A risky biz - From hole-in-one shootouts to basketball shots at halftime, lots of cash is on the line for fans and insurance companies

By Mark Zeigler

San Diego Union Tribune Staff Writer

Dallas, TX – February 12, 2005 – Tom Gray was sitting in the outfield seats at Houston's Minute Maid Park last summer, minding his own business, eating a hot dog, soaking up the batting-practice vibe of baseball's All-Star Game. He was 41. He owned a car lot in south Houston. He was with his family.

Someone tapped him on the shoulder.

"Excuse me, sir."

An hour later Gray was on the mound, limbering up his arm. At home plate was an 8-foot wooden Taco Bell sign with a 25-inch hole. Next to Gray was a basket of baseballs.

A few months earlier Major League Baseball had approached SCA Promotions, a Dallas company that specializes in staging sports contests and insuring them, about creating an All-Star Game contest it could pitch to national sponsor Taco Bell. The result: "Ring the Bell," a rapid-fire baseball throw from the mound.

One lucky fan would get 30 seconds to throw as many baseballs as he could through the hole. Make one and get free Taco Bell food for a year. Make three and get $10,000. Make five and get $1 million.

Todd Overton, a longtime account manager with SCA, headed the project. He got an 8-foot board, cut out a 25-inch hole and hauled it to a nearby park one afternoon, along with a dozen or so folks from the office. They started chucking baseballs at it and recording the statistics.

"We figured the odds of someone being picked out of the crowd and doing it at the All-Star Game was north of 100-to-1," Overton says. He set the insurance premium on the million-dollar prize at about $35,000 and sent a proposal to Major League Baseball and Taco Bell. They agreed to randomly select 10 seat locations at Minute Maid Park before the game.

The first one had no one in it. They went to the second location and found Gray.

Gray's 8-year-old son, Matthew, told his father what his father always tells him when they play catch: "Point at the target." Gray nodded and grabbed the first baseball and fired it at the 8-foot board. It sailed completely over it.

Gray grabbed another ball and fired it . . . right through the hole.

Gray threw another . . . over everything again.

Standing nearby was Overton, whose company and its insurance underwriters were on the hook for the $1 million if Gray made five.

EXHIBIT
PENGAD 800-631-6989
44

"At this point I'm thinking, 'No way,'" Overton says. "I'm feeling pretty good. But then he makes a second and a third and fourth. The clock is ticking down and he's got enough time for one more ball. I was with another guy from our office and I remember saying to him: 'If this one goes, we're hit.'"

Gray reached for the ball and threw it. There was one second left on the clock.

###

Overton slides open his desk drawer at his Dallas office. Inside is a stack of photos.

"Our Hall of Fame and Hall of Shame," he says.

Nelson Liriano, a light-hitting second baseman, is in the Hall of Fame. SCA insured a million-dollar contest in 1989 that hinged on Nolan Ryan, then with the Texas Rangers, throwing a no-hitter. On April 23, Ryan carried one into the ninth inning against the Toronto Blue Jays. He got the first out. Then Liriano tripled.

The Chargers are in the Hall of Shame.

SCA had a deal with a Kansas City electronics store in 1999 wherein if you bought $399 or more of equipment and the Chiefs shut out their next opponent, you got your money back. More than 300 customers bought a combined $450,000 worth of merchandise.

The Chargers had first-and-goal in the fourth quarter, and couldn't get in on first, second or third down. Overton was screaming at his TV for them to kick the chip-shot field goal on fourth down from the 1. Trailing 34-0, the Chargers went for it.

The Chiefs blitzed, and Chargers quarterback Jim Harbaugh fumbled.

Overton pulls out a picture of Ted Popson and smiles.

A year earlier, SCA had put together a "Monday Night Football" promotion with sports bars to encourage patrons to stay for the second half. A fan in each bar was randomly selected at halftime; if the second-half kickoff was returned for a touchdown, the fan won $10,000.

SCA had about $500,000 worth of these deals across the country. And sure enough, in Week 8, Kansas City's Joe Horn returned the second-half kickoff 95 yards for a touchdown.

But wait. A penalty flag was on the field. Popson, a backup tight end for the Chiefs, was caught holding. No touchdown.

"Ted Popson," Overton says, "happens to be SCA's favorite football player of all time."

It is that crazy, that capricious a business, fueled by Corporate America's desire to promote its products at sporting events and governed by the vagaries of Lady Luck. Millions of dollars are at stake, often riding on the arm of a complete stranger plucked out of the stands an hour earlier. A backup tight end can save your bacon, or fry it.

"It's huge financial swings," says Chris Codington, whose Carmel Valley marketing company, Sports Strategies, organized the $1 million rapid-fire football contest at the 2004 Holiday Bowl for Dr Pepper. "At the end of the day, it boils down to gambling, and in some cases poorly studied gambling. When you go into a casino, you know the odds are stacked in their favor. They've rolled the dice and flipped the cards trillions of times. They know what's going to happen.

