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Sports & Recreation Risky For Amateurs

Niche players offer expertise that help producers, insureds avoid coverage gaps

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As we head into the summer months, the insurance market for the sports and recreation industries is stable, with submissions up, capacity plentiful and pricing remaining constant. For those who know this specialized niche, these trends should be no surprise.

With just about a half-dozen excess and surplus lines companies writing most of the sports and recreation risks, this niche tends to be more stable and avoids some of the more dramatic price and capacity swings seen in the general market. While a few carriers that just began writing this business during the soft market are likely to exit quickly once the market tightens, we expect capacity to remain stable.



What makes this insurance market unique is the specialized underwriting needed to succeed in it. Whether the risk is guided recreation, commercial equine, special events, amusements, recreational equipment rentals or other exposures, this is not a market for the meek. For insurers that do not understand these unique risks, and do not maintain consistent underwriting standards, the market could bite them.

Since most retail agents and brokers do not see this business come their way on a regular basis, it can be hard for them to understand the risks involved and evaluate safety and policy requirements that are needed to write it successfully—especially general liability coverage.

This lack of familiarity isn't a reason for agents to avoid the industry, which can prove to be a profitable and long-term source of business. Instead, they should find a wholesale broker or managing general agent who specializes in these industries and can evaluate the risks, structure the right coverage and find the right market.

For example, if an agent is writing a commercial equine liability policy needed for equine boarding, breeding, training or instruction, the general liability policy will exclude care, custody and control. If the agent does not understand this business (and standard forms will not help), they will not know to add back this coverage so the insured is not only covered for damage caused by the horse but also to the horse.

A key to understanding this specialized niche is to grasp the nature of the risks. In short, accidents are infrequent, but when they happen they are often high-severity in nature. A guided trail horseback ride is a good example. It

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takes only one distraction to make a horse jumpy, and when combining inexperienced riders with the size, strength and speed of this animal, the result can be a very serious accident.

For carriages, buggies, wagons and other horse-drawn rides, it is important to know the age of the horses. Most are older horses, which are more stable, but with stagecoach rides, bigger, younger horses that are skittish and harder to control may be used. This can be an accident waiting to happen, so proper guidelines need to be set and it must be rated accordingly.

Snowmobiles, personal watercraft like jet skis and other power sports vehicles also illustrate this point. Snowmobiles travel at fast speeds and, when an insured offers guided snowmobile tours, proper guide-to-guest ratio is important—preferably at least one guide to seven guests.

For personal watercraft, sometimes a father will rent the vehicle, go through the instruction and then let his teenage son—who did not receive the same instruction—operate it. These accidents can be tragic.

When it comes to rentals, the main risk issues are keeping equipment new and maintained and having qualified, well-trained staff to carry out proper operating and safety instructions.

Those writing the risk should require adherence to strict rules and safety instruction, inspect each risk, and ensure that the policy spells out these procedures. Good maintenance records for all equipment and requirements for headgear are also essential.

Special events such as concerts are another area with nuances that can be missed by those new to writing this business. For instance, it is important to examine not only where the event is being held and how many people will be attending, but also who the entertainer will be. Certain entertainers will attract specific audiences that may be more prone to violence, drugs and other potential problems.

Amusement centers are perhaps the fastest growth area in this niche. These are indoor, family-fun centers, party centers, soft contained playgrounds and other operations that attract families within a community. Along with the large amusement, water and theme parks, high-severity accidents also are a concern.

One of their biggest challenges is staff. Turnover is high, and they tend to employ young staff—many of them not much older than the guests. With the inmates running the asylum, so to speak, proper training and adherence to safety guidelines are critical.

To date, the recession has not had a significant impact on the industry, but the summer will be the real test. Large theme parks—many of which draw considerable crowds from Europe—are expected to bare the brunt of a slowdown in this industry. But for other smaller operators who draw locally, slower spending may be offset by people giving up an overseas vacation for trips and daily excursions close to home.

Sports and recreation is a stable niche that continues to grow, and one that offers significant growth opportunities for insurance agents and brokers who can break in. But because serious accidents can do tremendous damage to the reputation and bottom line of these businesses, the help of experts who understand these unique risks is essential.

Morris Nelson is director of R.B. Jones, providing coverage for all types of specialty risks, including outdoor and recreational exposures. For more information, see www.rbjonesinsurance.com, or contact Mr. Nelson at 303-218-7697.

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