

# PROTECT YOUR ASSETS

## WHAT EVERY HORSE OWNER NEEDS TO KNOW ABOUT INSURANCE

By Rachel Kooiker

On July 30, 2018, AQHA Professional Horseman and judge Nancy Renfro hooked up her truck and trailer and started off on what should've been a routine three-day drive to the AQHA Youth World and NSBA World Show. Along for the ride were Renfro's two girls, three dogs, and six horses loaded in the trailer. Renfro had made it about 35 miles west of Needles, CA, and the crew was hoping to drive another 50 miles to make it to Arizona before their next stop. Their plans came to a sudden halt as the truck jerked sharply to the right and the entire rig was pulled into the soft gravel on the side of the road. The size and weight of the rig, combined with the soft gravel, threw the truck and trailer into a ditch. The rig flipped onto its right side and somersaulted over to its left side before finally stopping upright. At some point during the rollover, the entire left side of the trailer roof had been scraped away from the trailer body, leaving a gaping scar where the top of the trailer should have been. Even worse, the crash ejected five of the horses onto the interstate, in the way of oncoming traffic. Acting swiftly, Renfro made sure that her kids and dogs were okay before she began the daunting task of trying to catch the horses that were now scattered across the road. In addition to the horses, all of the tack, show clothes, and equipment that had been packed carefully for the long trip was littered across the highway.

This is a scene from any equestrian's worst nightmare. It's no secret that hauling horses and horse ownership, in general, is full of risks. You have sweat equity involved in the time and effort that's put into planning your showing endeavors, and you've invested a significant amount of money in your horses, tack, equipment, and show clothes. Have you ever considered what might happen if the entirety of that investment was destroyed by one freak accident? While we don't like to imagine that the worst will happen, it's best to be prepared. Thankfully, in Renfro's case, no human or equine lives were lost. However, when the debris was cleared, she faced over \$150,000 in total damages and losses from the accident. Renfro was lucky, though, because she had a custom farm owner and auto insurance policy that allowed her to recoup a significant amount of what would've otherwise been a complete loss to her business. A couple of years before the accident, Nancy had contacted Tim Folck of Folck Insurance in

Lexington, Kentucky to come out and check to see what portions of her horse farm and training business needed to be insured. Sadly, few people do this, especially trainers. Many people simply don't know what can and cannot be insured. Read on to get expert advice about how to properly insure your future from equine and farm insurance specialist Tim Folck.

### KNOW THE RISKS

In today's world, it isn't just damage, theft, or loss itself that poses a threat to your investment. Using Renfro's accident as an example, you can see how there was an extremely high risk for a potential lawsuit had any of the loose horses caused a secondary accident. Without proper liability insurance, the costs of litigation can send even the most financially secure farm into bankruptcy. Folck explains, "Liability insurance is insurance that protects the insured against financial loss arising from bodily injury or damage to another person or property that might be caused by your horse or horse-related activities. It's important that your insurance agent and company understand your operation, and it's critical to work with an insurance agent that's experienced with horses and understands your business, for this reason."

Imagine this scenario: You're driving around the showgrounds in your brand new, custom golf cart emblazoned with your farm name. You don't see the horse and rider walking on the access road around the corner. When you turn left, you drive straight into them. This is an actual incident that happened to one of Folck's clients. Unfortunately, there were non-life threatening injuries to both the horse and human involved in the accident. When Folck writes insurance packages for clients, he often finds himself asking about details, such as owning and using golf carts at shows, in addition to a host of activities that clients might engage in both on and off their farms. In this case, Folck's client was better protected because the golf cart was covered under the insurance policy that he carried. The claim, in this case, was approximately \$34,000. So, the question you need to ask yourself is this: Can I afford to defend myself against legal action or replace my property or another's property in the event of an accident or loss?

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Beyond liability, events such as severe storms, floods, and fires pose a risk to your equine investments. Again, homeowner's insurance isn't designed to provide coverage for farm structures and equipment stored in or related to these structures. Folck recently consulted with trainer Becky



revised my policy as I was underinsured in some areas and overinsured in others. My personal

property was scheduled out, and he suggested additional amounts for show clothes, tack, and other equipment. We listed the more expensive items, like saddles and bridles. Had he not revised my policy, my losses would've been substantial, as none

Schooler to design a package that would not just insure the building cost of her farm structures and dwellings, but rather the "Replacement Cost," or what it would cost to repair or replace these structures in today's costly market. "This is another important consideration in your horse farm insurance, because calculating the value of your structures and equipment may still leave you underinsured or uninsured," he says. There was recently a large hail storm that substantially damaged Schooler's barns. Had Folck written the policy to cover the actual value rather than replacement costs, Schooler's claim would've paid her significantly less and may have left her on her own to shoulder the financial burden of repairing her barns.

### THE PROCESS

Getting set up with proper insurance does take a bit of time, but it's not as daunting as some may think. Folck outlines the process, "You need to start by filling out an application. You can also have your agent fill out the application based on an interview with you. From there, your agent should ask you for detailed information about your farm or equine operation (i.e., training, boarding, buying/selling horses, lessons, etc.) so that the appropriate coverage can be established. The rates charged are typically related to your exposure or risk." Exposure is related to the types and frequency of activities in which you participate. The more activities you participate in, or income you produce, the more exposure or risk is present, and the higher the insurance rates will be. Likewise, any activities that aren't listed specifically on your policy may not be protected, so any liability related to that activity might leave your personal assets vulnerable in the event of litigation. In the case of the golf cart scenario, if that activity and piece of equipment hadn't been disclosed and written into the policy, there would've been a gap in the insurance protection.

