

# AMATEUR SPORTS: COMPETITIVE MARKET, EMERGING RISKS

*Don't just roll a ball  
on the court—get  
educated before  
landing sports  
accounts*

By Dave Willis, CPIA

**A** number of trends mark the amateur athletics arena—from safety issues to single-sport focus among young players to participation growth and shifts in adult contests. Amid these changes, the insurance market has stayed relatively competitive. Agents and brokers who understand the business and can deliver the insurance and risk management services it needs can find success in this market.

“For the third year in a row, the biggest issue of concern in amateur sports insurance is brain injury in the concussion-prone sports,” explains John Sadler, president of Sadler Sports & Recreation Insurance. “While most carriers haven’t actually seen an influx of brain injury claims activity on the amateur side, they’re being cautious.”

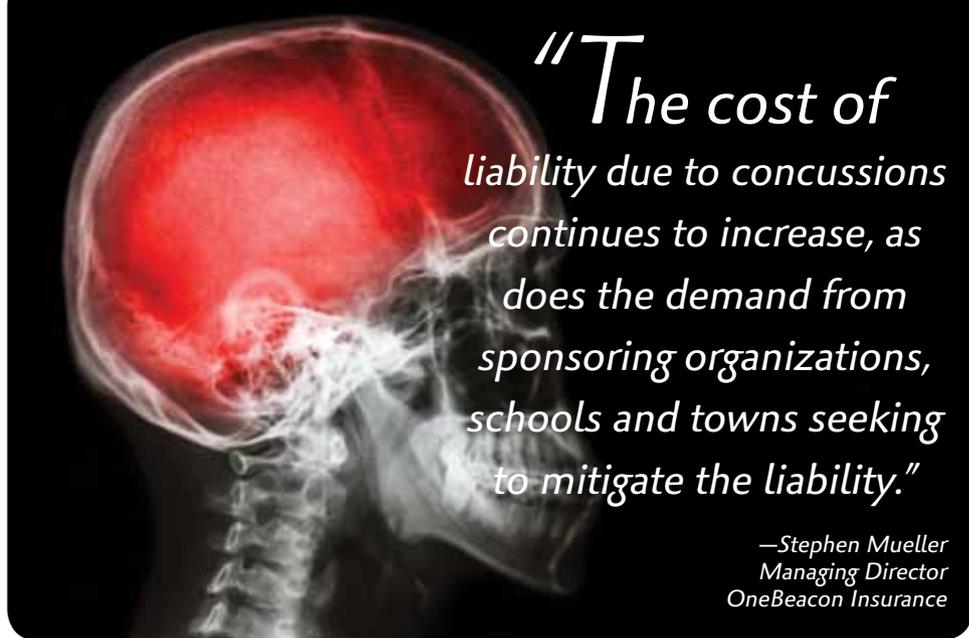
This caution stems from constant media reports about deceased professional athletes diagnosed with CTE (Chronic Traumatic Encephalopathy) after autopsies as well as studies seeking to find a connection between contact sports and CTE in living athletes. “It’s feared that adverse media attention will negatively impactjuries,” Sadler adds. “The recent Pop Warner settlement has not helped in this regard; however, many recent court rulings in this area have been favorable to sports associations.”

Stephen Mueller, managing director at OneBeacon Insurance, sees concussions as a major issue, as well. “In youth sports, the concern is liability to the sponsoring organization,” he explains. “The cost of medical treatment due to concussions has not had a material impact on losses since most treatment protocols revolve around downtime.”

He points out that, as new therapies are developed, this could change. “The cost of liability due to concussions continues to increase,” he adds, “as does the demand from sponsoring organizations, schools and towns seeking to mitigate the liability.”

Other issues are affecting sports participants, as well. “We’re seeing children starting at much younger ages with an increased focus on specialization that could ultimately lead to more injuries,” Mueller notes. “For example, baseball, softball, basketball, football and lacrosse use specific muscle groups and children who play these sports year-round may not be allowing other muscle groups to develop properly, and they may be overstressing those that are in constant use.”

He explains that cross-training and participating in multiple activities tend to keep kids fit and allow for



*“The cost of liability due to concussions continues to increase, as does the demand from sponsoring organizations, schools and towns seeking to mitigate the liability.”*

—Stephen Mueller  
Managing Director  
OneBeacon Insurance

other muscle groups to develop properly. “This is particularly important to female athletes,” he says. “The female body seems to be more susceptible to knee injuries, and limited physical development due to sports specialization is a key contributor.”

