

OAMPS Sports Risk Management Newsletter

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Sports Insurance – Keep Members Informed

There has been recent media attention regarding insurance coverage for sports participants in the event of injury. To help provide a clearer understanding of this insurance the January issue of the OAMPS Sport Risk Management Newsletter looks at a typical sport group personal accident policy.

Many participants have the attitude that “it won’t happen to me”; and therefore do not take an interest in sports injury insurance. Unfortunately for some ‘it’ does happen and by then it is too late to be finding out what cover the club has arranged. A bad knee injury that requires six months off work, or worse still a serious injury that results in a permanent disability, can be not only personally devastating but also financially.

Sport is a great benefit to the health of Australians, but it does come with some risk which players need to consider, respect and treat accordingly. Insurance can be a valuable financial safety net in the event of injury and players should make a conscious decision when purchasing a policy.

Generally there is no legal requirement for sporting organisations to have personal accident insurance in place for their participants. However, where athletes are deemed to be workers as per their state workers compensation legislation their ‘employers’ must abide by that legislation. In New South Wales the Sporting Injuries Insurance Act 1978 interacts with the Workplace Injury Management and Workers Compensation Act 1998 to ensure a minimum level of compensation in the event of certain permanent disabilities incurred whilst participating in sport.



Sporting administrators in New South Wales need to be familiar with this legislation and ensure compliance.

Usually for ‘grass roots’ level, sport personal accident insurance is a player welfare and participation issue (if the organisation does not provide insurance cover will participation numbers be affected) rather than a legal requirement.

Cover Provided

Sports personal accident cover has three core benefits: Death and Permanent Disability, non-Medicare medical expenses and Loss of Income. Whilst policies will likely provide additional covers, these can be considered the key elements and the main contributors to the cost.

Whilst any injury has financial repercussions most administrators consider as the highest priority insurance protection that responds to serious injury resulting in permanent disability (or even death).

It is this cover that forms the foundation of a personal accident policy and is the area that is mandatory to the policy (insurers will often offer non Medicare medical expenses and loss of income as optional, but death and permanent disability - sometimes referred to as Capital Benefits - is a compulsory component of the cover).

As with all areas of cover, it is vital that the terms, conditions and exclusions of a policy are understood; they will vary from insurer to insurer.

Death and Permanent Disability (Capital Benefits)

Under this section of the policy a Capital Benefit sum insured is selected. This is the amount that is paid as a lump sum in the event of injury that results in death or permanent total disablement. Injuries resulting in permanent disablement, but not total disablement, receive a benefit that is calculated as a percentage of the Capital Benefit sum insured, that percentage being dependent on the degree of permanent disability.

The designated percentage of the Capital Benefit sum insured payable for certain permanent disabilities can vary between policies. Some insurer's policies may cover permanent total disability of a limb, eye etc. but not cover permanent partial disability, whereas others will include permanent partial disability. As sporting injuries have a far greater exposure to permanent partial disability (e.g. partial loss of sight in an eye or partial loss of use of a limb) this is a most significant difference.

These examples illustrate why a comparison of the policy benefits provided must be conducted. There will be compensation differences that will impact on policy value.

Non-Medicare Medical Expenses

Whilst injuries that result in death or permanent disability are few, claims for non Medicare medical expenses are the most common. This area of cover is organised on the basis of providing an agreed percentage of non-Medicare medical expenses up to an agreed limit per player per injury.

This area of cover causes the most enquiries and complaints, which is contributed to by government legislation (Section 126 of the Health Insurance Act 1973) preventing general insurance companies from providing any cover in regard to medical expenses for which a Medicare benefit is payable –which includes not being able to cover the Medicare gap. Generally then, there will always be a 'gap' which cannot be covered by insurance e.g. general practitioner expenses, specialists/surgeons fees, anaesthetists fees.

To demonstrate what can be covered under a group accident insurance policy, we will take an example injury. The treatment process is likely to be: -

	Medicare	Sports Insurance
Visit to General Practitioner (GP)	Claimable	Not covered
GP refers to specialist	Claimable	Not covered
Specialist determines that an operation is necessary. Due to lack of bed availability in Public Hospitals and with sporting injuries often involving elective rather than emergency surgery, a Private Hospital is likely to be necessary.		
Private Hospital accommodation and theatre fees	Not claimable	Covered
Surgeon fees and Anaesthetists fees	Claimable	Not covered
(If a available) Public Hospital fees	Claimable	Not covered
Physiotherapy necessary	Not claimable	Covered

In summary, the golden rule is that if Medicare pays a benefit on a particular medical expense, as per government legislation no part of that expense can be paid under the sports insurance policy, even though the gap between the expense and the Medicare rebate may be significant.

It is wise for a participant in sport to have Private Health insurance. The sports insurance policy can be considered a back up to Private Health insurance. Even with the top scale of Private Health insurance there can still be a significant gap between the total non Medicare expenses and the Private Health insurance refund. Whilst a sports insurance policy cannot cover Medicare gaps it does cover Private Health insurance gaps. A combination of Private Health insurance and sports injury insurance will see non-Medicare medical expenses incurred by players kept to a minimum. Due to legislation, the issue of Medicare gaps is one that is impossible to address under sports injury insurance.

Loss of Income

Loss of income insurance provides benefits when a participant is injured and cannot attend their usual occupation, thereby losing income. If someone suddenly loses the income they rely on to meet the cost of living expenses for themselves and their family it has serious consequences. Whilst the participant may have some sick leave entitlement at work it is extremely unlikely that there will be sufficient sick leave for a medium to long term period of disability.

Weekly income varies between individuals and therefore it is not possible to have a group cover where the benefit selected replaces everyone's usual weekly income. In determining an appropriate weekly sum insured consideration should be given to a reasonable amount required to meet the cost of living.

Communication

The challenge for sporting organisations is to determine a balance between cost and what can be considered an appropriate cover. Personal accident insurance becomes more cost effective when it is organised on a group basis, where a premium pool is created to meet the inevitable claims that will occur. However, cost savings are not directly proportional to the numbers in that once a 'reasonable' premium pool is established savings reduce on additional numbers.

Ideally participants should be given the opportunity to provide input into the insurance cover arranged by their organisation. An important consideration for sporting organisations is to make information readily available to their participants in regard to what, if any, personal accident insurance benefits they currently have in place for their protection. Communication of such information is assisted by the use of the internet

Participants have a personal responsibility to assess their own situation and respond accordingly. This may involve additional insurance requirements over and above that provided by the sporting organisation, which will not necessarily relate only to sports injury. For example, if they are self employed they may require cover for 24 hours a day seven days a week - as distinct from the sports insurance cover which applies only whilst they are engaged in the insured sporting activities.

There is no doubt that arranging insurance for participants in sport is challenging. Satisfying everyone is close to impossible, but a critical requirement is for sporting organisations to communicate extensively with members so that they are well informed and can take appropriate action to address their personal risk exposures.

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