

Contractual Bonus Insurance



With sports sponsorship spending running into the billions of dollars, it is no wonder that both the sponsors and owners of professional teams as well as individuals are constantly looking for better results which, in turn, allows those teams or individuals to seek better contract payment terms.

Contracts between the team or individual and the team owner or sponsor are often bonus-related, making them difficult to budget with any great accuracy. The sums of money involved across all types of sport can be daunting, even for the largest of sponsors or clubs – bonuses of millions of dollars per player are common at the highest level.

Contractual Bonus Insurance

Contractual bonus insurance can be arranged to cover bonuses paid to a professional team or individual should the individual or team meet pre-determined win or placing objectives. Cover enables a sponsor or owner to set the budget for the payment of bonuses, rather than having a large potential liability on the balance sheet. By setting the costs of a bonus, higher bonuses can be offered along with more attractive contracts, thus potentially attracting better class athletes.

The insurance is tailored to the bonus contract and can be arranged to cover different levels of success. The most common placements are for winning a competition, but cover can also include:

- Being promoted to a higher league
- Qualification for an international competition
- Winning or being placed in major competitions.

As this is a policy of indemnity, the insured person or company must be contractually liable to pay the bonuses.

Related insurance covers available:

Spectators prize indemnity – sponsors of various sports events now look to audience participation to increase brand awareness. It is becoming commonplace for halftime intervals to be used to maintain the crowd's interest by running various promotions. Similarly, events and companies may wish to attract people to attend through a competition with a prestigious prize being offered, increasing awareness of an event and its sponsor, especially when the prize is won.

Cover can be arranged to indemnify the organiser or sponsor for their cost of awarding a prize during such a promotion. The number and types of competitions that can be covered are limited only by one's imagination but examples are:

- A spectator kicking a football through a hole in a board covering the goal or penalty shoot-outs against another spectator
- 100 yard throw – hit a single cricket stump to win a car
- Kick for a million – a participant scoring a progressive sequence of three conversions from different positions on a rugby pitch
- Scoring a basket from the halfway line on a basketball court.

The HSBC advantage

HSBC Insurance Brokers have assisted many event organisers, sponsors, and brokers in the design of contractual bonus insurance and prize indemnity using our product experience and access to the international marketplace to minimise their risk.

Further information

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For full details of all products and services offered by the Accident, Health and Contingency practice, please visit our website at: <http://www.insurancebrokers.hsbc.com/accident-health-contingency>

Other Contingency products

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Prize Indemnity

Contingent Terrorism

Prize Indemnity

Death, Disablement and Disgrace

Adverse Weatherday

Confidential Life

Kidnap and Extortion

Product Contamination and Recall

Political Evacuation

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