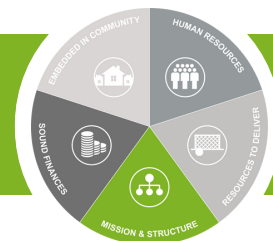


INSURANCE: WHAT YOU NEED TO KNOW

A basic understanding of what insurance is and which kind is relevant for you



Background

Insurance is a fundamental cornerstone of modern life. Without insurance, many aspects of today's society and economy would struggle to function. The insurance industry provides the **cover and compensation for economic, climatic, technological, political and demographic risks** that enables individuals to go about their daily life and for organisations to operate, innovate and develop. Despite the importance, the way insurance functions and its value is not always easily understood due to the way it is perceived.

What is insurance?

Insurance, at its purest and simplest, is the **transfer of risk**.

It allows the **risk of financial losses as a result of specified but unpredictable events** to be transferred from an individual/organisation to an insurer for a fee or premium. In other words, if the specified event occurs, the individual/organisation can claim compensation or service from the insurer. Insurance is therefore a means of reducing uncertainty. In return for buying an insurance policy for a relatively small premium, the possibility of a larger loss is removed.

What kind of risk can be covered?

Risk must be definable, financially measurable, random and independent. The aim of the insurance is to indemnify – i.e. to put the individual/organisation back in the same place after the loss as they were before.

There must also be a recognisable relationship between the individual/organisation that is insured and the risk. Typically, the “insurable interest” is established by ownership or another direct relationship. For example, people have insurable interests in their own homes and vehicles, but not in those of their neighbours.

How does insurance work?

By **pooling the premiums** paid by the individual/organisations, the financial impact of an event that could be disastrous for one policy holder is **spread among the wider group**. The average cost to members of the pool (the premium) is relatively low, as only a small number of them are likely to suffer a loss.

Example: A large group of individuals take out property insurance policies for physical damage to property or goods they own (or rent/lease) – caused by fire, theft, storm, malicious damage, etc. The risk is then pooled across all the policy holders, so if/when one of the policy holders experiences a fire, the funds can be used from all the policy holders to repair the damage.

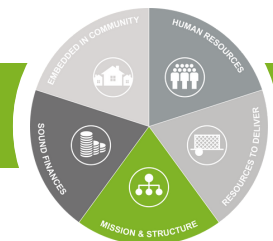
Bottom line: The price of insurance, should be such that the individual is prepared to pay the smaller, known premium in return for not having to pay the unknown - and potentially very large - financial cost of the insured event.

Which insurance do we buy?

Ultimately the choice of which insurance to buy will depend upon that individual's/organisation's perception of risk and its ability to withstand the potential financial loss.

That being said, there are two types of insurance that are required within the UK: third party - motor insurance and employers' liability insurance.





Types of insurance

There are countless types of insurance, many developed specifically for certain trades/sectors, covering a huge variety and range of risks. When it comes to Sported members, the most relevant insurance covers can be broadly grouped into the following categories:

Property	physical damage to property or goods you own (or rent/lease) – caused by fire, theft, accidental damage, lightning, explosion, earthquake, malicious damage, flood, etc
Business interruption	'consequential' losses as a result of the above; an inability to trade reduces revenue and increases costs (e.g. short term rental)
Employers liability	injury or damage caused by an individual, company or organisation to employees through lack of care or negligence
Professional liability	injury or damage caused by an individual, company or organisation to customers directly under supervision/advice/training
Public liability	injury or damage caused by an individual, company or organisation to third parties through lack of care or negligence
Member to member liability	injury or damage caused by one team member to another during an organised activity
Trustee liability	alleged wrongdoing or misadministration by charity trustees
Personal accident (individual coverage)	lump sum compensation and/or compensation for loss of weekly earning if an individual is badly injured whilst playing, coaching or training
Personal accident (group coverage)	lump sum compensation and/or compensation for loss of weekly earning if an individual is badly injured whilst playing, coaching or training

Depending upon the size of the organisation, a number of other covers may be relevant:

- Motor - if the group has a minibus or similar
- Travel - available for individuals or group for travel worldwide - typically includes cancellation, medical, expenses, sports equipment, travel delay or disruption
- Crime - fraud and employee theft
- Machinery breakdown
- Sickness
- Legal expenses (not directly covered within liability above)

Need more guidance?

If you would like to discuss further which insurance covers are appropriate for your organisation or you have another insurance query, simply message membership@sported.org.uk and we can assist you.

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