Who foots the bill?

In the current economic climate many sports clubs are struggling to make ends meet. So in these days of financial austerity measures and recession, what can clubs do to protect their balance sheet should an unexpected event occur that hits the club’s finances for six?

Footing the bill

There are a range of ‘contingency’ insurance policies that are designed to ‘foot the bill’ if for example:

• A sporting fixture is cancelled or postponed due to a waterlogged pitch, snow or ice
• A international tour has to be cancelled due to unforeseen circumstances
• A club wins a major tournament or championship which triggers significant player incentive bonus payments
• A star player is publically disgraced, and as a result a major sponsor withdraws its support and pulls its advertising campaign
• A member of the public wins the ‘big’ cash prize in a sales promotion that a club is running

The London insurance market, and in particular Lloyd’s of London, specialises in providing a wide range of specialist contingency policies, for a range of clients either in or associated with the world of sport including: clubs, event organisers, sponsors, broadcasters, merchandisers and exhibitors. The market for these risks is highly competitive, but these are not ‘standard’ policies. You need to work with a specialist contingency insurance broker who understands the risks you or your club faces, and knows the underwriters who ‘write’ this business. These specialist brokers can help you to tailor the insurance cover to suit your specific needs, and get it placed with quality insurers at a price you can afford to pay. In this update we look at a range of contingency insurance policies and the risks they cover.

Event cancellation and non appearance insurance

This insurance provides financial protection should a match or event have to be cancelled, abandoned, postponed, interrupted, curtailed or relocated due to a consequence beyond the insured’s control. The costs that can be covered are the total expenditure or gross revenue, and in addition some policies can be extended to cover for pre-contracted profits linked to not enough people being able to get to the event or match due to unforeseen circumstances such as: damage or destruction to the venue, adverse weather conditions (see adverse weather insurance section) or unavoidable travel delays. The cover can be purchased by any party that has a financial interest in an insured event such as: venue owners, event organisers, promoters, managers and ticket providers.

Some real life examples of where this insurance has helped clients include:

• A major outdoor event needed protection against the cost of having to refund tickets should the event be cancelled
• A sports club wanted to protect its incurred costs and expenses should a planned pre-season overseas tour be cancelled
Death, disablement and disgrace insurance

Celebrity endorsement is big business, with brands spending millions of pounds on high-profile advertising campaigns using sport stars and athletes. However, as Tiger Woods’ sponsors found out when they pulled out of their contracts with him following the news of his infidelities, it can be expensive when things go wrong.

Death, disablement and disgrace insurance will cover the costs associated with having to re-shoot and re-run an advertising campaign should the sponsored celebrity die, be disabled or disgraced. In addition, some insurers are also considering how to extend the cover provided to include the loss of revenue in the event than an advertising campaign has to be pulled due to image problems with the celebrity.

For further information on how contingency insurance could help your business or club please contact:

Rob Barron at Lockton on 020 7933 2715 or e-mail Robert.barron@uk.lockton.com

www.locktonsport.com

Contractual bonus insurance

Success can prove expensive if your club wins a major tournament or championship, and the win triggers a player incentive bonus scheme payout. Contractual bonus insurance is designed to ease cash flow issues that a bonus payment can create for a club, sponsor or event organiser. It will cover the cost of any contractually assumed liability to award bonuses to professional sporting individuals or teams for attaining a pre-agreed level of success or achievement.

Contractual bonus insurance can be arranged for most major sports including: football – both soccer and American football – golf, tennis, rugby, baseball, basketball, cricket, athletics and motorsports.

Adverse weather insurance

There are a range of financial risks linked to adverse weather conditions that can be covered by this insurance. These risks can range from an event or game being cancelled due to inclement weather, to the lack of sales of seasonal goods, due to extreme weather conditions. It can also cover the production of these goods if bad weather impacts on that too.

In addition, weather related sales promotions can also be covered by this form of insurance. For example, if a sports club offers all its season ticket holders a free season ticket for the following season if there is snow on Christmas Day or the winter is the coldest on record, the club could cover its financial liability should the snow fall on the designated day or the temperatures drop to unprecedented levels.

Prize indemnity insurance

This popular form of insurance provides financial protection against prize over-redemption for probability games, and games of skill or chance. A popular use of this cover is at big sporting events for ‘kick the ball’ competitions, which are run to encourage the crowd to stay in their seats at half time, when advertisements are run on the big screens. Clubs can cover the cost of a cash prize being won by one or a number of people in the crowd. It can also be used to cover big cash prizes for golfing hole-in-one competitions and other play/skill incentive prizes.

A real life example of this insurance in action was when Stuart Tinner won £250,000 at a Saracens match played at Wembley Stadium. He entered a competition to hit the crossbar from 30 metres, and his kick struck the target. Luckily for Saracens the £250,000 prize was insured.