts, and impossible to determine and adjust wear and tear clauses. It also tends to be the

portion of the industry with the least experienced and most arbitrary claims adjusters...and owners.

Since I have secured sufficient cocktail hour reserves to probably last my life, I am now proposing that we, as an industry, develop yacht policies that have a high level of standardization. starting with standard accepted Inchmaree perils and accepted adjustment concepts as established by our industry over the ages.



Undoubtedly, since yacht ownership is inherently mad, it will run into peculiar complications, but the only way to solve them is to recognize them and to develop standardized and consensual approaches.

I will add that occasionally I see interesting yacht policy clauses. I like hull paint repair clauses that will limit a recoat to the damaged side, stem-to-stern. It forces the Owner to keep skin in the game and can result in good compromises that reflect real diminution in value where the Owner will say, "I will patch repair this, and just give me a kicker for the next paint job". Or where the Owner will say, "It is time for a paint job anyway, and I will pay the other half." Keep in mind an Owner who cannot afford to share the joy, should not be a yacht Owner.

Classic Yachts

Besides the normal madness of yachting, there is an even crazier class of yachts, and these are classic yachts.

Classic yachts are the yachts that cost a fortune to restore, and once they are restored, they are worth a fraction of the cost of restoration.

Meanwhile, I see many classic yacht tragedies.

Oddly, they all take the same form.

Some random yahoo runs into a classic yacht.

The yacht is insured at market value, but the Owner has invested multiples of the yacht's value in restoring and maintaining her. The cost to repair is multiple times the insured value, and the yahoo underwriters are happy to pay the market value based CTL and leave the Owner with a very serious loss that was not her fault at all.

I suspect it would be possible to issue a classic yacht owner policy rider that provides a higher insured value if the vessel was damaged by a third party. I am not a lawyer, but if the classic yacht underwriter pays the claim to the Owner, they can subrogate for real damages against the third party, and this avoids the market value discussion. It may also motivate yahoos to stay away from classic yachts.

Meanwhile, it avoids an overinsurance issue, since it would not be possible for a classic yacht owner in financial distress to reclaim his investment by making his yacht suffer from some form of Dutch lightning.

Yacht CTL's

Let me first distinguish between private yachts and private boats. A yacht has window treatments. That means if there is a flooding event and diesel oil-contaminated water swirls through a yacht, it will require replacement of the window treatments. A boat can be hosed out.

Window treatments are just an example, but in yachts even damage that appears to be small can quickly result in a CTL.

I have no indication whatsoever that yacht underwriters distinguish between yachts that look like yachts and yachts that look like boats. This puts an unfair burden on those yacht owners that have the discipline to purchase boats that are simple and CTL resistant and disincentivizes boatbuilders to build boats where the engines and fuel tanks can actually be swapped out without completely dismantling the vessel.



'I have been told a fitter got locked in behind the joinery, but it was too expensive to get him out.'

A yacht lightning strike used to require a hull patch and the replacement of an antenna and a VHF radio. Today it can easily be a CTL.

Splitting the industry between boat policies and yacht policies will probably improve the private vessel industry and with substantial carry-on benefits in owner attitudes.

Distinguishing between yachts and boats is a surveyor's job, and maybe underwriters should ask surveyors to make that distinction in their reports.

Wreck Removal Costs

Wreck removals and scrap disposal have become a very expensive and very time-consuming regulatory nightmare. I see no ready solution to this trend. Maybe a good cocktail hour will provide a solution.

Managing repair costs

All repair costs have skyrocketed. Some are simple labor cost increases. Quite frankly, I see no reason why a qualified marine mechanic, electrician, or welder should not get paid well. Note that I said qualified. Qualified personnel generally can do something four times as fast as unqualified personnel, and on top of that they often get it right at the first pass. This argues for proper training, and I will get back to that.

However, there is a much more serious problem, and that is the pace of technology. Some of us may remember the day we used to be able to buy a replacement engine off the shelf. Today

replacement engines no longer live on the shelf. A replacement engine is custom ordered and can have a lead time of many months if the same engine is still produced. Today the production period of a specific engine model is measured in years instead of decades. If it is no longer produced, a current model will need to be installed with associated engine room modifications. If the vessel is a twin-engine vessel, an Owner has a valid argument that he wants both engines replaced with the newer model if one older model replacement is not available.

