



EQUINE INSURANCE EXPLAINED

BY AMY J. DAUM

Eventers possess an incredibly optimistic attitude—a personality prerequisite when facing the ditches, drops, banks, water complexes, and just plain intimidating obstacles found on the average cross-country course.

As well as this glass-is-half-full mentality serves us in sport and in life, unfortunately we're still forced to contemplate worst case scenarios, including the possibility that our horses might be injured, become ill, or the almost unthinkable, that we could lose them despite all our best efforts.

Which is where the concept of insurance comes into play. A recent USEA member survey showed that only 34 percent of more than 1,300 respondents had an insurance policy in place for their horse(s)—which means that a lot of horse owners are putting themselves, and their horses, at risk.

One theory as to why only one-third of these members insure their horses is described above—the “it can't happen to me” optimism—which overall is what gets many of us out of bed and out to the barn or onto the freeway/interstate/subway in the morning. Or out competing on cross-country on the weekends. It's much more enjoyable to daydream about blue ribbons and medal stands than vet bills or life-and-death decisions.

But...we insure our cars, houses, boats, health, and even our lives. We might want to consider doing the same for our horses. Whether you have a barn full of Olympic contenders, or a lone novice level partner, these horses for most of us are both financial investments and members of the family, and insurance is one of the best ways to protect both.



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Budgeting is an essential part of horse ownership, whether as part of a computer accounting system, scribbled on the back of prize list, or just a mental computation. And January is the time most of us prepare for the year ahead.

Categories such as boarding, farrier and veterinary care, tack, instruction, and competition and clinic fees are on almost everyone's list. But often, at the bottom, if on the list at all, is a line for insurance.

It's understandable. Your bank account has a finite number of dollars, and you need to decide where they will best be spent. But unless you also have in that bank account enough money to replace your horse, say a spare \$10,000, \$20,000, or more, then you might want to consider, at the very least, a mortality (life insurance) policy. Rates vary, but the owner of a \$20,000 horse can expect to pay \$700 - \$900 a year. About what you'd pay to insure your car for comprehensive and collision. Would you ever consider not insuring your car?

What about veterinary bills? “Colic surgery these days averages about \$6,000 to \$7,000, and that’s only if there are no complications,” explained Ritch Temple, owner of Broadstone Equine Insurance Agency, the USEA’s Official Equine Insurance Provider. “Even a relatively straightforward medical colic that requires a few days in the hospital to diagnose, treat, and monitor, can easily run several thousand dollars.” And while colic is one of the most costly (and deadly) medical conditions our horses face, spend some time at a veterinary clinic and you’ll quickly become paranoid—EPM, lamenesses, broken bones from falls, kicks, or becoming cast—all happen to horses owned by people taking every precaution.

To offset the risk of finding yourself with a whopping vet bill, consider Major Medical/Surgical insurance. Annual premiums range from \$150 to \$400, for limits from \$5,000 to \$10,000 a year.

When pondering whether Major Medical/Surgical is worth it, consider what insurance underwriters have found—only one to two percent of their insured horses die, while on average 15 percent or more will have a medical or surgical claim.

QUOTES, PAPERWORK...AND MORE PAPERWORK?

Insuring a horse has become a relatively painless, straightforward process. Many agencies offer quotes on-line, so with just a few keystrokes and a click of your mouse, you can get an emailed quote. Or if you’re not comfortable with that electronic procedure, an old fashioned phone call will do the trick, and gives you the chance to ask any questions.

In fact, even after you’ve received an email quote, Temple suggests you still give the prospective insurance agent a call. “I’ve found that often, when it comes to emailed quotes, customers shop by price. And while the lowest premium may be your best option, it’s a good idea to talk to the agent to find the policy that best suits your needs.

“Some clients want the lowest overall premium, even if it means less coverage in some areas, or higher deductibles. For example, they purchase the Major Medical/Surgical coverage for the big ticket items, like colic, and don’t mind limitations on items such as diagnostics, or a slightly higher deductible.

“Others want as much as possible covered, and are willing to spend an extra \$50 or \$150. It really comes down to your personal insurance philosophy and financial situation. A conversation with the agent can make sure



We ask a lot of our horses and even the most athletic, best trained horse can take an unlucky step or suffer an unexpected illness. If that happens, insurance can help make sure you can give him the best care possible.

you get the right policy for your situation.”

