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Pre-Game Coverage

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Pre-Game Coverage

Agents help prospective athletes insure their future—even before they're eligible to turn pro.

by Ron Panko



Two Heisman Trophy winners went down with injuries earlier this college football season, evidence of the risks they take with their future professional careers when they continue to play with their school teams.

Kim Borchheim for Best's Review

THE DEFENSIVE LINE: Ted Tafaro, president and CEO of Exceptional Risk Advisors, writes sports disability coverage for top seeded pro draft picks. Tafaro and his staff are pictured on the turf at Continental Soldiers Field in Mahwah, N.J.

- ▶ **The Situation:** Elite college athletes earn nothing, but take big risks with their future careers every time they play.
- ▶ **The Solution:** Insurers offer some disability financial protection to these players before they become pros.
- ▶ **The Risks:** Players often have no income and no credit history, and many must borrow to pay premiums.

In Oklahoma's season opener Sept. 5 against Brigham Young, Sooners' quarterback Sam Bradford, the 2008 Heisman winner, was driven into the ground by a pass rusher and suffered a sprained shoulder. He stood on the sideline for the rest of that game, his throwing arm in a sling, and didn't play again for five weeks.

Then on Sept. 26, University of Florida quarterback Tim Tebow, the 2007 trophy winner, sustained a concussion after he was sacked while trying to pass. As he fell backward, Tebow's helmet struck the leg of another player. Tebow stayed on the ground for several minutes in obvious pain and was eventually taken to a hospital. He missed two games.

Bradford and Tebow returned to play Oct. 10, and won their games.

Both of these injuries were serious. But they could have been much worse, possibly ending Bradford's and Tebow's playing days. What would the players have lost if they had sustained career-ending injuries?

Potentially, a fortune. For perspective, consider New York Giants quarterback Eli Manning. After a stellar college career playing for the University of Mississippi, Manning, the first pick in the 2004 National Football League draft, signed a six-year contract extension with the Giants this past August that will pay him up to \$97.5 million.

'Through the Roof'

Not surprisingly, insurance has become available over the years to protect pro prospects against career-ending injuries.

Through the 1970s, professional athletes' salaries were not that high, so future pro players didn't worry about insuring their futures. But that began to change in the early 1980s, when salaries of pro athletes "went through the roof," said Ted Tafari, president and chief executive officer of Exceptional Risk Advisors, a Mahwah, N.J.-based firm that underwrites athletes, entertainers, physicians, executives and

Sport Risks

Which sports cause sports disability insurance underwriters the most concern?

1. Football
2. Basketball
3. Hockey
4. Baseball



other professionals.

"Players started to make enormous money," he said. "It was in the '80s that the issue of protecting the potential of NCAA athletes came into focus."

The National Collegiate Athletic Association became a nonprofit competitor to insurance brokers in 1990. Its Exceptional Student-Athlete Disability Insurance Program started out insuring only football players, but has since expanded to cover baseball, basketball, ice hockey and women's basketball players.

The impetus for the program's creation had to do with sports agents, said Juanita Sheely, the NCAA's assistant director for travel and insurance. Agents were using insurance coverage to recruit student-athletes, so they could represent them when they turned pro, she said.

"The agents were saying, 'If you come with me, I'll get you this insurance so you're protected should something happen to you during your last year in school.'"

The problem was that, under NCAA bylaws, athletes committing to a sports agent, either in writing or verbally, lost their amateur status. If authorities learned of such a contract, the players' school would have to vacate victories in which the player participated.

Sports agents today are much more regulated and certified, Sheely added. "They figured out that was not the way to go, and that element has left the profession," she said. "And athletes today are more aware of what is permissible."

Niche Market

Still, the business of insurance goes through brokers. Tafari, as a

Bitter Endings

Student-athletes who suffered injuries that ended their careers in football:

Athlete: Epikopo King (senior)
Team: Montana State Bobcats (NCAA Division 1-FCS)
Position: Linebacker
Year Injured: 2007
Type of Injury: On-field injury to neck during game.
Comments: Was an All-Big Sky Conference selection in the preseason.

Athlete: Mike Donoghue (sophomore)
Team: University of Louisville Cardinals (NCAA Division 1)
Position: Offensive guard
Year Injured: 2007
Type of Injury: On-field neck injury during game.
Comments: Injury led to diagnosis of congenital spinal stenosis.

Athlete: Elijah Robinson (junior)
Team: Penn State Nittany Lions (NCAA Division 1)
Position: Offensive guard
Year Injured: 2007
Type of Injury: Neck injured during spring practice.
Comments: Diagnosed with "tight spinal canal," probably congenital.

Athlete: Dante Love (senior)
Team: Ball State (Ind.) Cardinals (NCAA Division 1)
Position: Wide receiver
Year Injured: 2008
Type of Injury: Cervical spinal fracture; spinal cord injury.
Comments: Helmet-to-helmet collision during away game vs. Indiana. Was leading the nation in receiving yards per game.

Athlete: Paul Wilson (sophomore)
Team: University of Florida Gators (NCAA Division 1)
Position: Wide receiver
Year Injured: 2008; re-injured 2009
Type of Injury: Right foot fracture.
Comments: Injury in Sept. '08 ended season; fractured foot again in Aug. '09 preseason.

Athlete: Harry Flaster (sophomore)
Team: Yale Bulldogs (NCAA Division 1-FCS)
Position: Defensive end
Year Injured: 2002
Type of Injury: Series of in-game concussions.
Comments: Joined the Yale fencing team after leaving football.

Source: Exceptional Risk Advisors (Note: None of these athletes were insured by ERA.)



