

INSURANCE MATTERS IN SPORT

Professor Paul Singh, 2006

*“The most inexpensive insurance policy is
the employment of competent coaches and instructors”*

INTRODUCTION

The world today has changed to the point where finances and financial risks have to be managed very carefully. Theft, fraud and corruption are common in most industries, countries and societies, and sport in South Africa is no exception. If sport organisations that already have limited finances wish to conserve their assets, they have to consider insurance as an element of effective risk management. The aim is to shift or transfer the risk to another party, usually an insurance company.

Today even the innocent actions of a sports manager, coach or official could mean disaster. At the blink of an eye-lid, a serious accident could occur in sport, leaving the victim to face lifetime paralysis or confinement, and eventually resulting in financial ruin, especially if sport is their livelihood and only source of income. In reality, today it is more likely that this could happen to the person who caused the accident.

Entire African or South African sport teams have been wiped out in motor vehicle accidents while travelling to tournament venues. This could be a major loss to their families, the sport club or organisation, the sport, and the country. At other times sport organisations have lost millions of Rands from not having adequate protection of their assets such as land, buildings and equipment and fittings/structures.

When one considers the great extent to which modern sport teams travel locally and internationally to compete, it is not hard to realise that even a missed flight or the team's kit going astray could become a major blow.

Thus, sport organisations, their coaches, administrators, officials, participants, spectators and other stakeholders should be aware of the potential financial problems they face, and how they may use different techniques to reduce such risks.

There are two levels to which this topic is relevant and applicable. Firstly, it can be applied to sport organisations, and secondly, to the individual (player, coach, official, or

manager) in sport. This article merely provides guidelines and explanations of legal requirements in the sport context. It is not the law on insurance. For specific advice and insurance cover, one has to see an insurance broker or agent.

SPORT ORGANISATIONS/ INSTITUTIONS

It is obvious that all sport organisations and educational institutions are not the same. They have different circumstances, functions and needs. Some sport organisations are large and have many staff and substantial assets. On the other extreme, there are sport organisations with no fixed assets or paid staff, and they are sustained mainly by the goodwill and support of dedicated volunteers.

Sport organisations, schools, colleges, and universities usually use three main types of insurance management to protect themselves against loss. The first type is insurance for property. The second type is insurance for liability protection when financial losses may arise from injury to persons or their property for which the organisation is liable. The third type is for protection against criminal activity that could lead to financial losses as a result of theft, fraud or some other illegal act.

DAMAGE TO PROPERTY/ LOSS OF PROPERTY

This type could include the following:

- Buildings, which include the costs of professional fees, removal of debris and reconstruction
- Stock and property held in trust
- Fittings and fixtures, office machines, and other contents such as trophies etc.
- Employee' personal goods

This kind of cover could be taken against loss by some or all of the following problems:

- Lightning, fires, earthquakes, explosions
- Rioting and malicious damage to property
- Storms, floods, burst water pipes
- Theft of property

- Subsidence of land or buildings
- Accidental damage, which usually requires a higher premium, if it is available

Where the sport organisation or educational institution owns equipment and playing/training kits, this should be insured under an 'all risks' cover, as this will also cover these assets at home and away venues. Such a policy will exclude damage during the course of play.

For some types of claims, an 'excess' is required. This means that the insured organisation or institution has to make a contribution, the amount of which is stated in the policy. This amount varies from company to company, but it usually is a small amount which forms part of the total claim eg. the first R100, or the first R500 etc, according to the money value of the claim.

ALTERNATIVE ACCOMMODATION

Whether sports facilities and buildings are owned or rented, it is worthwhile to include the cost of alternative accommodation in case the premises become unoccupiable as a result of any of the insured dangers such as fires, floods, subsidence etc.

BUSINESS INTERRUPTION

If a loss of income is likely to occur after an insured danger has happened, then business interruption insurance should be considered over and above the cost of alternative accommodation. The purpose of such a policy is to put the policy holders back in the position they would have been in if the event had not taken place.

REINSTATEMENT OF RECORDS

Where detailed sport archives, historical records and financial records are kept over a lengthy period and they are expensive to replace, the organisation should also consider covering the cost or replacing the records.

TYPES OF INSURANCE COVER REQUIRED

Loss of money

Cash is always a temptation and most attractive for thieves to steal because it can be disposed of very easily. Money would include cheques, vouchers etc. The money is usually covered:

- From the premises during business hours
- From a locked safe which could be at the office or home of a specified officer
- Whilst it is in transit to or from the bank

Theft by employees

When employees handle large sums of money and regularly, then fidelity insurance is advisable. It will cover losses that arise from dishonesty of such persons.

