

EQUINE INSURANCE EXPLAINED



BY ALLIE LAYOS



Photo by Julia Shelburne-Hitti

These days, there's a good chance that when you purchase a show horse you're going to want to purchase insurance along with it. It's no secret that, despite looking big and strong, horses are fragile creatures, prone to injury and sickness, so insuring your expensive purchase only makes sense.

For those who have never insured a horse before, the process may seem intimidating. Some of the terms, like co-pays and deductibles, may be familiar from human insurance, but others like "justification of value" might be foreign. The good news is that you don't have to understand everything right away. According to Stacey Halloran, the owner and principal of Equidae Insurance, the most important part of insuring your horse is asking the right questions.

It was a negative experience insuring her own horse that drove Stacey to open Equidae Insurance.

"I insured with an agency I'd been with for years, and I wanted to insure a new horse and [the agent I had worked with] had retired and left," Stacey said. "It took me three days to finally get a hold of someone. At that time, I said, 'This is too big of an investment to not have someone be readily available.'"

During this experience she learned that there was a big need for customer service, and someone who would be an advocate for customers and their horses. Stacey, who for 25 years had worked in litigation support, specializing in forensic accounting, decided that she could be that person.

"I called Great American and asked what I needed to do to get an appointment with them," Stacey said.

In October of 2016, just six months after that initial phone call, Equidae was in business. Today, Equidae is licensed in 40 states and offers equine, farm and general liability insurance and more for customers all across the country. Stacey and her agents have a passion for educating the public on the ins and outs of equine insurance.

TO INSURE OR NOT TO INSURE

Stacey believes that equine insurance has become more common in recent years.

"Now our hobbies are becoming more of an investment," she said. "Purchasing a horse today is like buying a vacation home. The price of horses when we were kids was a lot different than it is today. Now people are using insurance as a resource to protect their passion."

But insuring is still a personal preference, and should be based on the circumstances.

"For most families the purchase is a significant financial investment," Stacey said. "Unfortunately, horses are accident-prone, they're fragile, they get hurt, they get sick. You should consider insuring when you're financially unable to replace that horse."

For those who can afford the costs of the disasters to which horses seem so prone, insurance may not be necessary.

CHOOSING A COMPANY

When it comes to choosing an insurance company, one thing Stacey and her team wish people would realize is that not all coverages are created equal.

"Most people shop for price instead of coverage," Stacey said. "You always need to shop carefully and ask questions."

Some of the things to research are the financial health of the carrier with which the agent is going to place your coverage.

You should look for a carrier that has an AM Best rating of “A” or above, a sign of the company’s creditworthiness.

“You want a company that has been in the business in a long time, and specializes in equine,” Stacey said.

When it comes to specific policies there are things to watch for as well. You want to be on the lookout for exclusions, or things that are not covered. For example, tieback surgery, a fairly common equine procedure, is often excluded from coverage. It is important to know what the exclusions of a policy are, so you aren’t surprised later on when you find your horse in need of that very procedure.

Then there are sublimits, or limitations on the amount of coverage available to cover a specific type of loss.

“Most carriers out there only give you 120 days total to use your Major Medical, and if you have an eye or suspensory issue or something like that, you’re not going to be able to treat that in 120 days,” Stacey said. “In addition, sometimes diagnostic testing is limited.”

TYPES OF COVERAGE

Once you’ve chosen a company, it’s time to choose the type of coverage you want for your horse. The different options can be a bit confusing at first glance, and as with everything else, the type you choose depends on your specific needs.

Many people opt for Full Mortality insurance, which is like life insurance for your horse. Full Mortality covers death due to accident, injury, sickness and disease, as well as theft.

Then there are different types of Medical Coverage.

Major Medical covers medical services and surgery if your horse gets injured or sick. Hospitalization, colic surgery, diagnostic testing, stem cell therapy, shock wave therapy and IRAP are all examples of medical expenses that could be covered under Major Medical. To apply for Major Medical, your horse must be insured for \$15,000 or more, and annual medical coverage limits range from \$10,000 to \$15,000. It is also important to note that you cannot insure for Major Medical without insuring for Full Mortality. It is also recommended that you do not insure for Full Mortality without Major Medical.

