

# The Latest Development of Sports Insurance and Sports Insurance Development Path in China

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**Abstract:** The concept of sports insurance first appeared in the early 20<sup>th</sup> century and since then it has made great progress in the developed countries. China, the largest developing country, is at an initial stage of its development. This paper summaries key characteristics of the latest development of sports insurance products in developed countries and then introduces different types of sports insurances in China and their respective issues. Finally, some suggestions from two major dimensions of sports insurance which are: demand and supply, are provided in order to break the development bottlenecks of sports insurance system in China and also provides reference for other countries whose sports insurance development is in the same stage as China.

**Keywords:** Sports Insurance, The Latest Developments, Development Path, China

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## 1. Introduction

Promotion of a physically active lifestyle is encouraged worldwide, particularly regarding the many health benefits, and China is no exception. However, most sports activities involve a certain level of risk, even after implementing reasonable precautions. For example, among all sports football has the highest incidence of concussion [1]. Contusions (43%) and sprains (21%) are the most common types of injury among school children aged 8 to 17 years [2]. Thus, it becomes inevitable to implement adequate measures to control sports related risks.

The most widely used form of risk transfer is insurance. Sports insurance has become one of the most effective measures to manage sports risks and promote the development of sports industry. Athletes' accident insurance can guarantee athletes' timely assistance and economic compensation after injury, exempting worries and promoting sports development. Sports liability insurance can exempt schools from worrying about the risk responsibility of campus sports, encouraging students to do physical exercise. Amateur sports accident insurance can reduce the resistance of citizens to the potential risks of

sports, promote the fitness of the whole nation, and improve the living standards.

Since the beginning of the 20<sup>th</sup> century, the sports insurance system in developed countries has made great progress in many aspects and has comprehensively reduced the various sports risks faced by professional athletes, amateur athletes and teams. However, in a developing country like China, sports insurance is at its initial stage. Sports insurance in China originated from public donation. The social insurance also covers part of the sports injuries. Mutual insurance is available for national athletes and a few commercial sports insurances are also available from the insurance market. However, the sports insurance industry in China is still immature and thus hinders the development of sports insurance.

This paper is proceeded as following. Section 2 summarizes the key characteristic of the sports insurance markets in developed countries. Section 3 introduces China's sports insurance development mode. Section 4 points out the main issues of China's sports insurance development. Section 5 and 6 are suggestions and conclusions, respectively.

## 2. Sports Insurance Features in Developed Countries

### 2.1. Insurance Practice Depends on Legal System

The sports insurance systems in developed countries are manifested in the continuous strengthening of the sports insurance legal system and the integration of insurance practices. In the 20<sup>th</sup> century, developed countries began to promote sports insurance legislation. Specifically, the United States adopted the Social Security Law (1935) and the Amateur Sports Act (1978); Japan promoted national sports insurance with the National Health Insurance Law (1938) and the Japanese Sports and School Health Center Act (1985). The establishment of the sports legal system was a breakthrough in progress and its further implementation is more important and the effects can be far-reaching. For example, in the US, insurance practitioners, academics and lawyers coedited the “New Appleman Sports and Entertainment Insurance Law & Practice Guide” to give a comprehensive introduction of the procedures to deal with sports accidents under different circumstances by the application of legal provisions. A detailed approach of how lawyers should deal with disputes arising from the participation of individuals or groups in sports activities was also included in the guide. These provide marketable case templates for the insurance market and thus improving the effectiveness of sports insurance practice.

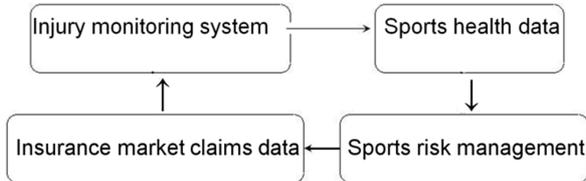


Figure 1. Flowchart of sports insurance system network in developed countries.

### 2.2. Insurance Companies Cooperate with Intermediaries

At present, the efficient sports insurance broker system (the United Kingdom and the United States, etc.) and the sports insurance agent system (Japan, etc.) [3], as well as the establishment of specialized sports insurance companies are the marks of the mature sports insurance market. The specialized sports insurance companies in the United States was established in 1991, SportsCover Direct Ltd specialized in sports insurance. And later in 1998, the Sadler & Company insurance company also began to vigorously develop sports insurance business. Insurance intermediary companies also play an important role in the development of sports insurance in developed countries. Insurance companies cooperating with insurance intermediaries are able to provide rich and effective sports risk management services to different groups and societies.

