



Star H Equine Insurance

Butch Human

1-877-827-4480

HORSE INSURANCE --- WHO NEEDS IT!

It probably isn't necessary for every horse owner to insure their horse. If you go out and buy a new Mercedes for \$75,000. and total it on the way home and you have the financial resources to go back the next day and buy another one, then don't waste your money on insuring the car. Likewise, if you can afford to replace your horse if it dies tonight then you probably don't need to worry about insuring it. However, if replacing your horse would create a financial pinch on your checkbook, then perhaps you should consider insuring him.

If you decide that insurance on your horse is a good idea, how much do you insure him for and what kinds of coverage do you need?

There are three schools of thought on how much to insure your horse for. The first is for his " Potential Market Value"- what he may be worth if you decided to sell him today. You may have bought Old Blue for \$10,000., put a nice show record on him and now think that he may be worth \$25,000. Of course, he's only worth \$25,000. if someone comes along and gives you a good check or cash. At that point you don't care how much insurance is on him because it just became the new owners concern.

The second school of thought is to insure your horse for the amount you have invested in him. This is usually your purchase price plus training expenses incurred. This is the method that I personally tend to favor because the whole purpose if insurance is to put you back in the same financial position you were in before your horse died, not to allow you to profit from your horse dying.

The third, and most recent valuation method we are seeing is to insure the horse for just enough Mortality insurance to be able to get Major Medical on him. This method does make a little sense when you consider that approximately 90% of our claims each year involve Major Medical and not Mortality (the horse dying). Some clients have told me that they are not that worried about the horse dying, but they don't want to get blindsided by a huge Major Medical claim.

The next coverage that I would recommend that you consider is Major Medical. This is somewhat similar to people health insurance and usually is available with limits of \$5,000. or \$7,500. per year with a \$250.-\$300. per claim deductible. Major Medical coverage is intended to respond when your horse requires veterinary treatment above the deductible amount caused by accidents, sickness or disease. The coverage also



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applies to diagnostic treatment to determine the location of a lameness. Most companies will pay for basic diagnostic treatment- physical examination, x-rays, ultrasound and nerve blocks. If more advanced diagnostic procedures or treatments such as MRI are recommended I suggest you call your insurance company and find out if these are going to be covered. The annual cost of Major Medical coverage is usually from \$175.-\$300. per year.

The final coverage I will refer to is called Loss of Use, and again, this is somewhat similar to people Disability Insurance. Most insurance companies define Loss of Use as the permanent inability to perform his intended use as shown on your policy, i.e., Hunter. Reining or Cutting, etc., caused by an accident sickness or disease. The coverage is only available for performance horses and the definition of a performance horse can vary from company to company. Halter horses, racing horses and broodmares are not eligible for this coverage. In the event of a claim under this coverage, most companies will pay from 50%-75% of the amount of Mortality insurance on your horse. For example, if you have \$30,000. Mortality insurance on your horse, the Loss of Use claim amount would be from \$15,000.(50%) to \$22,500. (75%) depending on the company you are insured with. A word of caution is advisable here- Some insurance companies say they will pay you 75% but they will take ownership of your horse, or they will pay 50% and you can keep the horse. Personally, I have never liked this method of settling a Loss of Use claim. Other companies say they will pay a certain percentage, i.e., 60% and you keep the horse. This eliminates your having to make a decision as whether to give up your horse or not. The annual cost of Loss of Use insurance is usually between 3% and 4% of the Mortality insurance value. For example, let's use the same \$30,000. horse mentioned above. The annual premium would usually run from \$900. (3%) to \$1200. (4%).

Butch Human is President of Star H Equine Insurance Agency, with offices in North Carolina and Texas. He has over twenty-five years experience in the Equine insurance field. Butch can be reached at 877-827-4480 or butch@starhinsurance.com. The agencies website address is www.starhinsurance.com