



AMATEUR SPORTS, RECREATION MARKET CONTINUES TO GROW

It's a great time for agents to coach clients on risks and coverages

By Dave Willis

Quidditch...If you don't know what it is, Google it or ask a Harry Potter fan. Why? You never know when you may be called on to insure a local league or tournament. "We're seeing some new sports," says James Decker, CPCU, ARM, ASLI,

AINS, AIM, Philadelphia Insurance Companies assistant vice president. "Quidditch is one, which came from the Harry Potter movies. Many people haven't heard of it, but it's growing in communities and on college campuses." According to the International Quidditch Association Web site, the game was adapted by Middlebury College students in 2005 and is now played at more than 300 universities

and high schools in the United States and a dozen other countries.

Even more well known sports are enjoying a resurgence. "Every year or two, there seems to be one sport that rockets to the forefront of all insurance requests," says Nora Stransky, CIC, CPIW, president of Special Markets Insurance Consultants. "For a few years, soccer was really growing rapidly. Now we're seeing kickball



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*—Nora Stransky
President
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and dodgeball leagues. We used to play those sports in physical education class, but never thought they would become a hot new sport for adult social groups!”

On the Sadler & Company Sports Insurance Blog, another new sport—hoop dancing—is referenced. Yes, the hula hoop is bringing together fans for competitions and events. For instance, Hoopfest New England, which boasts more than 400 Facebook fans, attracted 90 or so community members this summer to a hooping festival in Maine.

“We’re definitely seeing growth in the recreation industry,” Decker says. For camps and clinics, growth often depends on the quality of trainers and programs. “If they’re getting results, word spreads like wildfire,” he

comments. “With the Internet and social media, it’s easy to advertise and grow these operations with minimal investment.”

Economics and a focus on fitness are fueling growth in amateur sports and recreation. “The business isn’t recession-proof, but it is less affected by economic downturns than other segments,” Decker notes. “People are always willing to pay to keep their kids involved.”

He’s seen some changes in traditional offerings. “There’s increased focus on specific youth-oriented activities geared toward college scholarships,” he explains. “Rather than play football in the fall, baseball in the spring and take the summer off, students can attend foot-

ball camps in spring, summer and fall.” Decker has even seen camps geared specifically toward improving a participant’s 400-yard dash time.

Growth in camps and clinics is taking place in part because of low start-up costs, Decker remarks. “You can do advertising online,” he says. “Aside from basic equipment, all you really need is field permits and insurance.” Some new ventures come about, he says, from “people being forced to chase their dreams. They were laid off from a corporate position and have always had a passion for a sport. With the extra money and time, they’re investing in something they love.”

Increased interest in fitness is another driving factor. “Active lifestyles are still important to fami-

lies and individuals—maybe even more so than ever,” Stranksy observes. “There are more programs being offered to children and adults alike, and people are making use of the offerings and taking part in sponsored activities. Often the goal is better health and fitness for the entire family.”

Insuring fun

Insurer interest in the market continues to grow, too. “We are still seeing some new entrants and increased competition from existing markets,” says John Sadler, Jr. JD, CIC, president of Sadler & Company. “Prices continue to be soft in the amateur sports and recreation arena.”

Decker concurs. “It’s a very competitive environment,” he says. “But there’s a price point where you make money and one where you don’t, and we’re seeing the line between the two blur, especially with large associations. When you have 100,000 kids in an organization, you’re going to have claims. Rates need to support the loss activity.”

Risk awareness is increasing. “We have seen venues requiring increased liability limits,” says Michael Dean, vice president of Francis L. Dean &

Associates. “It’s no longer a surprise to see them asking for limits of \$2 million and \$3 million. This significantly increases the overall exposure, thus resulting in larger premiums. Though the coverage may be more suitable for insureds, there is a cost to that benefit.”

Sports and fitness entities face a number of other exposures. “In today’s economy, theft and embezzlement are real concerns,” says Sadler. “Most leagues don’t have proper risk management controls in place, such as countersignature of checks, requiring bank and credit card account reconciliation by someone not authorized to deposit or withdraw, and an annual financial audit. A crime policy can cost as little as \$175 for a \$25,000 limit; it’s inexpensive protection, but fewer than 15% of all leagues purchase crime insurance.

“Molestation and child abuse are other issues these organizations are dealing with,” Sadler comments.

Sexual abuse claims can go beyond traditional pedophile/predator scenarios, notes Decker. “If you have older teens—college students, for instance—as coaches or assistants, and younger teens as participants, you run the risk of inappropriate behavior,” he says. “It’s tough to underwrite that, so it’s

even more important to have risk controls in place, such as limiting or avoiding one-on-one activities.”

Physical injury is another common exposure. “With emerging knowledge of the long-term damage concussions can cause, we see risk managers and coaches requiring athletes to see physicians when head injuries occur,” says Dean. “This has caused an increase in costs associated with minor claims, but it is a very good practice that we support.”

Sadler notes that awareness of concussion and education on the topic are being driven by media coverage of high-profile cases that have resulted in disability or death, along with states legislating return-to-play policies for high school athletes who have suffered concussions.

“The biggest overall concern we have right now is the legal climate,” Dean adds. “We’re seeing larger payouts for claims than we saw a couple of years ago. Also, claims are being submitted that we wouldn’t have seen a couple of years ago. When resources are scarce, the tendency to file liability claims increases.”

