

Planning can keep injuries from financially crippling an athlete



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Professional athletes get hurt, sometimes seriously — and not always on the field. Look at the motorcycle accidents of NFL players LaVar Arrington and Ben Roethlisberger.

It's a fact. Race car drivers' crash, golfers tweak their backs, hockey players get concussions, baseball players shred their elbows and football and basketball players blow out their knees.

When injuries prevent them from ever playing again, what then?

No player wants to think such a negative thought, but each year athletes (and their families) face the very reality of no more life as a pro. And that means no new multimillion-dollar contract and no new lucrative endorsements.

Last season alone, 334 NFL athletes were placed on injured reserved. When the injury is career-ending, it can set the stage for a potential financial crisis.

Life of a Career Insurance

Are athletes addressing this risk? This is not life insurance, but life of a career insurance, otherwise known as career-ending disability coverage.

While most of the major sporting leagues provide some amount of coverage, no league provides career-ending disability coverage that adequately protects the athlete's nonguaranteed compensation and/or future earning potential.

This protection helps offset the financial loss incurred by the athlete and assists in a smoother transition to a post-professional life.

With so much at stake, you may wonder why a qualifying athlete would not take out this coverage.

Several typical reasons:

- "It won't happen to me."

A pervasive sense of invulnerability, particularly among younger athletes.

- "I can't afford it."

A relative statement, considering an athlete's future.

- "I would have to be practically crippled before the company would pay."

A common misconception regarding this protection.

- "The insurance company will do anything to avoid paying a claim."

Another misconception unsupported by the numbers.

Perception vs. Reality

We've looked at the perceptions. These are the realities:

- This coverage is usually 24-hour and worldwide in nature, meaning that if an accident or illness occurs outside the time and place during which the athlete is competing, coverage will usually apply.

For example, if an athlete is permanently disabled after being hit by a car while on vacation in Paris, the policy would pay (subject to policy terms and conditions).

- An athlete may qualify for a multi-year policy, meaning once the company reviews and approves the policy, it cannot go back and alter pricing or exclusions.

Let's say an athlete obtains a two-year disability policy and he injures his knee during the first year. The insurance company cannot go back and exclude this knee or increase the premium if coverage was originally provided.

- The insurance companies providing career-ending disability coverage have paid out millions of dollars in claims in a wide variety of sports.

Who Needs It

Now that we've addressed some of the realities of this protection, who really needs it?

1. Athletes in the last year of their contract

Many athletes performing at a high level will have an equally high expectation of the dollars in their next contract. One catastrophic injury or illness becomes the biggest threat to the family's financial security.

2. Athletes whose contracts are not guaranteed

If an NFL athlete has a contract totaling \$20M over a three-year period but only the \$5M signing bonus is guaranteed, at least a portion of the non-guaranteed amount could be insured. Conversely, if the athlete is in the last year of his contract as noted above, coverage can be secured to protect the next contract.

3. Individual sport athletes

In most cases, athletes in this category are considered independent contractors with income resulting from prize money and endorsements.

4. Most rookies

Unless a significant amount of money is guaranteed, rookies need to protect the non-guaranteed portion of their contracts, or even their next contract, which is often significantly more substantial than their rookie deal.

5. College athletes

Although they are not yet professional, college athletes who have high draft projections have much to lose if they never reach the professional level due to an injury or illness.

6. Sponsors

An organization's multimillion-dollar endorsement deal with a high-profile athlete doesn't do it any good if the star can't play. If an insurable interest exists in the contract between the sponsor and the athlete, career-ending coverage is available to sponsors.

This really isn't any different from a professional sports team buying insurance to protect the guaranteed contracts it provides to its players.

If a sponsor is guaranteeing \$5M to a golfer for wearing its logo and the athlete becomes permanently disabled, the sponsor must still pay this sum while getting no return. Future sales of its product could also be affected and contemplated in coverage provided.

The Choices

At this point, an athlete or his representative may be asking, "What do I do now?" The options are simple:

A. Do nothing and roll the dice that a serious injury or illness won't occur.

B. Investigate the specific needs now with a qualified insurance representative.

The life of a professional athlete can be rewarding and exciting. But it can also be dangerous. It's important that the athlete recognize and address this risk.

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