Personal accident

National federations, sport clubs, or educational institutions may choose to consider providing personal accident cover for their teams. This could also be a service paid for by individual members as part of their membership package. The benefits here are designed to provide financial assistance and not complete compensation in the case of sport related accidents.

Travel insurance

Whenever anybody travels abroad, a special package travel insurance policy should be arranged including the basic essential cover against loss of clothing, kit, and medical expenses. Travelling sports people should check their policy carefully, as they quite often exclude specific activities like sport. When travelling as a team, a group policy could be arranged on similar lines.

Legal liability

Many people who sustain injury or loss as a result of a sport accident look for someone to blame and sue. Liability insurance covers this type of claim by paying the costs of the

defending body in court. Should the case be lost, the policy also pays the damages awarded up to a limit specified in the policy. Where feasible, co-operative (shared) plans with other similar groups or agencies, clubs or schools in a district, league or region should be arranged to secure less expensive group rates. Sport clubs must ensure that they comply with the provisions of all Occupational Health and Safety Act (1993) requirements, as well as local authority health/hygiene regulations.

Public liability

Depending on the scope of its sports activities and services offered to its members, a sport organisation should carry public liability insurance of at least R1million. But if the organisation owns large facilities or provides major sport events for large crowds, then a much higher limit has to be arranged. This is done to take care of any major disaster that may affect many spectators in a confined space. When the organisation arranges special events, the insurer must be advised so that additional cover can be included.

Legal expenses

There are many ways in which a sport organisation can become a party to a court case. The list can really be endless. Court cases and lawyers fees are expensive. Legal expenses insurance can cover such legal costs involved. Some types of insurance like 'Legalwise' provide for free advice to be available 24 hours a day.

Professional indemnity

This is an important type of insurance to cover coaches, instructors, sport managers etc, who, in their professional role in sport, may incorrectly train or advise athletes resulting in injuries or disability. It is wise to extend such a policy to also cover officials and committee members who carry out official sports duties. Where the sport organisation does not have this type of cover, individuals should obtain their own insurance.

OTHER TYPES OF INSURANCE

Motor vehicle insurance

Although many sports clubs do not own motor vehicles, they do make use of their officials' vehicles on sports business. In these cases it is advisable for the club to arrange additional insurance cover for such trips, especially if the official has not taken such insurance.

Event cancellation

When a major event has been arranged and marketed at great cost, it is very difficult to cancel, even when it is because of inclement weather or some epidemic. Insurance can be arranged for this type of cancellation and it should be arranged as part of the event planning phase. It should include sufficient cover to allow for any promises made to sponsors. This type of insurance is particularly relevant to outdoor sports events.

INDIVIDUALS IN SPORT

There is a definite trend among sport organisations and educational institutions that offer sport toward having some kind of insurance not only to protect athletes against loss due to injury, but also to shield coaches, officials, educators, and staff against injury as well as liability. The same can be said of schools, private clubs and any other environment where sport takes place. One of the trends has been the increasing number of insurance claims arising out of liability for injuries and accidents. This has led to an increase in insurance premiums.

The cost of premiums for accident policies differ from community to community and also according to the age of the insured person, the type of plan required, and the nature of the sport and level of risks to be covered.

Insurance for individuals is much simpler to arrange. Many of the types of insurance for individuals have already been covered under insurance for organisations. This means that those types relevant to individuals become their responsibility to arrange, if their organisation does not obtain them. Just as their organisation could be held liable for injuries and accidents or other losses, individuals could likewise be held liable in their personal capacity. Hence, all sport personnel should ensure that they have personal liability, personal accident, sports equipment and personal effects, public liability and motor vehicle insurance.

Private medical aid/insurance

This type of cover has traditionally been available to most ordinary persons, not just sports persons. It is especially important for individuals to have themselves covered where their clubs or organisations do not have adequate insurance cover for their personnel or members. The costs and benefits vary greatly, and each individual should shop around for what package suites them best at the best possible premium. One should seek professional advice before joining any medical scheme.

CONCLUDING ADVICE

Policy documents are legal agreements and therefore have to be written in legal terms. It is the duty of the insured person to read these documents carefully to ensure that the specific cover they need is not excluded. You must be sure about what the insurer will pay for and what they will not pay for. Should there be any difference between the written document and your needs, contact the broker or agent and sort it out straight away, as it will not be possible after the harm or loss takes place.

Insurance can be a minefield with many insurance companies, several brokers and even more agents, with different products (types of cover) for a wide variety of incidents. Therefore it is sensible to shop around, to consult professionals widely, and where available, to arrange your insurance cover through professionals who specialise in sports related policies. From time to time, it is wise to check your policy to ensure that it meets with your current circumstances and needs.