Because of the risks inherent in sports and recreation activities, agents and brokers can play an important role in arranging appropriate cover-



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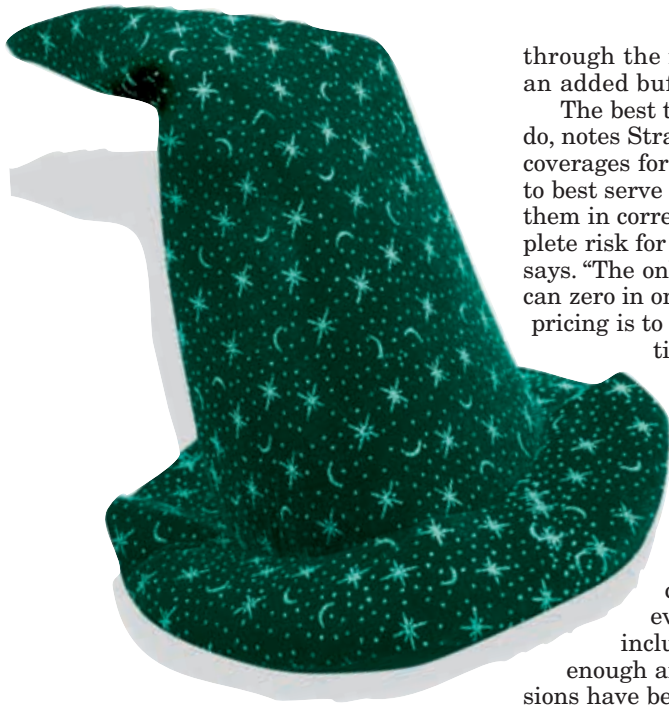
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through the roof. Waivers provide an added buffer.”

The best thing a retail agent can do, notes Stransky, is offer the correct coverages for the exposure. “The way to best serve the client is to assist them in correctly identifying the complete risk for the carrier to price,” she says. “The only way the underwriter can zero in on the exposure and the pricing is to have complete information on all of the exposures. Without it, they will price less competitively. And remember, commission on an unwritten case is always zero.”

Adds Dean, “Don’t allow gaps in insureds’ coverages. Make sure every additional insured is included, limits are high enough and any notable exclusions have been discussed.”

Be a team

Insurers and intermediaries encourage retail agents to work with them to tap opportunities. “The special events/amateur athletics market continues to be a growing one that can provide a source of ongoing revenue for retail agents and brokers,” notes Dean. “Commission levels remain constant.” The marketplace continues to become more service oriented through technology and rapid policy and certificate issuance, he adds.

Sadler agrees. “We are working to build in more efficiencies in getting the business written,” he says. “With average account premiums in the \$1,000-and-under range, it’s important to automate as much as possible—from quoting to issuance and beyond.”

Stransky concurs. “Of course, the more automated the process is, the better. This line of business is very fast paced. If you can’t deliver when needed, someone right behind you can.” Stransky notes that today more groups are paying by credit card. “That was unheard of a few years ago,” she comments.

Decker says opportunities exist for agents who want to specialize in the amateur sports and recreation market. “We have thousands of insureds, and much of what we’re seeing are new operations,” he explains. “It’s growing. We’re seeing more opportunities pop up.”

Retail agents and brokers should look to their existing customer base for opportunities, Dean adds. “Chances are that plenty of their current insureds also participate in or run special events and athletics,” he notes.

Stransky’s firm helps point agents to potential clients by giving them examples of exposures. “For instance, with a school district or public entity, we encourage the agent to look outside the property and workers comp and think about any time the insured is sponsoring an event with participants,” she explains.

“If you have a parks and recreation association, show them how to protect their programs by providing coverage on both the accident medical side and the general liability side,” she adds. “Too often agents and brokers forget that if there is any type of participant exposure, it increases the client liability unless those exposures are properly covered.”

Look to providers for other support, too. “We can provide retail agents and brokers our own risk management guide, which is tailored specifically for sports and recreational events,” says Dean. “It contains more than 100 pages of information, checklists and guides.”

Sadler’s company offers a range of training videos and other Web-based risk management advice, as well as direct access to a nationally recognized sports risk management expert. “He’s a lawyer and educator who has been helping sports organizations for years,” Sadler explains. “He’s available to answer insureds’ legal questions at no additional charge.”

Tap underwriter knowledge, too. “We provide information on our Web site,” says Stransky, “and we try to spend time with every agent who works with us, especially those who are less familiar with the business. We want them to know all aspects of the business and coverages, so they can answer client questions and concerns. The more time we spend educating and assisting, the fewer questions and problems there are after a case is written.”

Decker says agents and brokers who find a role in this marketplace will be glad they did. “I’m personally into this stuff,” he says. “It’s enjoyable to write insurance for youth baseball and youth football. You get a chance to deal with a lot of great organizations and deal with things people are interested in. People always want to talk about their kids and their kids’ sports.”

As a bonus, you may just learn how play Quidditch. ■

The author

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age. “Sponsoring organizations need guidance from local agents as to what coverages are necessary and where to find them at a reasonable cost,” Stransky notes.

“The biggest misconception agents and brokers can clear up with clients is that just because they’re renting someone else’s facility and paying to do so, they aren’t covered by the property owner’s insurance,” she says. “In fact, they could be liable if someone in their group damages property or causes bodily injury. The cost of protection is minimal compared with the damage awards judges are handing out.”

Dean adds, “Similar to risk managers of venues, producers should no longer depend upon the old standard of only \$1 million in CGL coverage. Increased limits are the key to truly limiting an insured’s exposure.”

There are ways to bolster coverage without breaking the bank. “Insureds are willing to accept higher deductibles and internal policy limits if this allows them to maintain or decrease pricing,” notes Stransky. “People are increasingly aware of the benefits of protecting the group’s assets. Facilities continue to be diligent in policing those renting from them.”

Waivers play an important role. “In our litigious environment, we’re cognizant of the different waiver requirements in different states,” says Decker. “You always want to make sure a personal health insurance policy is in place. If medical coverage isn’t in place, the likelihood of a liability claim goes