Mueller says there’s been a rise in the number of new sports gaining prominence. “Traditional sports like football, baseball and soccer are still prevalent,” he notes, “but newer sports, like competitive cheer, skateboarding and paintball, are becoming more popular choices.”

A.J. Morgan, area senior vice president at RPS Bollinger Sports & Leisure, says this growth in newer sports aligns with an increased number of people who are trying to make a living running amateur sports enterprises. “This leads to organizations fighting for the attention of member athletes to come play with them,” he explains.

“The more competitive the sports business market, the more every dollar counts for these organizations,” Morgan adds. “This means the sports insurance market is being asked to offer affordable premiums.” He expects continued activity to take place both in the world of sports start-ups and those who want to insure them.

Nate Walker, vice president of sales for Special Markets Insurance Consultants (smic), an AmWINS Group Company, is seeing a shift in how adults take part in sports. “There are a couple of things taking place that let individuals participate in a sport, but not commit to a league,” he explains. “Online platforms are helping to drive this growth. Websites like MeetUp.com have become more mainstream and allow adults to connect and play in an organized sport, without having to be tied down to a season-long league or commit to playing on a regular basis. They really can

play at their leisure.”

A MeetUp group in a particular location—and their reach extends to virtually every part of the country—will announce an ongoing or on-demand sporting event and get people to join and sign up for whatever date or dates they wish.

“They’re well organized and they operate

much like a traditional league, but without the season-long commitment,” Walker explains. “They may say, for instance, we have an open gym at such-and-such church, and we need 20 players so we can support a rotation of three teams for the afternoon or evening. It’s more organized than a standard open gym, and people can ask questions and sign up online to play.”

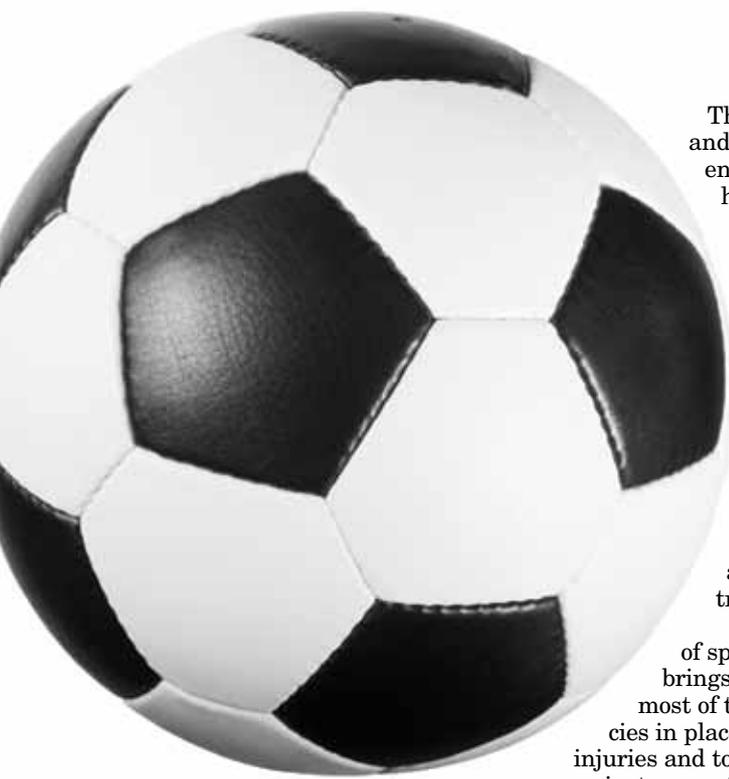
Also seeing increased participation are sport and social clubs. “Virtually every large city has one,” he notes. “These clubs also operate an online platform that lets participants engage when and how they want.” Different from other amateur athletic endeavors, the clubs incorporate a social element—sometimes a pub crawl or other dining, drinking or social event—for participants.

### Amateur athletics insurance

The amateur sports insurance market is competitive. “More and more carriers are getting involved,” explains Walker. Kent Lynch, CEO of Specialty Risk Underwriters, concurs. “There seems to be an ever-consistent cycle of insurance companies cutting back, changing underwriting philosophy, or exiting the business, while at the same time new competitors emerge with a ‘better mousetrap,’” he says. “It’s been that way for the 30 years I’ve been in this market.”

Morgan sees strong competition in the sports accident insurance market, too. “New carriers entering the accident insurance market are driving a soft market,” he explains. “Amateur sports accident insurance is available and affordable at the moment, especially for groups with good loss ratios.”

