

Insurance Times: Local Firm Hits Home Run
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Soon after a 1970s-era legal case removed the ceiling for baseball salaries, the New York Yankees' Catfish Hunter signed the sport's first \$1 million contract.

The Boston Red Sox sealed similar deals soon after with free agents Fred Lynn, Carlton Fisk and Rick Burleson.

With that, Ted Dipple sensed the opportunity of a lifetime – to be a pioneer at the start of a trend. Both team owners made inquiries at Dipple's Massachusetts company seeing coverage, and he sensed more would come.

“There were these relatively infrequent inquiries into the business for professional athletes at that time,” he said.

“And when I saw salaries were not ... going to go down from there and definitely (would) go up, I figured these (coverage) products and these requests would only increase, and we ought to be ready to get into that marketplace because nobody else wanted to do it.

“That's really how it started.”

Dipple's interest in baseball business prospects grew into what is now ASU International, a global powerhouse that wrote more than \$100 million in gross premium revenue in 2001.

The company began as a separate department within Dipple's Firm Lockwood, Dipple & Green in 1978 and then became a standalone company called American Sports Underwriters in 1982. HHC Holdings (the holding company for Houston Casualty Co.) bought ASU about six months ago, though Dipple continues to serve as chairman.

Dipple describes ASU as an underwriting manager that's a true “alternative” to traditional insurers.

“Anything traditional insurers do not want to do or cannot do makes it a possibility for us to do.”

ASU pioneered the practice of offering disability insurance for star athletes and later expanded into the entertainment industry, facilitating insurance for movie stars that fly planes or television scriptwriters contractually obligated to fill writing quotas.

ASU mostly helps develop accident or death and non-traditional disability insurance for sports and entertainment figures as well as some high profile business people.

Top Sports Stars

The company is an industry leader in a unique market niche, having reached a 70 percent market share covering guaranteed contracts for top sports stars.

In recent years, ASU has expanded, developing contingency planning products for entertainment and sport events, particularly cancellation coverage. Dipple says this part of the business is about 50 percent of the contingency business and “25 percent of the total and growing.”

Among unusual coverages developed by the company: prize indemnity, where an individual could win a prize at a sporting event or an auction, for example, and that money would be covered by a pre-purchased policy.

ASU has also developed insurance products for people like Stephen Bochco while he created and wrote “Hill Street Blues.” The underwriter developed a product that covered his contractual obligation to write and produce a certain number of episodes for the NBC series.

ASU works with major insurance companies including The Hartford, Standard Security Life and Lloyds. Business over the last 20 years has grown about 30 percent annually, Dipple said.

With a tight market this year, Dipple expected that number to be smaller because “capacity has fallen as it has throughout the industry.”

Still, he expects growth to reach 15 percent this year and resume normal rates in 2003.

Even before baseball and ASU, however, Dipple, saw the potential of sports/entertainment underwriting.

The agent/broker for Evil Kneivel – daredevil entertainer of the 1970s – called Lockwood, Dipple & Green seeking coverage before attempting to jump the Grand Canyon.

His firm mapped out some terms through Lloyd’s of London to insure him, eventually doing so through the underwriter.

Dipple, who started his career in Lloyds in 1957, came to the United States in 1973 to work in a Lloyds branch office, eventually venturing out on his own and starting Lockwood, Dipple & Green.

When baseball caught his eye and Dipple decided the free agent market represented a business opportunity he couldn’t pass up, he set out to learn the business side of the sport, inside and out.

“I didn’t know anything about professional baseball when I came to this country,” he said. “I knew about cricket and I knew about rugby.”

He focused on learning about collective bargaining agreements, how baseball contracts were worded, what guarantees and exclusions they contained and the issues between teams.

Dipple also learned every aspect of baseball statistics, regarding player injuries, how a player’s age affects the potential for injury and how players like pitchers and catchers are at greater risks of getting hurt than their teammates.

These were, he said, “all of the ingredients that could affect risk, (which) would enable us to determine fair and reasonable premium to cover those risks.”