Many have encountered this issue. Fewer of us have encountered a situation where a hybrid electric vessel needs the complete engine room replaced at the cost of a million dollars because a \$10,000 inverter is no longer available.

This is not an argument against hybrid electric vessels. I designed and built a hybrid electric vessel where these issues are manageable, but when you ask a major manufacturer to supply a custom and proprietary propulsion package, you can bet dollars to donuts that 10 years down the line your best chance for replacement parts is eBay.

That is what is taking place in commercial maritime.

Government maritime is worse.

Occasionally commercial maritime interacts with government maritime, such as when a docking tug bumps and dents a Navy ship.

Many years ago, previous Association Chair Henk van Hemmen attended one of those damages on behalf of the tug and came back with a cost estimate for repairing the dent. Even more previous Association Chair Harry Ottaway saw Henk's estimate and said, "Henk that is a commercial estimate; for government ships you double it, and then double it again." Harry was close.

Recently the present Association Chair attended an almost identical damage and discovered that today you take the commercial estimate, double it and then double it again and then double it again. Government ship construction and repair costs absolutely have no resemblance to reality. The worst part of it is that once a commercial yard goes government, they will fall into the same cost spiral for commercial work too.

It reinforces the old adage: If it is grey, stay away.

Lloyds Open Form

The concept of Lloyds Open Form was, is, and continues to be brilliant. However, the resolution of Lloyds Open Form claims is deeply flawed. I intended to discuss this in detail as the single subject in my chairman's address, but I understand that there is a tradition of a panel discussion

instead of an address in a Chairman's second term. If I am reappointed, I will endeavor to make Lloyds Open Form resolution the panel subject.

Just to lift a corner of the cover on this subject, LOF awards are often insultingly and disturbingly low. I have a real sense that there is a serious disconnect between salvage economics and salvage courts, and the process itself is adversarial, slow, and unnecessarily expensive.

Open Form salvage has a future, but we need to provide it with the tools to match the future.

The Anonymity of Commercial Maritime

In this year's travels, one common subject of discussion is the difficulty in explaining average adjusting to young people and to interest them in the profession. Meanwhile, the same discussion applies to naval architects and marine engineers when I attend the Society of Naval Architects and Marine Engineers' meetings and for ship's crew at Owner's events.

Yes, maritime is the Rodney Dangerfield of commerce; we get no respect. In some ways that is nice since we are mostly left alone, but it is a problem as far as recruiting new people into the industry is concerned.



Ships for America appears to include recruitment in their plans, but what it fails to recognize is that recruitment does not start at getting high school graduates into maritime colleges. It needs to be started at the third or fourth grade level and particularly in underserved communities. The Association of Average Adjusters of the United States of America and Canada supports SL7Expo, a Smithsonian level effort at providing the country with a prime entry and contact point for modern commercial maritime.

Check out the website at SL7Expo.org

The Promise of Commercial Maritime

The maritime world is changing rapidly; AI, automation, and sustainability result in instabilities that make one worry about the future.

Meanwhile commercial maritime contains two bedrock truths:

1. Change in maritime has been constant for thousands of years. At every change there were thoughts of doom, and doom never came. Maritime will be here long after everyone here is gone.
2. Commercial maritime has always provided a solid middle-class existence. Maritime elevates a country. There are no countries with a solid middle class that did not have a maritime episode at some time in its history, including the United States and Canada. The problem with maritime is that once a mariner hits the middle class, they tell their kids to find a cleaner, more comfortable, less confusing 8 to 5 job. As such, maritime eats its young and maritime always needs to focus on bringing in new underserved talent.

A Perfect True Story:

I am almost done and I want to end on a reassuring note.

This is the *AJ Meerwald*. It is New Jersey's Official Tall Ship.



That is just a title. It is run and maintained by the Bayshore Discovery Project and survives without a penny of support from the State and relies on the skills of its skipper in keeping all plates spinning at the same time.

We occasionally assist pro bono when things get difficult and the skipper apparently had my number.

It is 530 in the morning. I am in bed with my wife, and my dog is snoring on his dog bed under the window, and the phone rings.

It is the skipper of the *A.J. Meerwald*, he and she, are aground. He wants help securing salvage. The reason for the grounding is not important and falls in the “shtuff happens” category. And, as far as solving the problem at hand is concerned, who cares anyway?

We had a two-minute exchange that sort of followed this path:

"Everybody safe?"

"Yes."