### 2.3. High Quality Data Input and Output of Sports Insurance Market

Setting insurance premiums is based upon the law of large

numbers and the actuarial modeling system provides a tool of scientific pricing. All of these depend on a large scale and high-quality sports health data. The Injury Surveillance System was therefore established before the sprouting of sports insurance systems in developed countries and has been an important part of sports risk management system. In fact, the development of sports risk management system needs to continuously and systematically collect, analyze and interpret sports health data, and apply it to public sports health management practices. To be more specific, the establishment of the Injury Surveillance System has collected valuable firsthand information for sports risk management. In addition to this, developed countries have also begun to establish injury data collecting method in line with their own national background, one of which is the Australian Sports Injury Data Dictionary (ASIDD) enacted by Australia in 1997. These are important preparation for the sports insurance market.

Sports insurance markets can accumulate many sports insurance claimed data as a supplement to sports health basic data. Caroline (2003) found that the insurance company claimed data covered 92% of the ASIDD content [4]. Guan and Wang (2017) further found that the claimed data of China’s insurance companies are also highly coincident with ASIDD [5]. The accumulation of claimed data of insurance companies further improves and enriches the input data of the sports insurance market.

### 2.4. Abundant Sports Insurance Products

In the early stage, sports insurance mainly focused on “accidental loss” and “personal injury” [6]. However, with the development and improvement of the sports insurance system in developed countries, sports insurance products have extended their coverages. Firstly, the coverage of insurance products have been extended from accidental loss and personal injury to third party liability, equipment damage, cancellation of events, travel risk, crime risk, chairman and executive liability risk, etc. Secondly, in addition to economic compensation, there is a rise of various economic incentives, such as providing insurance products like “Hole in one Insurance” which further increases the fun of sports.

## 3. Sports Insurance System in China

### 3.1. Public Donation

China’s sports insurance system started in 1994 and began to receive attention since the Lan Sang accident at the 1998 US Friendship Games. In the early stage of its development, it was mainly based on public donation. In 1994, Zuhang Hong donated 50 million Hong Kong dollars to the National Sports Committee and initiated the China Sports Foundation (hereinafter referred to as the Sports Foundation). From 2014 to 2015, the Sports Foundation received a donation of 18.65 million Yuan which subsidizes programs including the athletes’ support, youth sports training, the football reserve talent training and national fitness programs [7].

### 3.2. Social Insurance

In addition to the public donation, Chinese citizens are also covered by the social insurance. The social insurance is a social and economic system that provides income or compensation for people who have either lost their ability to work, or temporarily lost their jobs or need to receive medical treatments due to health problems. It includes medical insurance, pension, work injury insurance and unemployment insurance. It should be noted that the social insurance targets all the Chinese citizens and not only athletes. There are three major medical insurances in China. Urban Employees Basic Medical Insurance covers medical costs for all the urban employees (State Council, 1998). The New Type Rural Cooperative Medical Scheme and the Urban Residents Basic Medical Insurance cover other uninsured individuals (State Council, 2003 & State Council, 2007). Moreover, two different types of pension system are also designed for urban and rural residents, respectively.

### 3.3. Mutual Insurance

In 1996, the Zuhang Sports Insurance Fund was established to promote the development of the athletes'

disability insurance for the national team of China. In order to relieve the worries of athletes due to disability caused by training and competition the Sports Foundation began to implement the Excellent Athletes Mutual Assistance Insurance project in 2000. But, it was officially established in 2002 and was available only for national elite athletes. In 2004, with the approval of the State Sports General Administration, the Trial Rules of Mutual Insurance for Excellent Athletes with Disabilities (hereinafter referred to as the Trial rules) was promulgated and implemented. As a supplement to the national workers' work-related injury insurance, the Trial rule is based on the principle of nonprofit making and mutual assistance. In addition to this, athletes can choose to participate in the insurance. For the insured, they need to pay the premium by themselves and participate in the form of a group. In order to further increase the protection of athletes, in January 2018, the Sports Foundation revised the Trial rule based on an in-depth investigation and extensive solicitation of opinions. At present, the New Trial rule is carried out.