Once you’ve compared quotes and clarified the coverages, for most horses at values of \$25,000 or less often all you will need to complete is an application and statement of health, which you will most likely be able to download from the agency’s website. Immediate coverage is often available by faxing the documentation to your agent. This is important for owners in the process of purchasing a new horse who want coverage before transporting it to their barn.

For horses to be insured at values higher than \$25,000, or with pre-existing medical issues, or that are very new to you, a veterinary certificate may be required. Generally a copy of a recent pre-purchase exam can be accepted in lieu of the company’s official veterinary certificate.

COVERAGES

Deciding what coverage to purchase is quite important. While the basics are the same, the actual coverage varies depending on which insurance company provides it. The number of insurance companies in the U.S. that offer horse insurance doesn’t even reach into the double digits, though the number of agencies is into the triple digits. Therefore, the insurance agent you choose to work with is very important. Hopefully they will have access to more than one company and can therefore find the policy that fits you best, from both a cost and coverage standpoint. Look for someone who is willing to answer your questions promptly and clearly, responds to emails and voice mails in a timely manner, and will provide you with a binder as proof of coverage until the actual insurance policy is mailed to you.

And most important—find an agent who is also an experienced horse person. If they don't know combined driving from combined training, or a hock from a hole in the ground, you could be in trouble in the event of a complicated claim situation. You want someone who understands the sport of eventing, and the horses and people who love it.

Mortality

Full Mortality is life insurance for your horse. It is the basic policy, with all the additional insurances like Major Medical/Surgical or Loss of Use usually attached as endorsements to the mortality policy.

The policy has a one-year term from its inception date and generally covers death due to accident, sickness or disease, transportation anywhere in the continental U.S. or Canada, humane destruction, and loss or death due to theft.

If you are purchasing a horse that is not located in the U.S., or if the horse will be traveling outside of the U.S. for any reason, contact your agent so they can add an International Transit endorsement to the policy. These range from 0.5 to 1 percent of the horse's insured value.

A coverage called Limited Perils is also available. As its name implies, this coverage is very restricted. It covers for death due to only a few specified causes, such as fire and lightning. The premium for this coverage is much less, but due to its limitations, few horse owners purchase it.

"Premium rates for a full mortality policy are based on several factors including the age, breed, and use of the horse," Temple explained. "The rate for event horses of any

breed from the ages of 2 to 15 ranges from 3.6 percent to 4.5 percent, depending on the insurance company and possibly the level at which the horse is competing. A \$20,000 horse can be insured for \$700 to \$900 per year."

Value is an important consideration. A horse can be insured at its fair market value or less, though a minimum annual premium may apply. Fair market value means the amount you could expect to get if you sold the horse to the average buyer. For recent acquisitions, the purchase price would usually be considered the fair market value. For horses purchased years before, the purchase price can be used as a base, but if the horse has been in training and competing, most likely its value has increased. In these cases a competition record can be submitted as substantiation.

Also, if during the policy term the horse is competing successfully enough to warrant an increase in its insured value, you can usually increase the insured value with a written request and competition record. An endorsement is then sent with an invoice for the difference in premium.

If you want to insure your horse, but can't fit the entire premium into your budget, consider insuring for less than the horse's full value. "If you sold your training level champion today, he might bring \$30,000. That doesn't mean you can't insure him for less, maybe \$10,000, enough to get you started with a novice level greenie," Temple pointed out.

Major Medical/Surgical

Major Medical/Surgical comes into play if the horse is injured or becomes ill. Most

companies provide it to horses from six months to 15 years of age. For as little as a \$150 annual premium, it can provide an annual aggregate limit of \$5,000 (the maximum it will pay out during the policy period) in medical and surgical costs, with a \$250 per claim deductible. Higher limits of \$7,500 or \$10,000 are available, with varying deductibles, with premiums ranging from \$225 to \$400.

Major Medical/Surgical, as its names suggests, covers for medical or surgical care. Among other exclusions it does not provide for routine health maintenance such as preventative inoculations, deworming or dental care, or for elective or cosmetic surgery such as castration or Caslick's operations. It also does not usually cover the costs of transporting the horse or the veterinarian's call charge.

