

# *Analysis of the current situation of sports insurance in China and the United States and its inspiration for China*

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**Keywords:** Sports insurance, United States, Sports industry, CBA, Compensation for work-related injuries

**Abstract:** Since the 19th National Congress of China proposed to "accelerate the construction of a strong sports country", as an important pillar of national economic development and an important force to promote economic transformation and upgrading, sports construction is more and more significant in China. However, building a strong sports country requires the development of all aspects. Scientific sports insurance construction plays a crucial role in the development of the sports cause. The article comprehensively analyzes the development process and market potential of sports insurance between China and the United States through data analysis, background investigation and other means, and compares the two countries from an economic perspective. It focus on the specific sports fields of the two countries, such as CBA, and analyzes the current situation of sports insurance in the two countries in detail. It synthesizes the advantages and disadvantages of the two countries and puts forward the author's suggestions for the development of China's sports insurance industry.

## **1. Introduction**

In recent years, with the continuous development of the national economy and the strong support of national policies, the people's awareness of national fitness has been rising, governments at all levels have accelerated the construction of sports infrastructure, the consumption potential of China's sports market has been gradually released, and related industries have achieved rapid development. The sports insurance industry, which was born to protect the rights and interests of professional athletes and amateur sports enthusiasts, is also constantly developing and growing. Sports insurance mainly including two categories: sports social insurance and sports commercial insurance<sup>[1]</sup>. At present, the sports insurance industry is of great significance to the development of China's insurance industry and has a great market demand. It plays an important role in sponsoring and underwriting major sports event insurance organized by the country, helping the whole people to exercise, serving a healthy China, and supporting the development of professional sports<sup>[2]</sup>. It is one of the effective measures to transfer sports risks, which is conducive to promoting the development of the sports industry, forming new economic growth points, and is a solid guarantee for the sustainable development of China's sports industry<sup>[3]</sup>.

## 2. Analysis of China's sports insurance industry

### 2.1. Demand and potential of China's sports insurance market

The total scale of China's sports industry exceeds 3 trillion yuan, the proportion of industrial added value in GDP reaches 1%, and the added value of the sports service industry accounts for more than 30%. The market entity has further strengthened, and China has built more than 50 national sports industry demonstration bases, 100 national sports industry demonstration units and 100 national sports industry demonstration projects. Sports consumption accounts for more than 2.5% of the disposable income of per capita residents. According to the statistics of the sports industry, the total scale of China's sports industry in 2018 was nearly 3 trillion yuan, with an added value of more than 1 trillion yuan, an increase of 20.88% and 29.02% year-on-year, accounting for 1.1% of GDP. As shown in Table 1, the total volume of China's sports industry in 2018 has exceeded 5 trillion yuan, with an added value of more than 2 trillion yuan, which plays a significant role in China's GDP growth.

Table 1: Chinese Sports Industry Status in 2018.

Category name	Total amount (100 million)		Structure (%)	
	Total output	Added value	Total output	Added value
Sports industry	26579	10078	100	100
Sports service industry	12732	6530	47.9	64.8
Sports goods	13201	3399	49.7	33.7
Sports production facilities	646	150	2.4	1.5

China has about 400 million regular athletes, more than 600,000 sports practitioners, and more than 100,000 professional athletes. According to the 2020 Sports Work Report of the China Sports Association, by the end of 2020, the number of registered Chinese professional athletes was about 1.216 million, an increase of more than 20% compared with 2018, of which male athletes increased by 10% and female athletes increased by 50%.

### 2.2 Current situation and advantages of China's sports insurance industry

In the face of such a large market potential, China's sports insurance mainly adopts the operation mode led by the government and funded, supplemented by commercial insurance<sup>[4]</sup>. The increase in large-scale sports events has also driven the demand for sports insurance, especially accident insurance for athletes and sports events. The main forms of protection for sports risks for professional athletes include "donation guarantee", "mutual insurance", "social insurance" and "commercial insurance".

### 2.3 The existing shortcomings of China's sports insurance industry

The shortcomings of China's sports insurance industry can be roughly summarized into the following aspects:

**The coverage of sports insurance is small and the awareness of insurance is weak:** the insurance target of sports insurance is mainly concentrated in the members of the national training team participating in the Olympic Games. And more than 70% of athletes still want the club to bear most of the premiums. Units or individuals who undertake sports events also have relatively weak awareness of sports insurance, and they often have a chance mentality and are unwilling to buy event insurance.