As shown in Table 1, the premium standard of mutual insurance is divided into three categories, according to the level of sports risk.

*Table 1. Premium standard per year of Mutual Insurance.*

Sport events	Premium (Yuan)
1 Wrestling, judo, taekwondo, Wushu Sanda, gymnastics, rhythmic gymnastics, trampoline, bicycle, triathlon, hockey, handball, softball, volleyball, beach volleyball, military pentathlon, rowing, canoeing, track and field, alpine skiing, platform skiing, Nordic Biathlon, snowboarding, snowmobile, sled, ski Rock climbing, surfing, karate	190
2 Boxing, diving, equestrian, weightlifting, swimming, modern pentathlon, football, basketball, baseball, ice hockey, rugby, skateboard, short track speed skating, speed skating, figure skating, freestyle skiing	110
3 Shooting, archery, figure swimming, table tennis, curling, golf, water polo, martial arts routines, fencing, badminton, tennis, cross-country skiing, winter biathlon, sailing (board), whirlpool	50

Note: available from website of Sports Foundation

The mutual insurance provides financial assistance to the athletes in the process of training and disability. The athlete's disability level is divided into 11 levels corresponding to the different subsidy levels. As shown in Table 2, athletes who die or become vegetative belong to rank 0 and get the highest allowance. Athletes belong to rank 10 when their organs are deficient or deformed and do not have dysfunction or complications. In these circumstances, they do not need

medical services and are able to take care of themselves.

Even though the overall level of injury subsidies is low, it has played an important role in stimulating athletes to actively participate in training competitions and solving the worries of athletes' injuries. Till 2015, the mutual insurance had been insured 340,000 times and the subsidy was 55.125 million Yuan. In 2015, it insured 733 athletes and offered a subsidy of 3.713 million Yuan [8].

*Table 2. Subsidy standard of Mutual Insurance (10,000 Yuan).*

Rank	Features	Subsidy
0	Die or become vegetative	50
1	Loss organs or organs complete loss the function and other organs cannot be compensated. Need special medical services and are completely or mostly unable to take care of themselves.	30
2-4	1. Organs are severely deficient or deformed and have the highest level of physical dysfunction or complications.	25
	2. Need special medical services. 3. Mostly unable to take care of themselves.	15
	Rank 2: Meet both 2 and 3; Rank 3: meet 2 or 3; Rank 4: Does not meet 3	10
5-7	Most of the organs are deficient or obviously deformed, have a high/moderate/low level of dysfunction or complications.	8
	Need normal medical services and are able to take care of themselves.	5 3
8-9	Partial organs are deficient or deformed, have a low level of dysfunction or complications. They will/ will not need normal medical services and are able to take care of themselves.	1.5 0.6
	Partial organs are deficient or deformed and do not have dysfunction or complications. They do not need medical services and are able to take care of themselves.	0.35

Note: available from website of Sports Foundation

### 3.4. Insurance Brokerage Company

The public donation, social insurance, and mutual insurance have relatively low coverage rates and subsidy amounts, and there is also a lack of market-oriented commercial insurance system. In 2004, the establishment of China Sports Insurance Broker Co., Ltd. (China sport) was a turning point in the development of China's sports insurance

system. The China sport not only provides sports risk consulting services, but also launches a variety of customized sports insurance products. For example, it launched the liability insurance products for swimming and taekwondo in 2005, hiking in 2006, as well as gymnasium in 2007 etc., which fill the gap in China's sports commercial insurance market.

*Table 3. Hiking insurance from China Sports Insurance Broker Co., Ltd.*

	Plan A	Plan B	Plan C	Plan A	Plan B	Plan C
Accidental injury, death, disability, burns (10,000 Yuan)	5	10	20	10	50	25
Accidental medical treatment	0.5	1	2	2	5	3
Daily hospitalization allowance (Yuan/day, upper limit: 90 days /30 days)	100	100	100	20	60	60
Sudden death responsibility (10,000 Yuan)	5	10	20	3	15	8
Emergency medical delivery and return (10,000 Yuan)	8	10	12	8	8	8
Overseas responsibilities (include Hong Kong, Macao and Taiwan)				Free	Free	Free
Accidents in public transport (10,000 Yuan)	2.5	5	10			
Journey delay (Yuan, \$300 per 4 hours delay)	600	600	600			
Self-driving accident (10,000 Yuan)	2.5	5	10			
Baggage delay (Yuan, \$500 per 6 hours delay)	500	500	500			
Premium (Yuan)	14	18	30	170	435	220

