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USA Water Ski Executive Director Report-Week of October 6, 2008

The State of the Economy and its impact on USA Water Ski

As you all know, the current state of the national economy is affecting literally everything within everyone's operations, including ours. There are daily news reports about serious financial problems facing some of our country's largest banking institutions, and many of the same issues are confronting the insurance industry as well. Based upon some pretty reliable indicators, the insurance industry may be headed for a "hard market" cycle sooner rather than later. When the insurance industry experiences a hard market, the availability of insurance decreases and the cost of insurance increases. Insurance companies generate substantial revenues from investment returns. These returns are used to help offset any underwriting losses associated with the payment of claims. As the stock market and the economy generally steer toward difficult times (and insurance companies are not able to generate favorable investment returns), there is pressure for premiums to escalate and underwriters tend to restrict coverage and/or stop writing coverage for certain classes of insureds considered "high risk." Sports-based risks fall into this category. Given the limited number of markets willing to underwrite sports risks to begin with, this can have a negative impact on availability and cost of insurance coverage.

As with all national governing bodies, USA Water Ski provides a number of insurance products for the benefit of our members, affiliated clubs and event organizers that are critical to fulfilling our mission to promote the growth and development of recreational water skiing, and to organize and govern the sport of competitive water skiing. Without insurance, many of the events and activities associated with our sport would not be able to take place. The following is a brief overview of the various USA Water Ski insurance programs and the outlook for 2009.

USA Water Ski Sanctioned Event Coverage

As part of sanctioning, USA Water Ski provides General Liability and Participant Accident coverage for the protection and benefit of its clubs, associations, sport disciplines, divisions and individual members in connection with USA Water Ski sanctioned events. In an effort to lock in favorable rates for 2009, we are currently under way with renewal negotiations. For budget purposes, we are anticipating up to a 5 percent increase in the cost of the insurance for sanctioned events. The final premiums will be subject to anticipated membership/participation figures and our historical loss experience.

USA Water Ski Club Insurance Program (for non-sanctioned events and exposures)

In June of this year we rolled out the new USA Water Ski Club Insurance Program. This program was designed to provide insurance coverage for Club activities and exposures that fall outside of the insurance provided by USA Water Ski as part of sanctioning. This voluntary club insurance program contemplates coverage for club sponsored, organized and/or supervised activities such as dinner functions, award banquets, ceremonies, meetings, membership drives and approved fund-raisers, etc., and also provides 24-hour coverage for liability associated with club-owned or leased equipment such as ski jumps, slalom courses, piers/docks, swim platforms and other equipment. Many clubs had expressed strong interest in this program since it provides insurance coverage for exposures that are **not** covered by the USA Water Ski sanctioned event program on a 24-hour basis. Unfortunately, the level of participation in the program for 2008 has not been as great as anticipated. Some of this may have to do with the fact that many clubs had already made insurance arrangements for the 2008 summer ski season by the time the new club program was rolled out, while other clubs may have elected to go without insurance (which is not a good choice). Given the importance of this program, USA Water Ski will continue to offer the Club Insurance Program in 2009. We will be sending out information about the 2009 USA Water Ski Club Insurance Program with the club renewal applications in October, so be on the lookout for this information in the coming weeks.

USA Water Ski Club D&O/EPL Program.

In April of this year, USA Water Ski also rolled out a new club D&O/EPL program that provides USA Water Ski affiliated clubs with affordable, easy to obtain Directors & Officers (D&O) and Employment Practices Liability (EPL) coverage, which protects the club officers and directors from personal liability associated with allegations of wrongful acts, errors, and omissions associated with their involvement and duties as club board members.

Participation in this program has been much better, and I am pleased to report that the renewal rates for this program will be decreasing from \$625 to \$575 for a \$1,000,000 limit and from \$925 to \$875 for a \$2,000,000 limit. The program will be renewing on 11/1/2008, and a formal announcement regarding this program will be sent out in early October. All clubs currently enrolled in this program and any new clubs wishing to enroll will have to do so through the following Web site: www.fastcov.com/usawaterski.

Additionally, USA Water Ski will continue its boat insurance program into 2009. **H2O Ski Plus Insurance** will have even better competitive rates next year. Visit www.H2OSkiPlusInsurance.com or call (877) 754-9283 for more information.

From Jay Leno, September 25th: *Biblical experts say they see the signs that the end of the world is near. Interesting, interesting. Signs that the end of the world is near: fighting in the Middle East, collapse of Western economy, and, of course, the Cubs in first place (seems a little outdated now as the Cubs were eliminated by the Dodgers).*

So, as an update: (*"The Tonight Show," NBC, 10/3*). *You believe it's October already? You know, I didn't even realize it was October until I looked up and saw the Chicago Cubs choking"*

And from David Letterman, October 2nd: *Here's all I know about the economy: when there's financial trouble, you've got to have a good accountant. Do you have a good accountant? Get a good accountant. They're worth every dime. I'm telling you, I'm speaking from experience. I don't trust my accountant. Yesterday, this guy advised me to marry Paul McCartney.*

Have a good weekend.



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