“You’re kind of putting your policy at risk to do Full Mortality and not Major Medical with it, because insurance companies will expect you to do everything to save the life of that horse, out of your pocket,” Stacey said.

Medical Assistance is similar to Major Medical, but there is a lower base insured limit to qualify and it only covers up to \$7,500 in medical expenses.

Surgical coverage covers up to \$10,000 in surgical expenses due to an accident, injury, illness or disease, and there is no insured limit to qualify. Some examples of covered surgical expenses include a surgical procedure, hospitalization, medication and anesthesia.

Most carriers will include some type of free colic coverage along with your other chosen coverage, but if you want even greater coverage in this area, there is the option to sign up for Colic Treatment & Surgery coverage. This covers up to \$10,000 in medical expenses due to colic or acute abdominal pain, and there is no insured limit to qualify. Medications, treatments or surgical procedures for the management of colic are all covered medical expenses.

Other types of equine insurance include Stallion Permanent Disability, Air Transit Coverage, Short Term/Trial Term Coverage and more.

GETTING THE PROCESS STARTED

If you choose to insure your horse, when should you start the insurance process? According to Stacey, the best answer is as soon as possible – sometimes even before the sale is finalized.

“If you know you’re in the process of a pre-purchase exam and probably going to go through with the sale, gives us a call,” Stacey said.

Her team can start paperwork before the money is even wired – and would prefer to do so.

“Before you wire that money, I would like to get that coverage bound – especially before the horse ships,” she said. “We’re binding horses on the grounds at the show, day and night. What you don’t want is to have a horse that’s shipping and is not insured.”

Stacey knows from personal experience that anything can happen. During one of her past horse purchases, she wired the money and the horse colicked the next day before it had even physically changed hands.

Some people are surprised to learn that it’s not just adult horses that can be insured. Foals can actually be insured in utero after 42 days of gestation. The paperwork is lengthy and the rates can be expensive, but this can be a useful option if your stud fee is not guaranteed or you want to insure the broodmare’s pregnancy.

After the foal is born and has passed a vet check, the foal can be insured 24 hours after birth. Without a vet check, it can be insured 31 days after birth. It should be noted that rates on foals from 24 hours to 90 days old are higher than regular equine rates due to the greater risk associated with the early developmental period.

DETERMINING VALUE

Many equestrians see their horses as priceless, but when it comes to insuring them, a value has to be determined, and there are many factors that feed into that value.

“You have to insure for fair market value,” Stacey said. “You can’t just decide whatever you want to insure it for. Like a house or car, you can’t insure it for more than it’s worth.”

When you first purchase a horse, within six months of that purchase most carriers like to use the purchase price as the insured value. However, sometimes the purchase price isn’t very reflective of the horse’s actual value.

“A question we get a lot is, ‘We bought a horse that we paid \$10,000 for, but we know it’s worth \$25,000.’ Unfortunately, we are stuck with the \$10,000 price,” Stacey said.

Luckily, with most carriers, after those first six months are up, many factors can be used to raise the horse’s value.

“As you start showing, and put money into the horse with training and show records, then value increases,” Stacey said.

After the six months are up, if a customer believes the horse’s value has increased and wants to insure the horse for a higher amount than the original purchase price, they can submit a Justification of Value form. This form includes things like the horse’s show records, lineage and siblings.

“Maybe you have a full brother or full sister of the horse and that horse sold for a certain amount – we can use those to justify value as well,” Stacey said.

Fifty percent of the training costs can also be applied to the value. For example, if the trainer charges \$1,000 a month for training, \$6,000 has been spent on training in the six-month period, so \$3,000, or fifty percent of that amount, can be applied toward the horse’s value.

When it comes to determining the value of a foal, the stud fee is multiplied by two or three, depending on the age of the young horse. Most Saddlebred foals can be insured for \$15,000, making them eligible for medical coverage. Recipient mare costs, futurity wins, sales transactions of siblings or dam production records can also help increase a young horse’s value.

“There is no magical formula and each carrier is different,” Stacey said. “The best thing to do is just pick up the phone and call your agent and walk through the process. They’re knowledgeable enough to tell you what the carrier will or will not do.” 