Renfro says, "A few years ago, Tim Folck completely

of these items would've been covered." Many exhibitors who own and show horses, but keep them with a trainer, might take for granted that their property would be protected by insurance that their trainer carries. This is not the case. Renfro adds, "My clients' tack is not covered by my policy. I have since informed clients to place items on their own policy. This way, it's protected. Many people aren't aware of this in our industry. My advice is to take an hour out of your day and sit down and go over your policy. If your agent doesn't understand the equestrian business and lifestyle, find someone who does. I can't stress how much easier it was having Tim Folck as my agent, both for asking questions and getting my claim expedited." Also, many people in the horse industry don't completely understand their state's equine liability laws. In general, equine liability laws vary from state to state and merely posting an equine liability notice in your barn isn't a guarantee of legal protection.

According to Folck, "If you own a farm, whether it's a small or a large place, and you have barns, equipment, machines, and tack, then you need a farm owner's package. Many people are under the impression that barns and horse-related equipment are covered under their homeowner's policy, but that's not usually the case. A homeowner's policy is designed to cover a home, not farm structures, tack, or equine liability. Some insurance companies, not wanting to lose your business, may try to package items onto your existing homeowner's policy. However, this doesn't typically provide adequate protection." Renfro confides, "Before working with Tim on my custom insurance package, I was under the impression that the contents in my truck and trailer would be covered by the vehicle insurance. I was wrong."

The reason that most homeowner's policies aren't enough comes down to the exclusions in place that would prevent you from collecting a claim. Most homeowner's policies include exclusions on claims for your equine

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business that happen on or off your property. Any claim related to an accident or loss incurred, that's related to your equine business—whether it happens at home, while on the road, at your trainer's barn, or at a show—would be rejected. Similarly, many homeowner's policies reject any claims that can be tied to a business pursuit. This could even include rejecting claims because animals you own have won prize money or you have been, or are, receiving monetary income.

### FOR FUTURE REFERENCE

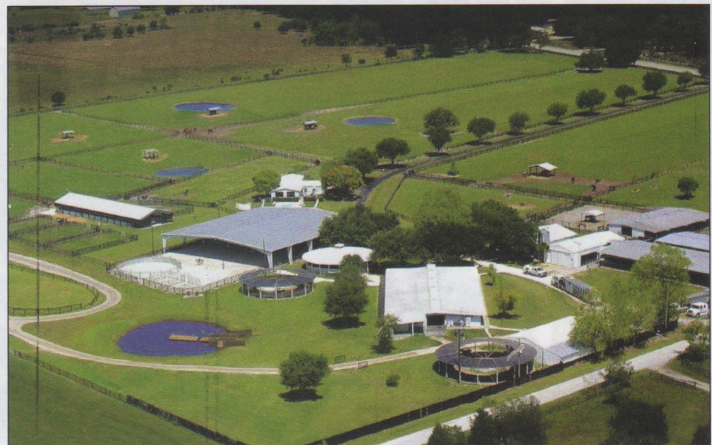
While many people who own show horses do purchase coverage for the horses themselves in the form of mortality, major medical, or loss of use insurance, most are underinsured or completely uninsured when it comes to liability. If you operate a business, you'll want to consider a commercial stable liability policy. On the other hand, if you privately own horses, you'll want to discuss private equine liability policies. Equestrians who run a business or own/lease a farm property have invested in their operation and may want to add a policy to their liability insurance to cover their horse showing accessories (show clothes, tack, blankets, golf carts, etc.) Because the horse industry and your related activities and investments are often complex, you will need a custom insurance package that can roll types of horse and farm insurance together. No matter what, you'll be happier and better protected if you seek out an agent who understands what you do with horses. As Folck says, "You can't teach the experience that comes with knowing what goes on at a farm or horse show. If your agent doesn't know what a boarding stable is, that agent isn't going to be able to correctly write your policies." Another consideration when selecting your insurance

coverage and agent is to know whether or not your agent is independent or "captive." An independent agent can choose to represent and work with top-rated, reliable companies, while a captive agent may only be able to work with a specific company, regardless of ratings or reviews.

Finally, remember to review your coverage regularly and communicate with your insurance agent to update the items scheduled on your insurance package. Folck told us of one unfortunate example. He recalls, "A few years ago at the Congress, a woman purchased a \$22,000 Harris saddle. It was stolen two days later. Since it wasn't insured, the cost of the saddle was a total loss. If you make a big purchase, take a picture of the item, take a picture of the invoice, and email it to your agent as soon as possible. Then, it will be added to your policy and covered adequately." Folck acknowledges, "It's easy to go out and buy a new saddle or show jacket, but if you can't afford to replace that item, you need to add it to your insurance."

### ABOUT THE EXPERT

Tim and his wife, Denise, are involved in a wide range of insurance services that specialize in all forms of horse- and cattle-related coverages and property and liability protection for horse owners, breeders, and trainers as well as equine organizations and associations. They have comprehensive and current knowledge of the horse business from their personal interest and involvement in the industry. They bring their multifaceted experience in breeding, raising, showing, and racing horses over the past decades plus years of past sales management to their expertise in equine and farm insurance. They currently own Folck Insurance and are licensed in every state except Alaska.



EXAMPLE OF A FARM AND STRUCTURES INSURED BY THE FOLCK AGENCY