Traditional insurers didn’t know any of this, he said, so Dipple sought out fans. Living in Massachusetts, he talked to Red Sox fans.

“Insurers didn’t know about (baseball) contracts,” he said. “Red Sox fans knew.”

Each policy ASU proposes or helps develop has to be tailor made for each individual, with certain minimum rate guidelines, he said.

Exclusions or risk factors outside of the player’s sports career can easily derail coverage, too.

“We were asked to insure (New York Yankees -right fielder) Darryl Strawberry and we declined, not because he was an at-risk player but because he was at risk off the field.”

Like Dipple himself, ASU’s principals aren’t necessarily from traditional insurance management backgrounds.

ASU President and CEO William Hubbard was once a commercial fisherman and then attended the UMass Amherst sports business program, after which Dipple hired him.

Candy Hallet, ASU’s chief operating officer, worked for an insurance company but joined Dipple’s firm as an administrator and worked her way up.

“She learned the business and became very proficient at it,” Dipple said.

Dipple added that a traditional insurance executive might not do as well at his company “because anyone with years of training at a major insurance company might not suit the job.

“They might be too trained in insurance and other insurance products that have got nothing to do with what we do.”

Management approach to any insurance company professionals ASU hired, he said, involved undoing “habits from previous insurance companies” and then re-teaching them.

Business Opportunities

ASU doesn't necessarily wait for people to call them with inquiries or risk to an insurer. Rather, ASU looks for business opportunities, puts terms and conditions to a product and then markets it through producing brokers and agents around the country, who in turn market them to clients.

Traditionally, ASU insurance contracts are a part of negotiations between the parties, whether it be a baseball club and the player or an entertainer and movie studio.

"We just wait for a final outcome and they come to us to protect" the insurable interest, Dipple said.

A player may pay for the disability or life policy if he's at the end of his contract. Or a team may buy the policy to protect a guaranteed commitment in a given player.

"In some cases a player's agent would negotiate for the team to buy him coverage for his future income beyond the contract he's writing," Dipple said.

"It depends on each individual."

To avoid conflicts, player or team policies are made mutually exclusive, Dipple said, which would eliminate stacking.

Or limits may be placed on a policy to avoid a never-ending list of parties receiving benefits.

Individual player exclusions aren't uncommon, he said. One time, he said, an Oakland baseball player's policy included a restriction against snowmobiles because he pursued the sport often in the winter.

The player endured a snowmobile accident and injured his knee, Dipple said.

The team, under the terms of the contract could have not paid his salary, but they decided to pay partial coverage because "he was a valuable player."

Other football and basketball players whose policies Dipple has helped shape have faced weight exclusions, which denied coverage if they reached a certain weight.

"Obviously when a player gets a certain amount overweight he cannot perform to his best," Dipple said, "and therefore doesn't do the job he's being paid for by the club."

Many major sporting events in the United States and around the country involve coverage developed by ASU.

ASU-developed cancellation coverage for British cricket games kicked in when a number of the matches were canceled after Princess Diana died a few years ago, Dipple said.

Sells Company

Six months ago, Dipple sold his company. "One reason was for the money," Dipple said, declining to disclose the price tag.

But the sale of ASU also represented good timing, he said, and a desire for more capacity in a hardening market with increased coverage demands.

"It was right in the marketplace for us to hook up with someone bigger and stronger that would help us to achieve some of the things we want to achieve in the next five or 10 years," he said.

And so ASU is left to find unique niches to fill, such as the policy it recently developed to sweeten a fundraising auction.

Super Bowl

A New England Patriots jersey, Boston Red Sox Baseball signed by a player, Boston Bruins shirt and other items were on the block.

ASU suggested bidding could be increased if the event planners added a \$10,000 bonus to some of the items, contingent on the Patriots winning the Super Bowl, the Red Sox winning the World Series and the Bruins winning the Stanley Cup. An ASU-developed policy would cover the prizes if the events took place.

One of those events obviously occurred, when the Patriots won the Super Bowl, making the owner of the auctioned shirt \$10,000 richer. p