

PROSPECTING

# Insuring People in the World of Sports

DI insurance can handle the unique risks faced by athletes and the people who manage them.

There was a famous coach of the UCLA Bruins basketball team, who, to this day, holds the record of winning the National College Championship 10 times during his career. He was a superb mentor and motivator to young and old alike. His name was John Wooden, but the world called him "Coach."

Wooden was paid modestly for such incredible accomplishments, but this did not bother him because his evaluations of life's rewards were not measured in dollars but in knowing that each day, he practiced doing the very best he could.

That was a different time, and in collegiate sports today, some coaches are paid unbelievable sums of money, and in professional sports, even more dollars are earned by coaches and athletes alike.

## Financial risks faced by athletes

Although these numbers are high, they must be put in perspective. Whether the athlete is 19 or 39, the reality is that his last paycheck may be his last.

Though not all athletes are paid on a game-by-game basis, most are contracted to sustain performance standards, usually on a multi-year basis. There are many variations in contract terms, but it is generally stipulated that an athlete may be released from the contract should he be placed on the disabled list.

Another area of risk that can be mitigated by insurance is the significant incomes earned through product endorsements. But what happens when a star athlete gets into trouble? Such an act may jeopardize an endorsement contract. Disgrace insurance can support the replacement of that income should it be diminished or lost.

The money that athletes are paid must be used to create a lifetime of income. Even with expert advice, this

can be difficult because of the following:

1. The athlete is at higher risk of falling victim to a career-ending injury or illness before earning enough money to fund a satisfactory retirement.
2. Temporal temptations such as the acquisition of cars, boats, planes and jewelry, often override the effort to save and invest.
3. The earned income is gross income. It must be used to pay agents, business managers and advisors.
4. Most people are in occupations that have a 30- to 40-year lifespan to create savings. An athlete typically has fewer than 15 years to reach this goal.
5. The challenge of creating and funding a sustainable passive income for retirement is more difficult for the athlete who will retire around age 35.

## DI to the rescue

The most serious peril for the athlete is his career being cut short by disability. He faces forced retirement with each day at work, but DI insurance can offset the great compensation that would be lost. This highly important coverage brings about the recognition of a business opportunity, where tall benefits equal tall premiums and tall commissions.

Uncommon risks such as these can be handled by professional insurance advisors. Athletes are typically served by brokers whose practices are not necessarily limited to serving athletes only. This arena presents a profitable source of business for many advisors.

An interesting challenge that underwriters in this area face is adjusting to a plan that does not work on the law of large numbers. In a DI insurance plan, where common occupations are insured, the underwriter attempts to insure thousands of individuals, usually with modest benefit limits. Professional athletes defy this design as relatively few



people possess the required skills, and the size of the benefits must properly replace the vast incomes found in professional sports. The risks are high and abnormal.

Expertise and daring are required to bring forward a plan capable of handling the dimensions of the risk. Fortunately for the athlete, there are specific underwriters who can and will rise to the challenge, making navigating the field of sports DI insurance simple and rewarding.

The athlete is only a piece of the professional sports pie. Numerous staff members are required to recruit, train, organize, equip, schedule, care for and rehabilitate the athletes. There are well-compensated coaches, physicians and many others who will be interested in insuring their future with DI insurance. They and the athletes need an advisor to bring to them the necessary income protection through disability financial planning. □

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