So if your horse colics, founders, runs through a fence, gets kicked, or suffers any of the other countless injuries or illnesses that can keep you up worrying at night, this insurance reimburses for covered costs after the deductible is met. The actual coverage varies depending on the insurance company that provides it, so ask your agent about exclusions (items or procedures that aren't covered), co-pays, deductibles, and time limits.

The Major Medical/Surgical is probably the most popular coverage, paired with the mortality. With medical and surgical techniques and procedures developing every day, and the costs to perform them increasing as well, for many horse owners the coverage more than pays for itself.

Generally, Major Medical/Surgical is available as an endorsement to the mortality policy, not as a stand alone coverage. An owner more concerned with the risk of a seri-

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ous injury or illness can insure their horse for a lower value, but still get the full Major Medical/Surgical benefits.

Surgical

Major Medical/Surgical is generally available only through the age of 15. Surgical only coverage is an option that many owners of older horses choose, since for \$125 or so a year, it can provide \$5,000 in coverage for surgical procedures, often with no deductible. This coverage pays for the surgery and often some medical fees related to the surgery. It does not cover medical conditions—so if your horse has a medical colic, EPM, a non-surgical lameness, et cetera, their coverage would not respond. But if you're concerned with high dollar items such as colic surgery, it could come in handy.

Loss of Use

Loss of Use works something like permanent disability insurance in cases where the horse is permanently no longer able to perform its insured function, but does not need to be humanely destroyed. Horses in these cases may be able to be kept as a pasture pet, be used for light riding, or as breeding stock. But while most owners are grateful that their horse does not have to be put down, they are still suffering a financial loss.

For these risks, two types of coverage exist,

though not all companies will offer the insurance for event horses. The more limited coverage is known as Accidental Loss of Use or External Injury Loss of Use. The cause of the loss of use must be an accidental, external injury, such as a fall, kick, or trailering accident. Illnesses would not be covered, nor would most lamenesses or degenerative conditions, such as bowed tendons, founder, or arthritis. The premium averages at about two percent of the horse's insured value, while the pay-out is generally 50 to 60 percent of the value. For example, the loss of use annual premium on a \$50,000 horse would be \$1,000 or more, and if a claim was paid, it would be for \$25,000 to \$30,000.

Full Loss of Use, which covers for a permanent loss of use due to external causes and also for internal issues such as disease or illness, is more expensive, generally not available for event horses, and requires an extensive veterinary exam, usually including radiographs. The annual premium for this coverage is closer to three percent of the horse's value for a 50 to 60 percent return on the insured value.

There are several Items to keep in mind when considering any loss of use coverage. If a claim is approved, the company usually has the option to take possession of the horse. Generally this does not happen—insurance companies do not want a barn

full of disabled horses—but it can help deter someone from making a fraudulent claim. In most instances, however, owners wish to keep their horses. With some companies, in these cases the value of the horse after the loss of use is deducted from the amount of the claim payment. Since most horses have little residual value after a loss of use, unless as breeding stock, the amount deducted is usually quite minimal.


“Loss of use claims are often not easy to resolve,” Temple admitted. “Determining whether or not a horse is truly permanently disabled is not always easy, due to the nature of the injury, the expected recovery time, or treatment options. These claims are rarely simple and can be frustrating for the horse owner.”

CAVEAT EMPTOR

A few “let the buyer beware” items for consideration. Horse insurance is very different from human health insurance. For example, pre-existing conditions are not covered, even if the horse was insured when it first contracted the disease or condition or suffered the injury. So, if your horse bows a tendon, develops EPM, or requires colic surgery while he's insured, expect it to be covered during that policy, but also expect to see an exclusion on the next year's policy when you renew. This is because the condition is now considered pre-existing to the new policy.

Don't fret if your horse develops a problem late in the policy period, though, because most policies include an extension of coverage, for both Mortality and Major Medical/Surgical, as long as the condition occurred and was reported during the original policy period. So, if your horse colics the week before your policy expires, as long as you report it before the policy expires, you should have 30 to 180 days of coverage from the expiration date. Temple advises that you check with your agent to see what your policy's extension period is, and consider purchasing the policy with the longest extension. You want as much coverage as possible.

CONCLUSION

So it's that time of year again. Painful as it may be to relinquish hard-earned dollars from two jobs, one for normal household expenses and the other for the horse habit, knowing that you're covered in case of the unthinkable buys you more than security. It also gives your peace of mind. 

