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Michigan, Jim Harbaugh agree to increased compensation in form of life insurance loan

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The University of Michigan and head football coach Jim Harbaugh agreed to a contract amendment that will increase total payments from the school to \$9 million in 2016.

In addition to paying a \$5 million salary for each of the remaining six years on his deal, Michigan also will loan Harbaugh \$4 million in 2016 and an additional \$2 million for the following five years to pay the premium on a life insurance policy.

The first \$2 million loan was made June 3, according to records obtained Wednesday via a Freedom of Information Act request. Each additional \$2 million payment will be made in December starting later this year.

As long as the insurance policy stays active, Harbaugh does not need to repay the loan until he dies. At that time, the university can recoup its original investment and the rest of the insurance payout would go to whomever Harbaugh chooses as his beneficiaries. Should the policy be stopped at any point, Michigan would still be entitled to get its money back from the insurer.

Michigan athletic director Warde Manuel says Jim Harbaugh "is worth every penny that he makes."

The deal insures that Harbaugh's heirs, should he die while Michigan is paying for the policy, will get no less than 150 percent of the premium that has been paid, increasing the payout by \$6 million in 2016 and \$3 million each successive year.

The 150 percent clause protects the university as well. Harbaugh is allowed to borrow against the policy while he is living but has to keep at least 150 percent of the premium value untouched, which gives the school a cushion to make sure it gets its investment back.

Harbaugh's original seven-year contract with the school allowed for the parties to sit down and discuss additional compensation after the coach finished his first season with the Wolverines.

Those discussions started under interim athletic director Jim Hackett in December. Hackett, the former CEO of Steelcase furniture, laid the groundwork for this deal, which a source at Michigan explained is a more **commonplace form of deferred compensation in the corporate world**.

New athletic director Warde Manuel had said in March that the amendment to Harbaugh's contract was nearing completion. The two sides officially came to an agreement June 3.

If Harbaugh decides to leave the school or is fired, the university will stop providing the loans for insurance premium payments. If the insurance policy is canceled for any reason after that point, Harbaugh will need to pay back the money Michigan loaned him.

Harbaugh's contract and this amendment are both set to expire in December 2021. There is a clause in the deal that allows the two sides to renegotiate after his fifth season in order to make sure Harbaugh's salary still meets market value.

ESPN senior writer Darren Rovell contributed to this report.

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