Lloyd's of London cover holder, is able to bind and effectuate policies on Lloyd's behalf. He works with insurance brokers around the country to help them with their clients.

The players he underwrites are marquee names in their sports, he said, but their identities are confidential. Only three or four other Lloyd's underwriters operate in the United States in Tafaro's market niche, which is characterized by high-limit disability insurance, he said.

"Where we see our value-added, our key value, is for that marquee player, the player that needs more insurance than the NCAA program is willing to provide."

The largest policy he has underwritten was for \$10 million, on a top-rated pick in the National Basketball Association draft. That's twice as much coverage as the NCAA program will provide.

Typically, he insures first-round players for \$1 million to \$3 million. Most first-round players seek coverage, Tafaro said, as well as a big majority of second- and third-rounders.

Among all sports, basketball's top-rated players generally seek the highest limits. "That's a function of how small the professional basketball population is and how big the compensation rewards are for players in that industry," Tafaro said. "The flip side is football, which has many more players on its teams, so the average sums tend to be smaller."

Hockey draws a lot of young players, and not as many buy coverage, said Tafaro. "Baseball is a good risk, and we like writing that class of business, but we tend not to see that much of it. I don't know whether it's a cultural issue or what, but we tend to see most of the larger NCAA risks in basketball and football."

Orthopedic Underwriting

The underwriting process starts with determining a player's professional prospects. For that, Tafaro taps sources readily available on the Internet. "We don't really consider anyone likely to be drafted outside

NCAA Coverage Limits: Student-Athlete Disability

The NCAA Exceptional Student Athlete Disability Program regulates coverage and conservatively chooses who is eligible. For example, only players projected to be among the top 10 in football qualify for a \$5 million policy.

Sport	Minimum	Maximum
Football	\$500,000	\$5,000,000
Men's Basketball	\$500,000	\$5,000,000
Men's Ice Hockey	\$250,000	\$1,200,000
Baseball	\$500,000	\$1,500,000
Women's Basketball	\$100,000	\$250,000

Source: National Collegiate Athletic Association

of the first two rounds, and we focus on players in the first round," he said.

Next, Tafaro considers the player's history. Has he or she missed games? Has he or she had injuries? Tafaro also requires a medical exam and, in some cases, depending on the size of the policy, an independent orthopedic surgeon's report. This report helps Tafaro to learn about an applicant's fingers, wrists, elbows and other joints.

He doesn't require full blood profiles, urinalysis or electrocardiograms, which are common for normal disability or life insurance applicants. "We're really looking more at orthopedic issues than systemic issues," he said.

Tafaro said one element he rarely worries about is motivation.

"College players are young and tend to be healthy, and they are motivated," he said. "Psychological underwriting comes into play when you're looking at a player who is older and in the twilight of his career." Tafaro estimated that less than 1% of insured NCAA players file claims.

NCAA players screen themselves once they see how much insurance costs. Tafaro said the premiums for a full basketball season equal about 1% of the coverage amount, or about \$100,000 for the player with the \$10 million policy. Football coverage might cost a little more. But even for the typical first-round player,

the insurance could cost \$10,000 to \$30,000—a steep price for someone who does not yet have a job or whose family is not wealthy.

Therefore, most transactions are financed. Tafaro said a number of banks will loan money to marquee players, and many banks want the opportunity to do business with the player when he or she turns pro.

"Most of the loans are structured so the player doesn't have to pay back anything until he signs a pro contract, so interest accrues. We don't help arrange those loans; their brokers or advisers do."

The price of insurance also depends on when the player buys a policy.

NCAA players, for example, may buy early in the year and include game action in their coverage. Others may buy late and insure only the off-season.

Beyond those elements, there isn't more room to customize contracts, Tafaro said. All policies limit coverage to permanent disability that results in the inability to sign a pro sports contract. The contracts carry a 12-month waiting period, during which the athlete's disability is determined.

Pro sports disability insurance historically has been a break-even business for underwriters, Tafaro said. "There have been years when rates were high enough that it's actually made some money," he said. "But in some years, rates were low, and there were some shock losses. On the whole, the business has been a tough one for insurance companies."

Built-in Financing

Sheely said her NCAA program really isn't trying to compete with insurance brokers. "It's really meant as a benefit for student-athletes," she said. "We're not out there trying to market this aggressively or go after top prospects. We make the information available to the schools."

One NCAA program benefit that other programs don't have is the built-in financing option; players eligible

for insurance are also eligible for loans. For a year's worth of coverage, Sheely said, loans run from \$5,000 to \$8,000 on the low end to \$25,000 to \$30,000 on the high end.

"A lot of players at that age don't have a credit history, but we have agreements in place with program partners," she said. "The student-athlete is responsible for repaying the loan, but they don't have to pay until they've exhausted eligibility or signed a pro contract." In any event, the debt must be repaid, even if the player does not become a pro. Sheely said that has happened, but rarely.

The program lessens the chances of repayment difficulties by strictly regulating the amount of coverage

for which a student can qualify. "For example, our program is not going to allow a student projected for the bottom of the third round to get a \$5 million policy," Sheely said.

She estimated that 100 to 125 players are in the program at any given time, and 80% of them play football. Limits vary by sport.

Asked how players qualify, Sheely said the program uses professional scouting organizations to project how high players will be drafted.

Applicants must be projected for within the first three rounds of a sport, she said.

"It's definitely not me sitting at my desk working at information online," she said.

Some players might qualify for the program even as freshmen, especially in basketball, but generally players aren't considered until late in their junior years, Sheely said. **BR**

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