Ritch Temple of Broadstone Equine Insurance Agency, the Official Equine Insurance Provider of the USEA, can be reached at 888-687-8555 or visit Temple@BroadstoneEquine.com, or www.BroadstoneEquine.com.

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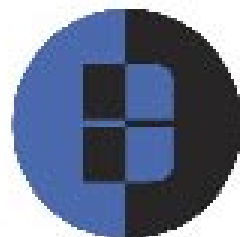
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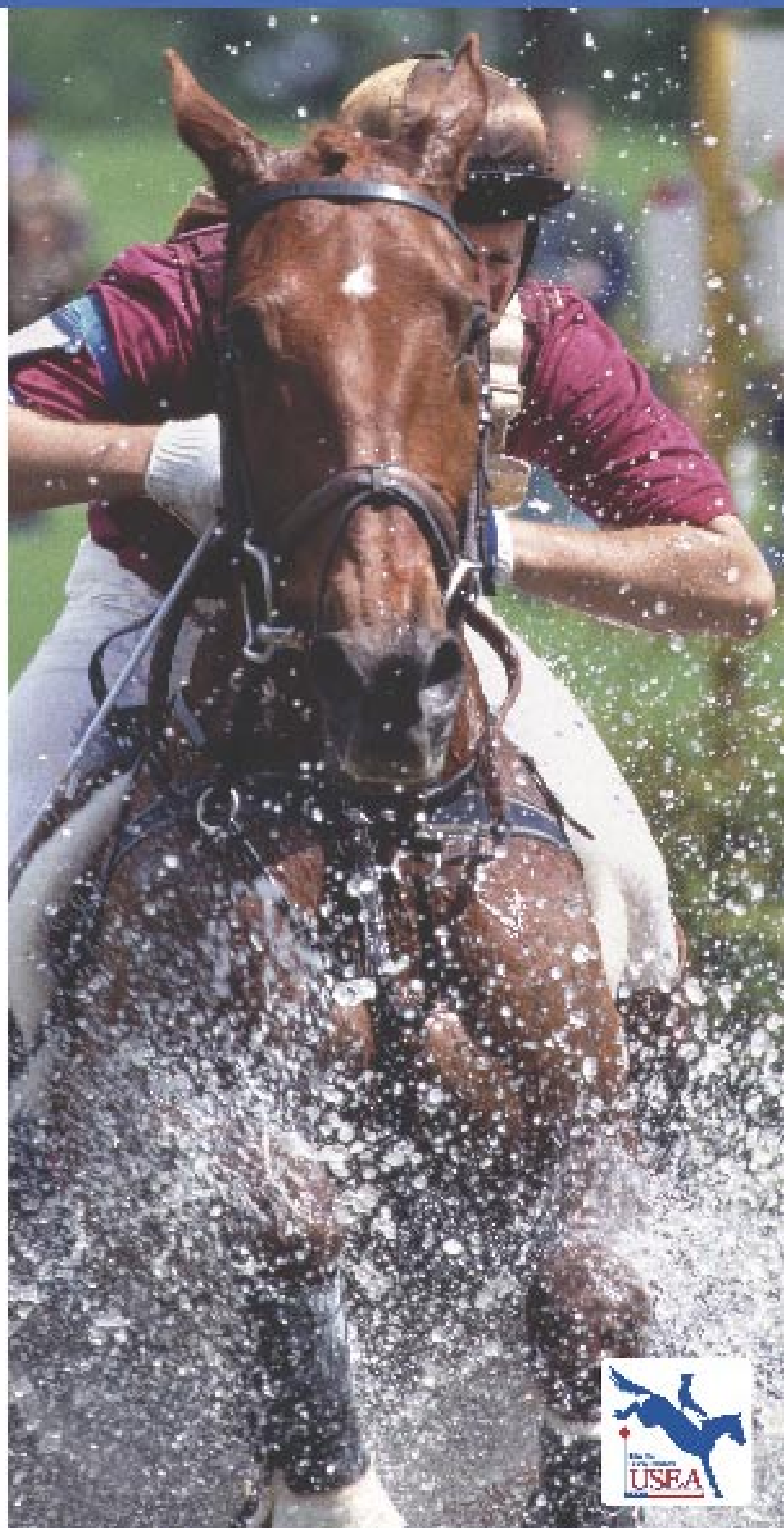
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