Note: Data collected from the quotation system of the official website of from China Sports Insurance Broker Co. Ltd. <http://www.ztbx.com/tou shan list.php>

### 3.5. Commercial Insurance Products

Insurance companies have started to show more interest in the sports insurance market. To be more specific, China Pacific Insurance Company is actively involved in the sports insurance market. It offered public liability insurance, event cancellation insurance and personal accident insurance for the Master Tennis Cup in 2008.

Students Accident Insurance (SAI) is another typical commercial insurance product for student's population, especially for the primary and middle school students. It was carried out in the 1980s [9] and was a compulsory insurance for most of the students when attending school. It was also a part of the tuition fees as schools represent insurance companies to collect the insurance premium. Students, in general, needed to pay about 50-100 Yuan of premium per year and could get coverages including accidental damage, accidental injury medical treatment and hospital medical guarantee. It's two biggest characteristics are the low price and the sufficient protection thus suits young students well.

Accident injury has become the primary cause of primary and middle school student's death in China. In addition to this, most accident injuries result from physical education classes and extracurricular athletics [10]. So, SAI was regarded as the fundamental commercial insurance product which could provide safeguard to primary and middle school students against sports related risks.

However, in 3<sup>rd</sup> March 2015, the Ministry of Education officially implemented a new policy which provided that the collection of commercial insurance premium in schools is forbidden. Therefore, the period of school collecting SAI premium came to an end. According to the school insurance claim data, during the last three years, insurance loss ratios of SAI accounted for 77.3% of the total accident injury insurance [11]. More important, cooperation between commercial insurances and schools is the main mode of school to secure students sports related risks. Now students can only purchase SAI from the insurance market by themselves.

*Table 4. Insurance premium for Accident Insurance.*

Coverage	For juvenile	For adult (A)	For adult (B)	For adult (C)
Age	318	1060	1060	1060
Accidental injury, death, disability (10,000 Yuan)	5	10	20	30
Emergency, hospitalization expenses (10,000 Yuan)	5	1	2	3
Accidental hospitalization allowance (Yuan/day)	—	50	100	100
Major illness insurance (10,000 Yuan)	1	—	—	—
Premium (Yuan)	100	58	120	170

Note: Data collected from the quotation system of the official website of from Xin Yi Zhan

<http://www.xyz.cn/mall/detail-pp4whqmx.html>

<http://www.xyz.cn/mall/detail-j7uwt2mu.html?timeRange=1—6—1—6>

## 4. Bottleneck of Sports Insurance System

### 4.1. Immature Sports Industry

The backwardness of the sports industry is reflected in the unified management of athletes, referees and sports venues. During the cooperation between private, government and state-owned enterprises, the private enterprises have always been at a disadvantage. So far, almost all sports events are dominated by the government and the proportion of state-owned sports venues is large. The administrative control of sports industry is also serious and there is also a lack of grassroots sports. In addition to this, the reform of the training and management patterns of professional athletes is desired.

### 4.2. Campus Sports Are Not Strictly Enforced

“School Physical Education Regulations” clearly states that all schools should carry out various forms of sports training, including physical classes in school and extracurricular sports activities off school to improve students’ health status and athletic ability. However, school physical education is generally diluted with high academic pressures from other courses like Chinese, English and Math. It is common to see that the campus physical education classes are replaced by the above-mentioned classes especially among primary school and secondary school students as they are generally facing academic pressure from college entrance examination. Regarding students in the remote areas, this phenomenon could be worse due to the lack of physical education staffs and equipment. In recent years, China has gradually realized the importance of campus sports, and has begun to vigorously develop campus sports.

