

SASC Sports Series

Topics and strategies in the 21st century sporting world

Risk management (1)

Sport Insurance

Produced by the Information and Research sub-unit of the South African Sports Commission. Video copies of this Colloquium are available on request. Video extracts are also included on the SASC's Sport Management Toolkit multimedia CDROM.

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The Ellispark soccer tragedy, which claimed many people's lives, still haunts the nation. And a spate of schools rugby deaths has recently made headlines.

These are extreme examples of sporting events taking a turn for the worse. Life is unpredictable and accidents happen all the time. The sports field is no exception. Even relatively minor mishaps can spell disaster for all concerned.

That is why insurance makes sense. It provides protection against things going wrong. It basically works as follows.

You buy cover from an insurer. In return for your premium, you are guaranteed compensation for losses incurred when disaster strikes.

The cost of insurance is determined by two factors: perceived risk and size of cover. The greater the chances of things going wrong, the more you will pay for insurance. And the larger the cover you purchase, the higher the price, says Elizabeth Mabanga, a broker with Alexander Forbes.

According to Graham Greene of Santam, insurers have always maintained that anything can be insured, at a price. But some risks seem too big. Since the events of 11 September in America, war and terrorism cover is almost unobtainable, says Denise Hatting of Kaleidoscope, a specialised firm providing insurance and underwriting.

Insurance claims are not automatically settled. Your insurance policy specifies a list of conditions that must be met before the insurer will pay out. This also applies to sports insurance. For instance, a sports injury claim will have to be substantiated by doctor's reports.

Sports insurance is a very broad term used to refer to various kinds of cover for athletes, administrators and organisers. "You will need to buy different kinds of insurance from different insurers," says Santam's Greene.

Action Sport Insurance

Do you like the odd trip to Switzerland for a skiing experience? Or are you maybe partial to a mountain-climbing experience?

Check your existing life policy before you leave on an adventure trip. Many insurance companies will not compensate you or your family should something happen to you on such an adventure.

Into this gap steps insurance companies like SureTravel who provide packages tailor made for the adventurous among us.

This kind of insurance has cornered a new niche market which is gaining ground in the field of insurance. As the individual keeps on testing the borders of his physical abilities, the greater the increase in activity among these insurers will become.

School Sports

Schools are advised to take out group insurance for sporting events. Often the money is retrieved through school fees (the parents don't even know part of the money goes into an insurance kitty), but some schools take out extra insurance to cover mishaps.

Parents of school-going sports stars, should ask the school to what extent a child who is injured in a sporting match, is covered. Coverage should include personal liability (kids who are ferried to and from sporting events), disability and medical expenses.

Insurance Providers

Insurance brokers: Glenrand MIB, Alexander Forbes

Short term insurance companies: Santam

Insurance underwriters: Kaleidoscope, Special Risk Underwriters (SRU), Lloyds of London (with a branch in South Africa), Swiss Africa, Munich Re, Gurling Global, Hanover Re-insurance, AIG, St Paul



permanently disabled, but this can be very expensive. They might have to turn to major underwriters like Lloyds of London for this type of cover, says Laurence Bloch of Herritage Insurance Brokers.

Alexander Forbes underwriters say that a stated benefits policy can be obtained which will cover medical costs as well as loss of income - a monthly amount or pay-out in the case of permanent disability.

Sports players must ensure that they have insurance. They are sometimes required to arrange cover themselves, and in other instances their sporting body will take that responsibility.

For instance, the South African Rugby Football Union does not insure its professional players because it is too expensive. Instead, players must look after their own needs. But for reasonable amounts, sports bodies can arrange limited cover for their amateur players.

Players should ask their clubs and relevant administrators to what extent they will be covered in case of injury and disability. It can't do any harm to place the issue of insurance on the agenda.

Equipment & Property Insurance

Sports gear and equipment can be very expensive. If these things are damaged, lost or stolen, replacement costs can be a huge financial blow. Individual athletes and sporting bodies providing equipment should ensure that they are covered.

The same applies to fixed assets at sports venues, schools and clubs. Buildings, other structures and even expensive artificial surfaces can be insured against damage and loss.

