



THOUGHT LEADERSHIP

PROTECTING ATHLETE CLIENTS DURING THEIR FREE AGENCY YEAR

Even the most industrial-strength bubble wrap known to man is unable to fully protect an athlete in their free agent years. Although batting helmets, shin pads and chest protectors do help, there are also insurance products available in the specialty market that can mitigate the potential loss of income when an injury does come calling.

For every athlete, navigating their free agency can often feel like a chicken-or-egg scenario, in that by maximizing their potential they open themselves up to risk of injury. Yet, they want to maximize that potential as a vehicle to pull in the largest contract possible. It was only last year that Aaron Judge bet on himself entering his free agency year. At the time he was on the tail end of a \$213.5 million/7-year contract that had him making \$30.5 million per year and the New York



By Chris Lack

Yankees were low-balling him. Judge rolled the dice and came up a winner. His prize: Judge earned \$40 million per season in 2023, at the time the highest average annual payout for a position player. That contract trailed only Mike Trout's \$426.5 million deal with the Los Angeles Angels and Mookie Betts' \$365 million contract with the Los Angeles Dodgers. That was until Shohei Ohtani's \$700 million contract blew all others out of the water.

But how many athletes are willing to take that chance without the necessary safeguards in place?

Unlike traditional disability income insurance that you might sell to a business owner, the disability contracts that professional athletes secure are entirely different. Generally speaking, professional athletes secure career-ending disability insurance protection—most commonly with a one-year elimination period and benefits payable in a lump sum if the player suffers a disability due to either accident or illness (either on or off the field/court/rink). Coverage is usually underwritten for a single-year period each time, and

then the player needs to reapply each year. The underwriting requirements are much more “orthopedic” in nature, and if the amount of insurance exceeds a few million dollars, most competent underwriters will require an independent orthopedic surgeon to conduct an exam. Some players (depending on age, contract, sport, position, etc.) may be able to secure disability protection on a multi-year basis, but these multi-year insurance contracts are not available to most “rank and file” professional athletes.

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Traditionally, the free agent year is that season prior to going out on the open market. It is the marquee season for any athlete, the time when their market value will often be defined by that season’s stats. So consider how devastating it would be to miss that season with a serious injury. Let’s look at a real-life insurance buying path for a professional athlete: when a hot NHL prospect was a junior player (age 18) they secured a small \$1 million policy for one year to protect against a career-ending injury or illness and safeguard their future income. Once they signed their first entry-level contract worth over \$5 million, a \$2.5 million three-year policy was secured while the athlete built up speed, agility, and worked towards free agency. Most recently, they signed a massive seven-year, \$49 million contract with the club. An NHL guaranteed contract can be voided by a club if the player becomes injured or ill away from playing with the team. It is crucial to safeguard the player’s new deal with off-ice coverage, which offers protection beyond game day and practice. An option for a five-year term starting at \$25 million for the first two years and then reduces as the risk exposure line decreases is presented to this star hockey player.

The value of free agency becomes even more important as contracts continue to grow larger and larger. It started when Oakland pitcher Catfish Hunter became baseball’s first free agent in 1976 when he signed a five-year \$3.25 million deal with the New York Yankees, and it has ballooned from there. Let’s use newly-minted L.A. Dodgers’ outfielder/pitcher Shohei Ohtani to help illustrate the point. For a time, he was being touted as possibly the first potential \$500 million player when he entered free agency at the close of the 2023 season. Ohtani put all his eggs in one basket and hoped the next slide into second base didn’t put him on the injured reserve list, or the next fastball didn’t result in Tommy John surgery. He played the cards he was dealt and came up aces.

Occasionally the question will arise as to whether

someone like Ohtani, who has already reaped millions of dollars in salary, needs to protect himself as much as a player going for that first big payday?

But to answer that question, you must understand the athlete mentality. Which is yes, you’re a member of a team and you want the team to do well, but you are also your own business inside of that team’s business. And it’s your job to take care of your business too, which is why athletes have agents. They also have trainers and dieticians and all types of people to help maximize the return on their business.

Eventually, and admittedly it’s not as glamorous as signing a sneaker deal with Nike and handing out boxes of shoes to your friends and family, there needs to be a discussion on insurance. Your athlete client is a business and as an advisor, you have to recognize that you have to protect their business. Let’s say your client builds a \$50 million house on the shores in Florida. They need insurance to protect that \$50 million asset before the next Hurricane Ian comes roaring through. Well, your client is that \$50 million asset, and now they’re walking around the street without coverage. Doesn’t seem wise; does it?

Still, protecting the athlete on the field or court or ice is imperative, but think about how much time they spend on the playing field in comparison to how much time they spend off, walking down a street, going on vacation, driving a car. They need to be protected 24/7/365, so they don’t put the next big payday at risk because they trip over their kid’s toy walking down the stairs in the dark. Of course, should that athlete decide to vacation in the Ukraine, then they are on their own.



In addition to covered injuries on/off the field, medical diagnoses like cancer, multiple sclerosis, ALS, Cardio issues, heart murmurs etc., are also covered. Occasionally, contracts guarantee the salary if the athlete is injured playing and practicing, and for team sanctioned duties, but not for illness. With modern science and early detection tools we are able to discover and diagnose diseases/illnesses earlier which allows for players to seek proper treatment and not have to decide between a paycheck or long-term health.

With many of the more recent claims we have seen, the disease or illness would not have been caught early many years ago. With advancements in modern technology and science, major diseases or illnesses can be detected earlier, thus medical professionals will often advise athletes to retire or be cautious about

jeopardizing their future. Doctors have changed their approach with athletes and leagues especially after all the concussion and head injury issues. No one in the medical profession is inclined to say, "Rub some dirt on it and get back out there," or take you back to the locker room and shoot you up with pain medication. As a result of the attention to concussions and subsequent lawsuits, doctors and teams are more serious about how an injury will impact a player's long-term health and life.

Every time an athlete steps on a field, a court, or a sheet of ice, they are one step closer to a career-ending injury. And it is amazing how many athletes fail to realize that a disability insurance policy is every bit as important in protecting their livelihood as a face mask or a batting helmet. That is until the day they are blindsided by the worst kind of bad luck. And then everything changes.

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