

January 30, 2018

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 2017 the program's renewal retention ratio (the number of accounts renewed from those available to renew) was 94%. In 2016 it was 95%. Costello Insurance considers a 94% renewal retention ratio to be excellent and strong evidence that they are continuing to provide a widely accepted product to the members of the SSA.

Again, attrition mostly came from senior pilots selling their aircraft and getting out of soaring. Also, there were a number of total hull losses which caused a reduction in the quantity of aircraft available to insure. Many accounts lost due to aircraft sale were replaced as new business by insuring the buyer. New business is not a part of the renewal retention ratio figures.

#### **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 in 2017 was 72. It was 72 in 2016, 66 in 2015, and 87 in 2014. This is a 0% increase in the number of claims over last year.

In 2017 the hull losses plus reserves totaled \$1,356,900. It was \$1,298,931 in 2016. In 2015 it was \$1,006,869. In 2014 it was \$1,889,516.

In addition to hull losses, there are typically a small number of (expensive) liability claims. However, we saw no "shock" losses (high valued hull or liability losses) in 2017.

While some liability claims are still in progress, nothing drastic is anticipated. Overall, the performance of the program for 2017 is fair.

Special note: Costello Insurance comments that repair costs are continuing to increase. Parts are more expensive as they are harder to come by and labor costs, due to lack of competition, continues to escalate.

## 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, 2015, 2016 or 2017. A rate increase is not anticipated in 2018.

### **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 in 2014. Out of approximately 233 eligible clients, only 60 have taken advantage of this coverage. This is a small premium item, yet it puts the program at risk for million dollar losses for instruction that might have taken place decades ago. Costello Insurance reports those that have taken advantage of this coverage have expressed their appreciation for its availability.

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.

### **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 and 2015. 2016 was somewhat profitable. While it's too soon to tell, Costello Insurance believes 2017 will be right on the line between profitability and unprofitability. Our goal should be to provide a strong profitable year for the company to bank against future problem years. AIG has given no indication that they won't be willing to back the SSA Program for many 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 (33 years). Pat and his staff have not wavered 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