If you are an amateur, you could specify sporting equipment under existing householders insurance. But you are well advised to check with your broker. The equipment of professional sports people are often sponsored and the sponsoring company will take out necessary insurance. But once again: never take anything for granted and make sure that your equipment is covered.



Anybody that has anything to do with sporting events needs some form of sports insurance. Sporting bodies, their office-bearers, officials and employees need it. As do athletes and players, volunteers, venue-owners and event-organisers. And this goes for professional as well as amateur sporting codes.

According to Dick Brooker of the Insurance Institute of South Africa, sports insurance is increasingly becoming a specialised field best left to the professionals. "You would be silly to try and do it yourself," he says.

Large brokers are your the best bet for one-stop sports insurance service. But for really big or unusual cover, specialised brokers, insurers and underwriters will provide tailor-made solutions. The South African Insurance Association can provide referrals to the right companies.

Public Liability Insurance

Lots of things can go wrong at sporting events. Pavilions have been known to collapse. People can be hurt or injured in various ways. Property can be lost or damaged.

Anyone suffering harm in this way can claim damages from those responsible. Organisers, venue-owners and sports administrators are all at risk. A liability policy will cover pay-outs and legal fees in the case of damages being awarded.

Major venues and professional codes are normally on the ball when it comes to public liability insurance. But what about schools, local clubs and the like staging amateur competitions? "It is essential for anyone organising public events to buy liability insurance," advises Greene.

If dangerous activities like a fireworks display are planned, your liability policy must be expanded to provide extra cover. And parents transporting their children and their mates to sporting events should take out liability insurance in the event of accidents.



If you insure a big event like a rugby match at Ellispark, for less than R20m, you are short changing yourself, says Greene. Your cover would be too low in the event of things going badly wrong. Stadium owners normally minimise the cost of such insurance by buying cover for a year instead of for each event.

Sporting Events Insurance

Organisers need nerves of steel to contend with the list of things that could go wrong on the big day. Failed events frequently leave not only participants disappointed but organisers out of pocket in a big way.

Having to cancel major events can cause a range of problems. Spectators have to be refunded, sponsors lose publicity, deposits are forfeited, heaps of food and drink go to waste and merchandise go unsold. And then there's the cost of re-staging the event at a later date.

Cancellation and abandonment insurance provides organisers with some peace of mind by protecting their investment. And if big amounts of money are received and held at entry points to events, organisers can take out money insurance.

Insurance lead-time for major events like the World Cup and the Olympic Games is about two years. Although it is less for smaller events, don't leave insurance till the day before an event. Allow at least two weeks to arrange cover.

Really big events like the Olympic Games are insured against failure and malfunction of satellite broadcasts, electricity supply, floodlights and television cameras. Organisers also buy cover against terrorist attacks and the non-appearance of teams due to political disturbances.

Pluvios Insurance

Outdoor events are at the mercy of mother nature. Pluvios insurance means that organisers cover themselves against inclement weather. That will include rain, windy conditions or any other natural occurrence

preventing an event from taking place.

A lead-time of at least two weeks is needed for this kind of insurance - but up to two years for major events like the Olympic Games. This gives the insurer time to check out a few years' worth of weather bureau statistics, which could go back forty years. If your event is scheduled for January and the records show that January is a wet month in your region, you can expect to pay a higher premium.

Because of the high costs of this kind of insurance, your insurance broker will most probably deal with a re-insurer or underwriter, like Lloyds of London or any of the other companies specialising in this kind of insurance.

Unusual Insurance

You could say that in the wonderful world of sports insurance, organisers can cover themselves against the weirdest things. For instance, the organisers of a golf tournament can take out hole-in-one insurance to cover fluke prize money, says Kaleidoscope's Denise Hatting.

Her company also underwrites incentive bonus insurance, tailor-made for organisers of events offering cash amounts to athletes bettering national or international records.

Players

Participants in almost all sports run the risk of injury. In contact sports, the risk is particularly high. Injured players will need medical treatment and physical rehabilitation to recover. Sports players should have medical insurance to cover these costs.

Sports injuries can result in permanent disability and even death. Disability and life insurance should be standard for anyone who participates in sports.

Professional athletes who make their living out of sports can obtain insurance to protect them against loss of income if they are injured or

