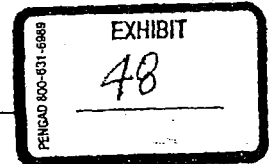


Insured sporting events, contests and promotions generate a solid economic return--and a lot of fun

By Edward O'Hare



It's the 1999 Tour de France. American Lance Armstrong speeds into the Pyrenees wearing the gleaming yellow jersey as leader of the world's greatest and most grueling bicycle race. Three years earlier, Armstrong battled back from testicular cancer after being given only a 40% chance to survive. Now he must tackle the make-or-break treacherous and punishing mountain stages in the 21-day, 2,289-mile race.

Thousands of miles away in Dallas, Texas, Douglas McCrum follows the unfolding drama. McCrum has written a performance incentive policy that will give Armstrong upwards of \$1.5 million for winning the race. Armstrong's managing agency, Montgomery Sports, bought the policy as an added incentive for America's best hope in the race. But McCrum is betting that Armstrong, who has never finished a Tour de France, will not finish this one, that his lack of climbing stamina will cost him in the crucial mountain stages.

Fast forward to France. The rigorous training that Armstrong undertook to return to competitive racing after his battle with cancer pays off. It has made him even stronger than before and that, coupled with his dogged determination to be the best, enables him to win key stages in the mountains, defend the jersey in other stages and win the Tour de France. When Armstrong takes his victory lap down the famed Champs Elysees in Paris, McCrum applauds his heroic feat and can't help but feel good about making the cash award possible.

Such is the nature of the prize indemnity program, in which McCrum, the insurer, may bet against the performer, but McCrum, the fan, may delight when the prize is won. That goes for a world class athlete like Armstrong, a stock clerk trying to kick a 40-yard field goal for a million dollars at the Super Bowl, or a senior citizen seeking big bucks in a scratch "n" match game.

As president and founder of Global Specialty Risk (GSR), McCrum has helped light the fuse in the explosion of prize indemnity coverage. And wherever it's headed, McCrum hopes to get there first. Like a coach sending in plays from the sidelines, McCrum has crafted X's and O's covering everything from church bingo to contests in cyberspace, from golf hole-in-one to basketball shooting contests, from rubber duck derbies to video poker.

To put it simply--if you got game, McCrum got coverage.

No surprise then that McCrum and GSR were selected by Gulf Insurance Group to manage its prize indemnity program. "GSR's extensive experience, underwriting knowledge and appreciation for claims-related issues were all significant factors in our selection," says Cindy Broschart, vice president of Gulf's Entertainment Division. "The market for these coverages continues to grow at a very rapid pace, signaling an exciting era of opportunity for experienced, proven underwriters like Gulf Insurance."

What's driving the rapid rise in prize promotions? "It's the culture of chance, the chance to win and to win big," says McCrum. "We see it in the games and contests that run in thousands of newspapers and magazines, in the flood of state lotteries and scratch 'n' match games at store check-outs, in the fan participation contests at major and minor sporting events. And now we see it on television where virtually over night, 'Who Wants to Be a Millionaire' catapulted ABC to the top of the viewer ratings race and its host, Regis Philbin, from daytime to primetime stardom." Success, he adds, that led to copycat shows: "Greed" on FOX and "Twenty One" on NBC--the latter reborn from the ashes of the quiz show cheating scandals of the 1950s.

For the sponsors, says McCrum, it's the chance to market new products and services in exciting and fun-filled ways. They can offer million-dollar prizes-- often far beyond their ability to pay--with little risk by buying contingency prize coverage. The dollars they spend can be repaid with a bonanza in advertising and public relations, he adds, especially when games and contests feature marquee names, which constitute much of GSR's portfolio. Last year, GSR created a buzz with these events:

* A \$1 million prize offered by Master Card at the All Star Game in Fenway Park for any batter hitting any of three 4 x 6 foot Master Card signs hanging from the left and right field foul poles and in a remote section of center field

during the home run derby or the game. Mark McGuire, Sammy Sosa and Ken Griffey, Jr., all took their shots but no one scored.

* A \$1 million prize offered by Omega Watch for a hole-in-one contest featuring Ernie Els, two-time U.S. Open winner, and some amateur golfers shooting from a tee in Battery Park in lower Manhattan to a green on a barge about 75 yards off shore. No one got the hole-in-one but a 14-year-old amateur beat Els by getting closest to the hole.

* A \$5 million prize offered by Nike if Emmitt Smith of the Dallas Cowboys broke Walter Peyton's 16,726 career rushing yardage. He didn't.