"Where are you?"

"Tip of Sandy Hook."

"High and dry?"

"We can walk to shore."

"What do you need?"

"I need towing assistance, but am not familiar with local companies."

"Do you have insurance?"

"Yes."

"Do you want me to be your surveyor?"

"Yes."

"Can I call you on this number?"

"Yes."

"I'll call you back."

I check tides. High tide at 1030, wind NNE 10 to 15.

I call a local salvage company.

A two-minute exchange along the following path:

"Hi, I got a call from a schooner that is stuck at Sandy Hook."

"Hi Rik, we heard. Wooden boat. We don't bother with wooden boats."

"I know this boat; it is solid and insured. I am on for Owners. Want me to come along?"

"That would work."

"See you at the berth at 0700."

On the way to the berth another salvor calls and he explains what equipment he has available, if needed. I promise I will tell the first responder when I get on site. (Depth of resources is the game in salvage)

At 0700 two shallow draft 30-foot RIBs with towing gear and pumps leave for the tip of Sandy Hook.

The Salvage Master and the Owner's Surveyor (me) are on one boat.



At 0730 we note the *Meerwald* is indeed hard aground, but towing and high tide may get her free again.

She is not pounding, but if the wind shifts only a little it could get ugly quickly.

The schooner crew is experienced. Meerwald has already rigged towing bridles.

The Salvage Master evaluates the situation, makes a few calls and offers a No Cure No Pay contract at 0745.

One minute phone discussion between Owner's Surveyor and the skipper.

The Owner's surveyor signs on behalf of the skipper aboard the towing vessel. The contract is literally one sentence long. Now we are in this together.

0749 first towing line connected.

Additional vessels provided by the salvor arrive on scene.

The USCG is standing by. They are not needed for salvage, but will jump in when needed for safety or rescue assistance.

Just as a precaution we make a quick portable pump shift to the *Meerwald* while we can.

At 0930 the tide is coming in and with five properly sized tow boats connected and towing, we are monitoring *Meerwald's* heading.

There is a larger salvor's tug on site to assist if needed.



At 0939 *Meerwald* is afloat at the first high tide after her grounding.

No apparent damage due to efforts to refloat, no damage due to unnecessary delay in response.

She is towed to a berth at Tottenville and we complete initial damage evaluation.

There is no serious damage and she is safely afloat.

Salvage activities are completed and the contract ends. The salvor goes home and will prepare a bill and present it for review later.

Full damage evaluation starts. Minor repairs and the vessel will be back in service by the end of the day.

At 1400 I am back at Highlands Marina to get my car. I have a late lunch, and then to the office for paperwork.

This was how the problem at hand was solved. All the tools to solve the problem (not just people and gear, but also traditions, and ancient systems, and insurance) were there. All that needed to be done was to take them out of the box and put them to work.

In actuality, in these few hours, there were literally hundreds of communications, plan suggestions, adjustments and re-evaluations by everybody involved. However, not one bad word was spoken, nobody hesitated, nobody dragged their feet waiting for contracts and confirmations, nobody second-guessed and everybody did their job and did what was expected of them. Most of all, there was total control of the emergency from the beginning through the end.

The cost settlement was just as easy. The underwriter permitted me to settle the entire claim, including a reasonable salvage award. The actual expenses were quite modest, but as expected, the salvor came in with a substantial but not excessive proposed award. It was accepted because when you show up and do your job, you get a good award, even if it seemed so easy to outsiders.

Salvor incompetence, hesitation and subsequent slower responses deserve lower awards.

Surveyor, Owner, Regulator and underwriter incompetence and hesitation should increase salvage awards.

Some may say we got lucky this worked out so well. But only the prepared get lucky. Even if we had not succeeded on the first try, there would have been additional well-organized efforts using ever more resources as quickly as possible with hardly any more discussion.

Call it what you want: teamwork, cooperation, goal-oriented behavior, synergy, but the way it works is almost magical. And it exists because everybody who counts in this industry lives this maritime tradition. These projects, big and small, take place all over the world all the time; we never hear about them because highly trained individuals are simply doing their job.

And that is Maritime's message to the rest of the world: Focus on the mutual goals of the adventure, and do your job.

Perfection is exceedingly rare, but as long as we recognize it, we can figure out how to fix things that are imperfect.

Thank you for your time. I look forward to your comments and also lots of your stories in the course of the next few days.