"But how many times have people set up a target and had someone throw a baseball or football at it in front of 60,000 people and a national television audience? So you end up guessing a lot of the time. Sometimes you guess right, sometimes you guess wrong."

Enter the insurer, who takes the risk for you.

Or as Bob Hamman once said: "Instead of worrying about whether the $1 million is won, (companies) can root madly for the contestant to win the prize, take Bob's money and force me to start checking the prices on the wine list."

Hamman is considered the father of the industry, a world champion bridge player and an insurance broker from Texas who was asked to write a policy for a local hole-in-one contest in the mid-1980s. A light bulb clicked on.

"After years of insuring acts of nature," Hamman says, "I like the challenge of analyzing a created risk."

Sports Contests Associates was born. In 1986 it generated $100,000 in sales. A decade later it was dong $20 million annually. SCA says over its history it has insured $12 billion in prizes and paid out $126 million in claims.

The company motto: "Our risk, your reward."

The backbone of the contest business is hole-in-one insurance, and one of Hamman's partners left SCA in the late '80s to form National Hole-in-One. It has since handled 300,000 hole-in-one events and paid out more than $40 million in claims, including five million-dollar winners. On average, the company is responsible for about 40 events per day.

From the hole-in-one came the halfcourt basketball shot, and from the halfcourt shot came the 35-yard field goal at halftime. And then the hockey shot through a shrunken goal and the soccer kick through the open door of an SUV and the Del Monte "Can of Corn" pop-fly contest at minor league baseball parks, even an olive toss into a martini glass. The upshot: An estimated 50 companies specialize in prize indemnification, and the halftime contest has become a staple of modern-day sporting events.

"They really help the fan get past the rest of the marketing clutter at the venue," says David Carter, a Los Angeles-based sports marketing expert who runs The Sports Business Group and is a professor at USC's Marshall School of Business. "It has become a stop, look and listen event at an arena otherwise dominated by all kinds of promotional events going on. I'm not sure how strong the brand recall is, but it's costing these sponsors so little that it might be cost effective."

And here's the key point: They're not stuck paying a semester's tuition if the liquored-up student sinks the halfcourt shot. Or buying a half-million dollars worth of hot tubs.

SCA's Overton flips through his stack of pictures. Here's a team photo of the Minnesota Vikings from 1998.

"Definitely Hall of Shame," he says.

A home improvement center in Minneapolis offered a deal to customers who purchased sun rooms, hot tubs or gazebos between Nov. 1 and 25: If the Vikings won their final five regular-season games by at least a touchdown, the customers would get their money back. Twenty customers met the criteria for a total of $433,000 in merchandise; SCA insured it.

Then the Vikings beat Dallas by 10 points, Chicago by 26, Baltimore by 10, Jacksonville by 40. The Vikings played at Tennessee in the regular-season finale and were tied 16-16 late in the third quarter . . . *before* Randall Cunningham connected with Cris Carter on a 38-yard touchdown pass and Gary Anderson made a 30-yard field goal for a 26-16 victory.

"Yeah," Overton says, "there are hot tubs across Minnesota compliments of SCA."

On Sept. 11, 1998, the Glynns Creek Golf Club outside Davenport, Iowa, hosted a charity tournament to benefit the anti-drug campaign D.A.R.E. It included a contest in which the golfer who sank a 40-foot putt would win $10,000 cash.

Bruce Horack of Bettendorf, Iowa, drained the putt.

The local sponsor had signed a contract with Golf Marketing Inc., a Connecticut-based company specializing in sports contests, to insure the contest for a $250 premium. It collected the required affidavits and filed a claim for the $10,000. Golf Marketing refused to pay. The sponsor sued.

The sponsor ultimately received a default judgment in its favor after, court records show, the attorney hired by Golf Marketing to represent it in Iowa withdrew from the case because he wasn't paid.

"We discovered this guy was working out of the basement of his parents' home in Connecticut," Iowa attorney Tom Waterman says of Kevin Kolenda, Golf Marketing's founder and CEO. "It was a fly-by-night operation where he was basically collecting money for events, not reinsuring them and hoping he didn't have any claims. And if he did get any claims, he'd either ignore them or deny them."

The default judgment was for the $10,000 plus $100,000 in punitive damages, but Waterman says Kolenda claimed he had "no assets to pay us." After nearly three years of legal wrangling, court records show, the two sides settled for $15,000.

"About this same time, I was getting contacted by these other attorneys representing huge firms in similar cases," Waterman says. "I figure they'd wipe him out, so I better call it a day and take the $15,000."