**Lack of professional intermediary services:** At present, there are only a few professional sports insurance brokerage companies such as China Sports Insurance Brokerage.

**The single type of insurance cannot meet the needs of insurance:** there are few types of sports insurance products in China, which are mainly concentrated on traditional insurance types and there is a lack of innovative products for the special needs of the sports industry.

**The external environment is immature:** At present, there is no mandatory insurance for athletes in China, and the supporting legal system is extremely imperfect. The supervision of the insurance market is too strict, which limits the flexibility of insurance companies in product design and weakens the development space of the sports insurance brokerage market.[7]

## 2.4 Reasons for the backwardness of China's sports insurance industry

It is weak foundation of legal system and internal consciousness; organizational management problems; insufficient technical application; and insufficient international exchanges and cooperation.

## 2.5 Take CBA as an example to discuss the current situation of the industry

As the highest-level basketball league in China, CBA is a major pillar of China's sports industry. At the same time, it also owns a large number of professional athletes and sports personnel. High-level games are often accompanied by various injuries and accidents, which also makes the CBA League inextricably linked with the sports insurance industry. It can be seen from the injury suspension announcement updated on the CBA official website on November 19, 2019 that after 6 rounds of the league, 38 domestic players were suspended due to injury, accounting for 11% of the total registered athletes. However, according to the survey, as of 2020, only 40% CBA professional athletes have taken out commercial insurance on their own, which is not a high number.

The Basketball Association attaches great importance to the insurance of players participating in the CBA Professional League. The Basketball Association stipulates that players participating in the CBA Professional League must purchase personal accident insurance, and athletes who do not purchase personal accident insurance cannot participate in the competition<sup>[5]</sup>. However, the fact is that China's social insurance cannot meet the insurance requirements of CBA athletes, and excellent athletes' disability mutual insurance cannot replace commercial insurance<sup>[6]</sup>.

## 3. Analysis of the sports insurance industry in the United States

### 3.1 Analysis of the advantages of U.S. sports insurance

In summary, the reason why the U.S. sports insurance industry can maintain a leading position in the world is mainly due to its mature market mechanism, diversified insurance products, perfect legal and regulatory system, high degree of specialization and commercialization, strong industry influence, positive policy support and social awareness. As Table 2 shows, the insurance density in the USA in 2016 far exceeded the world average, and the insurance depth is basically the same as the world average, which is enough to show the strong background of the U.S. sports insurance industry. The combined effect of these factors enables the U.S. sports insurance industry to effectively respond to various risks and provide comprehensive protection for athletes and sports organizations.

Table 2: Insurance Density and Depth of Specific Years in the United States.

A particular year	Insurance density(USD/person)	Insurance depth (%)
In 2013	3979	5.83
In 2016	4097	6.7
The global average in 2016	627	6.89

### 3.2 Case Study of Sports Insurance

The occupational sports injury and sickness insurance system in the United States is an insurance system formed by two categories: state-based work-related injury compensation insurance and industry insurance based on the professional sports league.

The coverage of occupational sports varies from state to state in the work-related injury compensation law in the United States, but in most states in the United States, the work-related injury compensation law can cover professional sports compensation. It is precisely because the jurisdiction of the work-related injury compensation law in each state in the United States and the coverage of professional athletes are quite different that athletes who suffer from occupational injuries and diseases often choose a favorable state to file a work-related injury claim<sup>[8]</sup>.

In the four major professional sports leagues in the United States, industry insurance is quite mature, and it also stipulates the relationship between industry compensation and state work injury compensation. American professional teams will buy "Temporary Disability Insurance" and "Key Person Insurance" for athletes to prevent athletes from being incompetent due to injury<sup>[9]</sup>.

### 4. Enlightenment

If China wants to further improve and scientific our sports insurance industry, I think the following measures should be taken:

1) From the perspective of microeconomics, we should stimulate the endogenous motivation of the market and further stimulate the market potential.

2) China should accelerate the research and development of insurance types and improve the competitiveness of national brands.

3) Multi-channel internet promotion models is innovated by focusing on technological empowerment, to increase the application of technological innovations, and continuously enhance the professionalism and convenience of sports insurance services.

4) Scientific insurance practices in the United States is referred and applied them to China's sports insurance market to promote its development through the integration of scientific risk analysis and insurance frameworks.

5) Policy support is increased to continuously improve the foundational environment for sports insurance development, strengthening legislation and regulation in the insurance industry, and expediting the introduction of dedicated sports insurance laws and regulations.

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