### 4.3. Immature Insurance Industry

In 2015, China’s premium income was 2.4 trillion Yuan increasing 20% over the previous year and was ranked third in the world. The total and net assets of the insurance industry were 12.4 trillion Yuan and 1.6 trillion Yuan, increasing 21.7% and 21.4% over the previous year, respectively. The total premiums accounted for the 6.87% of the world. However, due to the big population the national insurance density was 1,479 Yuan per person (\$237.2 per person) and the insurance depth was 3.18% by the end of 2014, which were far below the level of developed countries. In addition to this, people are reluctant to buy insurance products as they lack the confidence in the market and in the insurance service.

Regarding the sports insurance market, the coverage of social insurance is low, and it is not mainly designed for athletes. Regarding commercial insurance, only a few of sports insurances are available from the market.

## 5. Suggestions

Chinese sports insurance system is in the primary stage of development. The experience of sports insurance in

developed insurance shows that it is important to develop sports insurance market from both sides including demand side and supply side.

### 5.1. Promote the Development of Sports Insurance from the Demand Side

Sports activities have risks and therefore sports insurance products are needed, which means that the sports popularization is the source of expanding the demand for sports insurance products. In China, more than 30% of the population often participate in sports activities at present but there is still a room for improvement. In addition to this, as shown in Table 5, Chinese popular sports activities are less intense and risky comparing to popular sports activities in developed countries. This has reduced the attraction of sports insurance products to a certain extent. Therefore, speeding up the popularization of sports activities in China is desired and regular sports activities which are competitive, interesting and challenging should be conducted.

**Table 5.** The top 10 most populous sports activities in different countries [12]-[15].

	China	UK	US	Japan
1	Basketball	Swimming	American Football	Football (Soccer)
2	Football	Athletics	Baseball	Basketball
3	Racing	Football	Basketball	Golf
4	Golf	Cycling	Ice Hockey	Baseball
5	Table tennis	Golf	Football (Soccer)	Motor Sports
6	Volleyball	Tennis	Tennis	Skateboarding
7	Go	Cricket	Golf	Winter Sports
8	Badminton	Rugby Union	Wrestling	Tennis
9	Tennis	Rugby League	Motor Sports	Martial Arts
10	Billiards	Boxing	Badminton	Skating

In addition to this, it is necessary to increase residents’ interests of purchasing sports insurance products and letting them to know the importance of preventing and transferring sports risks. Additionally, knowing how to protect the legal rights after the occurrence of sports risks is also essential. Currently, it is common to see people ignoring the risks in sports activities and they do not know how to defend their rights in case a risk occurs. This makes them more reluctant to participate in sports activities. Therefore, the key to promote the demand of sports insurance products is to improve residents’ insurance and right consciousness.

### 5.2. Promote the Development of Sports Insurance from the Supply Side

Sports risks could cause enormous economic losses and adverse social effects. There are only a few sports insurance products available from market and the corresponding regulations are missing. The government should play a leading role in introducing laws and regulations on the sports insurance market.

The proposal of National Fitness Program (2016-2020) will further improve the public service system of national fitness area and will also enhance the people's awareness of fitness. The 13<sup>th</sup> Five-year Plan for Sports Development puts forward the main goals of sports development: By 2020, 435 million people will take part in regular exercise, and the per capita stadium area will reach 1.8 square meters, and the total output of the national sports industry will exceed 3 trillion Yuan [16]. Such a huge sports market requires professional sports insurance products, sports insurance companies and intermediaries. Therefore, establishing professional sports insurance companies and intermediaries is an effective mean to promote the supply of sports insurance products. More importantly, these companies will be able to design insurance products which are in line with China's background.

Policy makers should also take appropriate mandatory measures to promote the development of sports insurance in groups. The organizers of largescale sports events should be required to buy accident injury insurance for all the athletes and third-party liability insurance for both athletes and the board of directors. It could also be helpful to encourage the audience to buy accident injury insurance and third-party liability insurance while they are purchasing the tickets for the largescale sports events.

## 6. Conclusions

Currently, China's sports insurance market is still dominated by the mutual insurance and the social insurance. Only a few commercial insurance products are available from the insurance market. However, China's sports industry and insurance industry are developing rapidly, and therefore, the development potential of sports insurance market is huge. Comprehensively promoting the development of sports insurance market from both the supply side and demand side is desired. Specifically, on the demand side, it is important to encourage residents to involve in regular physical exercise and improve people's awareness of insurance and rights protection; and on the supply side, it is crucial to strengthen sports insurance legislation, establish professional sports insurance companies and develop more sports insurance products.

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