Sadler is seeing general liability rate increases in the 0% to 8% range



for accounts with favorable loss histories. “High-risk concussion sports are seeing slight rate increases and coverage reductions,” he adds. “Carriers want to limit their exposure on this still-difficult-to-quantify risk by excluding it altogether, lowering aggregates and/or including defense within limits, and they’re also requiring certain risk management controls as a pre-condition of binding.”

The past couple of years, Lynch notes, have enlightened the market on risks associated with long-term head trauma and how claims from these injuries affect short-term underwriting and long-term “tail” risks that could linger for decades.

“We’ve seen insurance carriers began to limit or in some cases exclude these coverages as the required pricing to include these benefits, in some cases, cannot be accurately quantified,” Lynch explains. “Other carriers—generally those without ‘legacy’ brain injury experience—have elected to participate at full coverage levels, contingent on having strict concussion management protocols in place. It’s a fluid subject that continues to evolve and change.”

Morgan has also seen carriers put limitations and exclusions on concussion liability and has observed a modest market hardening. “Even outside of the concussion storm, there’s still no shortage of lawyers out there looking to make a case from what most would call simply a sports ‘accident,’” he explains. “The frequency with which sports injuries become lawsuits has hardened the liability market somewhat.”

The growth of social and other non-traditional endeavors and platforms has brought a new twist to the amateur sports insurance arena.

“Because they’re not part of an organized league when they take part in a MeetUp, participants may be playing at their own risk,” Walker explains. “The insurance arrangements between the organizer and venue are not necessarily transparent.”

Also, the social element of sport and social clubs brings potential risks. “While most of these clubs do have policies in place to help cover potential injuries and to protect and defend against any potential lawsuits, there could be gaps,” he adds. “This is particularly true where a liquor liability exposure exists.”

An increase in social risks, such as bubble soccer, dodgeball, and kickball, has led Sadler’s firm to expand its commissionable offerings to include sports facilities, health clubs, gymnastics studios, martial arts, special events and paintball facilities.

### Agent focus

“Agents and brokers work for the customer,” explains Lynch. “Their job is to find the best product for their client at a competitive price.” He points out that, as an MGA, his firm focuses on providing competitive products and service to agents and brokers and their customers.

With more and more insurance carriers getting involved, Walker says those that have been around the longest will do the best. “They have historical data on what sports are better or worse to insure,” he notes. “They’re in the best position to understand and respond to market trends and changes.”

Mueller encourages agents and brokers to ask themselves if “off the shelf” program policies make the most sense. “Sports specialization and newly popular sports have unique and emerging issues to contend with,” he explains. “How are current programs addressing these exposures? The standard coverages should be part of a policy, of course, but additional protection specific to the sport may be necessary.”

Lynch stresses the importance of building relationships with stable markets. “Agents and brokers should work closely with markets that have been in

this product space,” he says. “These markets know the business, they understand it, and they have stable management with long-term experience that won’t wobble when there is a challenge.”

Sadler agrees. “Because sports and recreation is a unique niche with unusual coverages, exclusions and specialized risk management needs, agents and brokers seeking these accounts should form relationships with specialty market experts that can provide guidance in these areas,” he explains. “This will not only help drive growth, but it also will help agents avoid E&O problems.”

He also says that, because many of a producer’s local prospects are small, it’s important to offer instant online quote, pay and print capabilities. “That’s really the only way to make these smaller transactions profitable,” he says, noting that his firm recently made its portal more mobile friendly.

According to Sadler, finding a market that offers amateur sports industry risk management content makes sense. “We help agents provide risk management templates for abuse and molestation and brain injury, as well as comprehensive programs to help to identify and respond to broad categories of risk at sports facilities,” he explains. “Solid risk management content helps organizations train their administrators and coaches and document their risk management policies and procedures in writing.”

Morgan encourages agents and brokers to keep their eyes open for new sports operations opening up around them every day. “They need to know the viable carriers in the marketplace and the key coverages for the various kinds of organizations out there,” he notes.

He points out that some accounts will be driven by sports liability, some by workers comp, and some by professional liability. “Also, not all amateur sports organizations are not-for-profit, and that changes the dynamic and the coverage a bit,” he adds.

“Agents and brokers need to be aware of the sports organization’s business plan and how it intends to capture market share,” Morgan adds. “They don’t just roll a ball out on the court any longer. It’s extremely important that agents and brokers get educated before they walk in the door and try to land a sports account.”

Walker recommends agents and brokers start locally. “See what’s going on in your own community and then follow the trail from there,” he advises. “Finding a local organization can easily lead to a regional one and perhaps beyond. There’s so much opportunity in the amateur sports business. You just need to start somewhere.” ■