There also was a 35-yard field goal for $100,000 – $10,000 a year for 10 years – that a UCLA political science student drilled at halftime of a 1999 game at the Rose Bowl. The university said Golf Marketing had insured the event, and when Golf Marketing denied the claim UCLA began paying Gaston Kutos his money. It also sued.

UC attorneys won a $345,000 judgment in Los Angeles two years ago. The university is still trying to collect from Kolenda and Golf Marketing, with interest pushing the amount to nearly $450,000.

In addition, the district attorney went after Golf Marketing's Southern California representative, Scott Veitch. UC attorneys say Veitch agreed to pay $25,000 in restitution to the university in a plea agreement.

"It's my understanding," says UC attorney Michael Goldstein, "that they had obtained reinsurance for the business at one time and at some point made a reassessment that they could run the business without any underlying insurance. Then they ran into a stretch of bad luck."

Connecticut court records show a half-dozen lawsuits against Golf Marketing. In 2001, the Connecticut Insurance Department issued a cease and desist order against Kolenda and Golf Marketing for "conducting the business of insurance without a license." At least two other states, North Carolina and Washington, have issued similar orders in the past 14 months.

Kolenda cheerfully answers the phone at his Connecticut headquarters and denies most of the allegations against Golf Marketing.

"Our company has been in business for 20 years and we've done 90,000 of these events," Kolenda says. "We've had some issues in the past. We've denied a few people for claims. They happen. It's unfortunate, but we have to do it because they don't abide by the rules of the contest or for fraud. We've had very valid reasons for denying them."

Kolenda confirms he once operated out of his parents' home but says he now has offices in three states. He says the UCLA case was a misunderstanding involving a broker in Georgia and that Golf Marketing never officially agreed to insure the event. As for the orders from insurance commissioners, he says they are the result of a misinformation campaign by a jealous competitor – and the insurance commissioners issued the orders before investigating the facts.

"An issue may come up, but again, these are far and few between," Kolenda says. "It's less than 1 percent of our business. Every other company has them, too, so you can't say it's only us. That's not fair to us. . . . . . We are the New York Yankees of the industry. We have set the standard on payments and claims."

###

Todd Overton joined SCA 13 years ago. He remembers his first claim vividly – a halfcourt shot at an Air Force Academy basketball game.

He remembers walking into Hamman's office to give him the news, not sure what his boss' reaction would be. Hamman shrugged and told him to cut the check.

"He's a world champion bridge player," Overton says. "He understands odds more than any person I know. He understands that things happen, that your number comes up sooner or later."

Of the numerous incarnations of sports contests, the one the industry has dialed in the most, it turns out, is the one with the longest odds: the hole-in-one. Doug Berkert, the president of National Hole-in-One, can tell you that an amateur golfer from 160 yards stands a 12,600-1 chance of holing it. For a PGA touring pro, it's closer to 2,500-1.

When your company has done 300,000 hole-in-one events, you have a fairly comprehensive database.

The 35-yard field goal is at the other end of the spectrum, closer to a 7-1 proposition.

Premiums generally range from 3 to 12 percent, Overton says, and the contest companies will reinsure most or all the prize money with large underwriters such as Lloyd's of London. When it comes to $1 million kicks or throws, companies will go the insurance premium route; some, however, have been known to decline coverage and "self-insure," gambling with their own money that a fan won't hit paydirt.

Most of the larger contest companies have actuaries on staff whose sole job is to crunch the numbers that are the basis for the premiums. The odds vary depending on the difficulty of the task, the number of contestants, the selection procedure (do they know in advance what they're doing?) and experience restrictions (the Taco Bell promotion, for instance, excluded current or former pro baseball players).

But as companies become more creative with their contests, actualizing the risk becomes, well, riskier.

"When it's not pure math, it gets tricky," Overton says. "A lot of it is guesswork. If we can't make an educated guess, we pass on it because we can't put our underwriters in that position. I know some of our competitors have taken them just because they want to generate cash flow.

"We've seen those companies come and go, though. They don't understand the business. They don't understand the odds. They look at it from afar and say, 'That'll never happen.' And that's just death. Over time, you can't win doing that. It's not that we always see it correctly; it's just that we've been doing it for so long that we understand the numbers.

"We've been around long enough to learn from our mistakes."

In Houston last summer, Tom Gray reached for the ball and threw it at the 8-foot target. *There was one second left on the clock.*

Right down the middle.

One million dollars.

Gray began celebrating wildly with Nolan Ryan, the event's celebrity coach. Minute Maid Park was roaring. Overton smiled and shook Gray's hand.

"I guess we've got a bunch of rubber-armed employees, because they couldn't do it," Overton says. "We had them try it over and over, and we thought it was worth the risk. You just go back to the office and say, 'Well, we learned on that one. Pay the claim and move forward.'

"We got that one wrong, but I promise you, we won't next time."