Then there are the exotic events like bovine bingo. People at a county fair bought squares in a pasture to try to win up to \$5,000 if the cow dumped you know what on a particular square. Now there's a conversation piece.

McCrum also notes that prize promotions also are ideal--as well as enjoyable--ways for organizations to raise money and get people involved in various activities and causes.

It's a multibillion-dollar business, says McCrum, which will continue to grow as the craze in games and contests moves fully onto the Internet, which he calls the first truly global playing field.

For agents and brokers, he points out, it's a chance to carve out a new and lucrative niche and have fun at the same time. "They all have clients that can utilize promotions to their advantage," says McCrum, naming banks, supermarkets, car dealers, movie theatres, colleges, schools and clubs, as good prospects for prize promotions. "There is money to be made for those willing to break new ground, to make the contacts and sell the clients on the value of prize promotions."

And there's virtually no learning curve for the agent, with McCrum responsible for assessing the risk, attaching a mathematical expectancy to it, and determining the premium. Best of all, says McCrum, prize indemnity is the only coverage in which the client hopes to have a claim. So the agent can actually root for the client to have a claim and share in the joy of it, along with collecting a nice commission for placing the coverage.

McCrum suggests that agents and brokers start out with small promotions to gain expertise and then work their way up to the big-ticket, star-studded events. "First get your foot in the door and then you'll discover the roomful of possibilities," says McCrum, not only in prize promotions, but in the full range of contingency coverages for sports, entertainment and special events.

One agent who has built a lucrative business in prize indemnity is Walt Knorpp, president of Knorpp Insurance Agency, in Clarendon, Texas. Knorpp parlayed a specialty in equine mortality coverage into a specialty in prize promotions at racetracks in Texas and California. One popular promotion is a mini version of the Triple Crown at Los Alamitos Race Track in California that offers a \$1 million prize to a horse winning the track's three major stakes races. "It's been a real winner at keeping the top quarter horses competing throughout the meet and in boosting attendance," says Knorpp, who also handles promotions for gambling casinos as well as contingency coverage for various events.

While it helps to have clients who would be interested in prize promotions, Knorpp says it remains for agents and brokers to be pro-active and sell their clients on their benefits. Start at the local level with things such as basketball shooting and field goal kicking contests at high schools and then go on from there. Along with getting substantial commissions, he says there's a chance for spin-off business.

L.J. Gosselin & Associates is an insurance wholesaler in Toronto, Canada, which has been marketing contingency prize coverage for 11 years. Its entry into this line, says Louis Gosselin, the president, developed out of its specialty in disability insurance for sports, including the National Hockey League. Among its high profile events are contests at the Stanley Cup Championships.

Gosselin believes that many agents and brokers may not realize how versatile contingency coverage is, or even that these games, contests and events are insurable. He suggests that they contact advertising and promotion houses for ideas and present them to potential sponsors as ways to make more money.

Gosselin also had a word of caution: Be aware that different jurisdictions have different regulations regarding games and contests. In some instances, you might want to consult a law firm that specializes in these things. And he also stressed the need to have clearly stated rules and regulations governing games and contests.

That was underscored in a recent snafu involving a scratch "n" match game in the *New York Daily News*. Because of a publishing error, the wrong day's numbers appeared in some editions last November 5. Hundreds of readers, thinking they'd won \$25 to \$100,000, crowded the lobby of the newspaper's main office and thousands more swamped the newspaper's phone lines, interrupting phone service to the paper for most of the day.

The wrong numbers allowed more people to claim prizes, according to Bob Abramson, senior vice president of D.L. Blair of Garden City, Long Island, which writes rules for these types of contests, including the one in the *Daily News*, and administers the selection and verification of winners. The rules clearly disclaim any responsibility for prizes over what is intended to be awarded due to printing or production errors, says Abramson. That got the *Daily News* off the hook. But in keeping with the rules, the newspaper conducted a special random drawing for those with "winning tickets" based on the wrong numbers.

As the new millennium takes hold, Doug McCrum sees a bright and prosperous future for agents and brokers specializing in contingency coverage. To that end, two years ago McCrum founded the North American Contingency Association NACA, which is open to all the players in the contingency market. "We get together to exchange ideas, develop new products, and put the contingency line front and center in the industry," says McCrum. This year's meeting, which is expected to attract more than 100 persons, will be held April 28-29 in Orange Grove, California, right before the RIMS annual meeting in Los Angeles. *

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