January 30, 2020

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 2019 the program’s renewal retention ratio (the number of accounts renewed from those available to renew) was 95%. In 2018 it was 94%. Costello Insurance considers a renewal retention ratio of 90% or better 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. Some commercial operators and clubs ceased operations. 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 sales 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 other 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 2019 was 78. It was 75 in 2018, This is a 4% increase in the number of claims over last year. In 2017 there were 72 claims, 72 in 2016, and 66 in 2015.

In 2019 the hull losses plus reserves totaled $1,802,845. In 2018 the hull losses plus reserves totaled $1,493,369. It was $1,356,900 in 2017. In 2016 it was $1,298,931. In 2015 it was $1,006,869. 2019 is a significant jump in claims expense for the insurance company.

In addition to hull losses, there are typically a small number of liability claims. Costello Insurance reports no “shock” losses (high value liability losses) in 2019. While some liability claims are still in progress, they anticipate nothing drastic. Overall, the performance of the program for 2019 is poor.

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. Global
5. USAIG

AVEMCO, Global 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:

Since 2018 aviation insurance carriers have stiffened their underwriting requirements and have been raising their rates from 15% to 30%. At the beginning of 2019 AIG wanted a rate increase for the SSA program. Costello Insurance was able to forestall any increase. Due to the program performing poorly, the insurance company insisted on a rate increase for 2020. Effective 1-1-20 program base rates increased, but only by 10%. The last rate increase for the program was in 2013.

Contract Enhancements:

Below is a review of the most significant enhancements:

1. Liberalization of the club “use” clause.
2. Liberalization of commercial operator “use” clause.
3. Liberalization of club tow pilot clauses.
4. Liberalization of commercial operator tow pilot clauses.
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.
8. Availability of the aircraft liability limit of $1,000,000 limiting each passenger to $250,000 per passenger seat. The max was $100,000 per passenger.

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

Future:

AIG Aerospace and Costello Insurance are concerned with the continued reduction in aircraft to insure coupled with the increases in losses. It is hoped the 2020 rate increase, though minor, will return the Program to profitability.

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 (35 years). Pat and his staff have not waivered in their commitment to the SSA and its members and look forward to serving the SSA for many more years.

Respectfully Submitted,

David Volkmann, SSA Insurance Specialist