March 2021

Equine Insurance – Categories and Typical Terms

The "horseless carriage" has spawned a world of insurance needs and obligations, including requirements to obtain insurance before driving. But the horse itself also implicates many of the same questions – and some unique ones. Equine insurance provides peace of mind and remedies for many risks inherent to the industry.

The broad categories of equine insurance include:

Mortality – essentially, life insurance on the horse. The horse's monetary value is typically determined by a recent price, but specialists also use actuarial tables and will consider post-purchase investments such as training and competitions. As in people, costs of insurance increase with age. Typical policies cover up to age 14 but allow for some continuing coverage at increasing rates up to age 20. And an insurer will press for saving a horse when feasible, including demanding surgery. After all, the insurer, too, wants to protect its investment, and does not want a mortality claim made if possible. A veterinarian will be involved in determining what is medically necessary or, in worst-case scenarios, when euthanasia should be considered (following the American Association of Equine Practitioners' guidelines).

Loss of use – similarly to mortality insurance, designed to compensate for the loss of the horse's ability to compete or perform as anticipated. Generally, only permanent loss of use is covered, and would have to be documented by veterinary exam and diagnosis. Some policies may be specific to only injuries caused by sudden trauma, rather than illness or chronic conditions. "Loss of use" may not mean what the dictionary suggests – a policy should be reviewed to understand whether all commercial loss of the horse is covered or only a horse's inability to compete in a specific category of competition. Or, it may be specific to a horse's breeding ability. The equestrian also should be aware that after payment, the horse may become the insurance company's property – like a totaled car – unless a "salvage" value is negotiated.

Medical – to cover expenses just as one might insure a family member. Medical insurance policies are typically add-ons to mortality policies, and many are only available for horses with an established minimum value. Medical policies generally cover veterinary expenses necessitated by unexpected events such as accident, illness, or disease, and typically exclude congenital defects and pre-existing conditions, elective procedures (i.e., castration), and dental procedures. Horses may also age out of eligibility. Policies may also exclude expenses, such as veterinary travel. And after a horse is treated, the reissued policy may include the past-treated condition as a new pre-existing condition.

Liability – to protect the owner from losses due to the horse injuring a third party. Such policies may follow the horse, wherever it goes – including showing the horse in support of a sale – or may be specific to where the horse is ordinarily kept (i.e., premises liability insurance). Or, it may be specific to a ranch or a trainer, covering multiple horses, owned by people other than the insured. These "farm" or "ranch" policies may also be beneficial for riding clubs and nonprofit organizations.

Some insurers offer "umbrella"-type policies combining some or all of these categories. Before obtaining insurance, an equestrian should investigate the insurer's license status and consumer satisfaction rating (for instance, through A.M. Best, which grades insurance companies on their financial sustainability). If a company is not licensed in a state, there may be little recourse in case of a dispute. If it is admitted, it will be subject to regulation by the state's department of insurance, which often will be helpful in obtaining compliance. A non-admitted company may still be a viable choice and may be more open to negotiating a bespoke coverage plan. An insurance agent may not be allowed to recommend a non-admitted company if an admitted one provides a coverage option, and should be able to explain the relative advantages of each policy.

Finally, some equestrians may want to consider the "self-insurance." An "off the shelf" insurance policy may not cover the specific risks that concern equestrians. Self-insuring provides equestrians the ability to design their own coverages to cover the risks that create specific concerns. Further, self-insuring unique assets of this classification can provide equestrians with a significant additional tool to manage their risks and assets.

Authors

This GT Alert was prepared by:

- John K. Londot | +1 850.425.8539 | londotj@gtlaw.com
- Timothy F. Stanfield | +1 850.222.6891 | stanfieldt@gtlaw.com

*This Greenberg Traurig Alert is issued for informational purposes only and is not intended to be construed or used as general legal advice nor as a solicitation of any type. Please contact the author(s) or your Greenberg Traurig contact if you have questions regarding the currency of this information. The hiring of a lawyer is an important decision. Before you decide, ask for written information about the lawyer's legal qualifications and experience. Greenberg Traurig is a service mark and trade name of Greenberg Traurig, LLP and Greenberg Traurig, P.A. ¬Greenberg Traurig's Berlin office is operated by Greenberg Traurig Germany, an affiliate of Greenberg Traurig, P.A. and Greenberg Traurig, LLP. *Operates as a separate UK registered legal entity. +Greenberg Traurig's Mexico City office is operated by Greenberg Traurig, S.C., an affiliate of Greenberg Traurig, P.A. and Greenberg Traurig, LLP. »Greenberg Traurig's Milan office is operated by Greenberg Traurig Santa Maria, an affiliate of Greenberg Traurig, P.A. and Greenberg Traurig, LLP. ∞Operates as Greenberg Traurig LLP Foreign Legal Consultant Office. ^Greenberg Traurig's Tel Aviv office is a branch of Greenberg Traurig, P.A., Florida, USA. ¤Greenberg Traurig's Tokyo Office is operated by GT Tokyo Horitsu Jimusho and Greenberg Traurig Gaikokuhojimubengoshi Jimusho, affiliates of Greenberg Traurig, P.A. and Greenberg Traurig, LLP. ~Greenberg Traurig's Warsaw office is operated by Greenberg Traurig Grzesiak sp.k., an affiliate of Greenberg Traurig, P.A. and Greenberg Traurig, LLP. Certain partners in Greenberg Traurig Grzesiak sp.k. are also shareholders in Greenberg Traurig, P.A. Images in this advertisement do not depict Greenberg Traurig attorneys, clients, staff or facilities. No aspect of this advertisement has been approved by the Supreme Court of New Jersey. ©2021 Greenberg Traurig, LLP. All rights reserved.*