

January 15, 2016

TO: SSA BOARD OF DIRECTORS C/O DENISE LAYTON  
FM: DAVID VOLKMANN, SSA INSURANCE SPECIALIST

RE: STATUS OF THE SSA GROUP HULL & LIABILITY INSURANCE PLAN

### **GENERAL COMMENTS**

#### **Renewal Retention:**

Through December 2015 the SSA Group Plan's renewal retention ratio (the number of accounts renewed from those available to renew) was 95%. In 2014 it was 96%. Again, attrition mostly came from senior pilots selling their aircraft and getting out of soaring. It is interesting to note a number of clubs and commercial operators either went out of business or were absorbed by other clubs or commercial operators. Also, there were a dozen total hull losses which caused a reduction in the number of aircraft available to insure. Costello Insurance considers a 95% renewal retention ratio to be excellent and strong evidence of the program continuing to provide a widely accepted product to the members of the SSA.

#### **Benefits Provided by the SSA Program:**

The SSA Group Hull and Liability Insurance Program remains the most unique group plan in aviation insurance. The few remaining group programs cover pleasure aircraft only. The SSA Program continues to cover pleasure aircraft owners, clubs, commercial operators, winch operations, airports, products, hangarkeepers, and air meets.

The program is also a motivator for new and renewal memberships in the Soaring Society of America for only SSA members can take advantage of this program.

### **LOSS COMMENTS**

#### **Claims:**

The frequency of claims was 66 in 2015, 87 in 2014 and 73 in 2013. This is a 24% decrease in the number of claims over last year.

In 2015 the paid hull losses were \$706,269 plus reserves of \$300,600 for a total of \$1,006,869 compared to the 2014 total of \$1,889,516. 2013 was \$824,662.

In addition to hull losses, there are typically a small number of (expensive) liability claims. However, Costello Insurance reports no "shock" losses (high valued hull or liability losses) in 2015. While some liability claims are still in progress, nothing drastic is anticipated.

Overall, the performance of the program for 2015 is good.

### **STATE OF THE PROGRAM**

#### **Insurance Marketplace:**

The insurance carriers offering coverage to glider owners currently are:

1. SSA Program through AIG Aerospace.
2. AIG outside the SSA Program with a different contract and higher rates.
3. AVEMCO
4. USAIG

AVEMCO and USAIG seem only to be interested in Pleasure use gliders while AIG through the SSA Group Plan will insure clubs and commercial operators as well the pleasure operator.

#### **Rates:**

Due to the SSA Program being unprofitable for many years, the insurance company took a small rate increase effective 9-1-13. There were no increases in 2014 or 2015. Costello Insurance does not anticipate a rate increase in 2016.

**Contract Enhancements:**

During the 2014 mid-year board meeting the SSA directors indicated a need for Professional Liability coverage for glider flight instructors working on behalf of clubs or commercial operators. This coverage was made available through the group plan in 2014. Out of approximately 226 clients only 48 have taken advantage of this coverage. This is a small premium item yet puts the program at risk for million dollar losses for instruction that might have taken place decades ago. Without better participation the board should consider whether the risk outweighs the benefit of this program enhancement.

Below is a review of the most significant enhancements that have been provided over the last five years:

1. The requirement of a Commercial pilot's certificate to give a glider tow for hire was changed to Private for no additional premium.
2. Liberalization of club tow pilot clauses.
3. Liberalization of commercial operator tow pilot clauses.
4. Limited Club Reciprocity.
5. Increase in the Medical limit from \$5,000 per person to \$10,000 per person for no charge on Pleasure policies. (Medical is separate from the \$1,000,000 liability limit and is designed to handle minor injuries.)
6. Addition of winch liability coverage.
7. Negligent instruction liability coverage.

Costello Insurance continues to look for ways to broaden the insurance products provided our members.

**Future:**

In the 2013 AIG took a small rate increase due to nearly a decade of the program being unprofitable or nearly so. While 2013 made the company a profit, it was not large. The loss frequency and severity crept up again in 2014 but it is believed the program made AIG a small profit. 2015 should be a good year as loss frequency and severity dropped significantly. This reduction should result in AIG backing the SSA Program for several years to come.

Costello Insurance has made sure management at AIG is aware of the positive changes in claim frequency and severity and they seem pleased. Pat Costello is confident the SSA Program will continue to have a home with AIG for several years to come.

Costello Insurance and AIG Aerospace remain committed to providing a high quality insurance product and friendly, efficient service at a competitive premium. They appreciate the Soaring Society of America's continued confidence in their ability to serve the membership. Pat Costello has been the aviation insurance administrator for the SSA since 1984 (31 years). Pat and his staff have not waived in their commitment to the SSA and its members and look forward to serving the SSA for many more years.

David Volkmann, SSA Insurance Specialist